



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

ANNUAL REPORT

2016/17



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INNOVATION & EMPLOYMENT**
HĪKINA WHAKATUTUKI

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New Zealand Government

ANNUAL REPORT 2016/17

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CHIEF EXECUTIVE'S FOREWORD

I am pleased to present the Ministry of Business, Innovation and Employment's 2016/17 Annual Report.

The Ministry's purpose is to grow the economy to provide a better standard of living for all New Zealanders. We state this purpose as to Grow New Zealand for all. This means successful businesses, sectors, regions and people. Our goal is also echoed in our Māori identity – Hīkina Whakatutuki – which broadly means 'lifting to make successful'.

We have been working with others to support an economy where businesses can innovate and grow, people have improving job opportunities and access to affordable and quality housing. This year's Annual Report provides an overview of Ministry-led initiatives and collaborative work we have progressed.

In 2016, we went through a second independent review using the State Services Commission's Performance Improvement Framework (PIF). It was pleasing to see the PIF reviewers found that we had performed strongly and were on track to deliver on our aims. In addition to reviewing the progress against the 2014 review, the reviewers focused on the challenges and opportunities in three key areas; regulatory systems, the science and innovation systems and customer centricity. We are now working to continue to build upon our success to create the best outcomes for New Zealanders in an ever changing world.

This year has seen the Ministry achieve many milestones to support a thriving economy. Some of the highlights include, the launch of regional economic action plans across five regions, establishing an agency to tackle cybercrime in New Zealand and supporting the development of a space industry in New Zealand. We have also continued to provide a platform for businesses and people to succeed by providing stewardship of 16 regulatory systems. Looking ahead, we are focused on achieving our goal of excellence in all our regulatory functions and systems by 2022.

The Ministry's size, scale and reach means we are well-positioned to meet challenges to New Zealand's wellbeing. This year, the Ministry played a considerable role responding to the natural disasters that hit our communities. The Ministry demonstrated its collaborative response to the Kaikōura earthquake and the flooding of Edgecumbe by working to support our regions, businesses and government colleagues challenged by these devastating events.

I would like to thank all staff as well as our partners and supporters for their commitment to deliver on our outcomes over the last year, while also responding to adverse events.

I look forward to the Ministry's next steps to Grow New Zealand for All.

A handwritten signature in black ink, appearing to read 'Carolyn Tremain'.

Carolyn Tremain
Chief Executive

OUR ORGANISATION

The Ministry of Business, Innovation and Employment's goal is to create a resilient and high-performing economy that delivers real and ongoing quality of life for all New Zealanders.

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

We have developed strong processes and practices over the last five years that use the size and capabilities of our component parts. We are organised into seven distinct business groups: five groups provide policy and regulatory advice to Ministers, regulatory functions, functional leadership and services to businesses and people, and two business groups provide support functions for the Ministry, such as Finance, Human Resources, and Information and Communications Technology Services.

No one unit operates in isolation. We are conscious about collaborating and using our combined resources strategically. We are working to be more integrated and connected so that our policies and regulations can be developed in a way that is good for the market and works for people, businesses and sectors.

Our Business Strategy identifies key programmes of work that make the biggest difference to economic growth and our key stewardship obligations. Our senior leadership team oversees and coordinates the work of the Ministry, and uses a range of reporting and monitoring tools to ensure we are achieving our strategic objectives.



From left to right: Stewart McRobie, Chief Financial Officer; Adrienne Meikle, Deputy Chief Executive Corporate, Governance and Information; Nigel Bickle, Deputy Chief Executive Immigration New Zealand; Carolyn Tremain, Chief Executive; Chris Bunny, Deputy Chief Executive Building, Resources and Markets; Paul Stocks, Deputy Chief Executive Labour, Science and Enterprise; Jo Hughes, Head of the Office of the Chief Executive; Greg Patchell, Deputy Chief Executive Market Services.



OUR YEAR AT A GLANCE

400

Applications

Investor and Investor Plus residence applications approved were the highest ever, in both numbers and funds invested. More than \$1 billion has been transferred and invested, and more than 400 applications processed this year.

20

Acts

The Ministry implemented a Regulatory Systems Amendment Bill to efficiently make small changes across 20 Acts.

250k

Employment agreements

The new workplace policy builder and employment agreement builder launched at Business.govt.nz in March 2017, resulted in 25,511 visits to the policy builder and 250,000 employment agreements produced.

20k

Trademarks

The Intellectual Property Office of New Zealand (IPONZ) was ranked number one for online capabilities by the World Trademark Review. IPONZ assesses more than 20,000 trademark, 8,000 patent, 1,400 design and 140 plant variety rights applications every year.

**MORE
COMPETITIVE
BUSINESSES**

Regional support

Regional Economic action plans were launched in Gisborne-Tairāwhiti, Hawke's Bay, Manawatū-Whanganui and Southland. The Tai Poutini West Coast Growth Study was also released, with the action plan launched in July 2017.

Growing sectors

The Outer Space and High-altitude Activities Bill was passed in July 2017 and will come into force on 21 December 2017, enabling New Zealand's space sector to grow.

**JOB
OPPORTUNITIES
FOR ALL**

Progressing pay equity

The new Pay Equity Bill was developed by MBIE. The Bill has been introduced to parliament, and once passed, will provide a significant tool for employees in female dominated industries to negotiate fair and equitable pay.

A digital future

The Ministry partnered with the Department of Internal Affairs on the Building a Digital Nation action plan, released in March 2017. Many initiatives are partnerships between government and the digital community.

72k

Dwellings

213 special housing areas have been established across New Zealand, providing long-term capacity for more than 72,000 dwellings.

\$1b

Housing Infrastructure Fund

The Ministry led development of the \$1 billion contestable Housing Infrastructure Fund, to support developers to build more housing more quickly.



Making land available

Development was progressed on seven sites, including three in Christchurch, where Crown agencies were holding land for future public facilities. The aim is to see if the land is better used for housing.

242

Complaints

The new Tenancy Compliance and Investigations Team received 242 complaints, found 26 involved no breach, reached a compliance agreement with landlords in 76 cases, provided advice to landlords in 55 cases and has lodged cases with the Tribunal in three cases involving 199 properties.



Disaster response:

The Ministry provided disaster relief support for :

- › residents needing temporary accommodation
- › visitors needing immediate advice
- › the tourism sector
- › business recovery
- › government agencies.

KAIKŌURA

- › The Ministry established an Earthquake Recovery Co-ordination Team to join up activities across government, and brought together key agencies to form the Regional Economic Recovery Officials Group providing Ministers with one source of authoritative data and analysis on recovery issues.
- › We activated the Kaikōura Earthquake Temporary Accommodation Service to manage 364 requests for support; of these 279 have been resolved and 85 remain active.

- › The Ministry-coordinated Visitor Sector Emergency Advisory Group assisted international visitors impacted by the earthquake, mobilised the resources of the visitor sector to assist with the emergency response, and helped communicate to New Zealand’s international visitor and student markets.
- › The Government Property Group directly assisted six agencies displaced by the Kaikōura earthquakes and provided support to a number of other agencies with their accommodation needs, using two buildings vacated by the Wellington Accommodation project tranche 2 and collaboration of agencies.

EDGE CUMBE

- › We activated the Edgumbe Temporary Accommodation Service (TAS) to manage 99 requests for assistance.

BUSINESS

- › After the 14 November 2016 Earthquakes \$17.5 million was made available through an Earthquake Support Subsidy. A total of 865 businesses made use of the subsidy. This was replaced by a \$1million Business Recovery Grant Programme that has so far paid \$386,970 to 20 eligible businesses.



OUR PURPOSE

We are here to Grow New Zealand for all

It is a motivating purpose and one we cannot achieve on our own. One of our important functions is to coordinate and partner with others to deliver better outcomes for New Zealand. We work closely with other government agencies, Crown entities and businesses, to grow a productive and internationally competitive economy. Our goal is to enable all New Zealanders to participate in the economy through improved job opportunities and by ensuring quality housing is more affordable.

Growing New Zealand for all requires sustained effort across multiple areas – as illustrated by the indicators and outcomes in the triangle below. Progress on each of these outcomes is monitored through a number of intermediate outcomes.

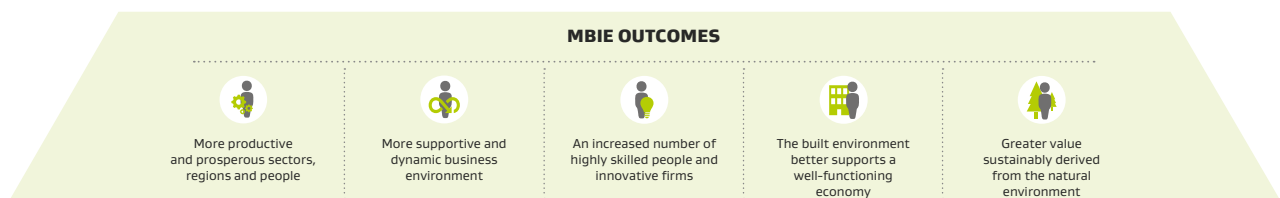
This annual report provides an update on our progress against these outcomes and our overall work programme for 2016/17.



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.

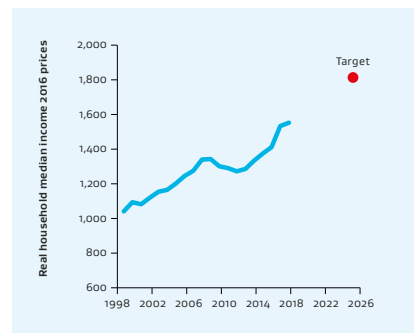


OVERALL PROGRESS

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.

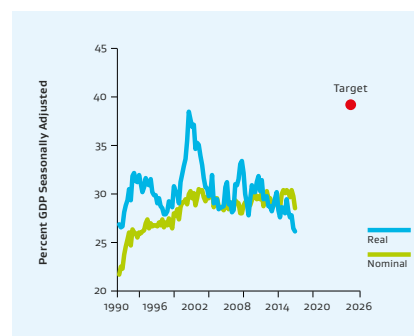
Increase real household income by 40% by 2025

Progress continues to be made toward the primary goal of increased household incomes. From 2012 to the end of 2017, real household incomes grew 18 per cent. The increase was driven by a combination of more hours worked (reflecting more people in full-time work) and an increase in hourly earnings for wage and salaried workers. Real incomes need to continue growing at above two per cent per year to reach the target. This growth would be slightly above the average of the last 15 years.



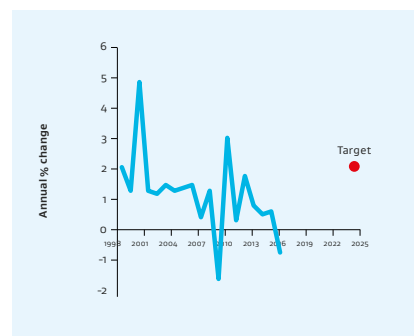
Increase value of exports of goods and services to 40% of GDP by 2025

According to the March 2017 data set, there has been little change in the ratio of exports to GDP over the past four years with a rate of between 29 and 30 per cent of Gross Domestic Product (GDP). This reflects both solid growth in the domestic economy and weakness in the global economy (dampening demand for New Zealand’s exports).



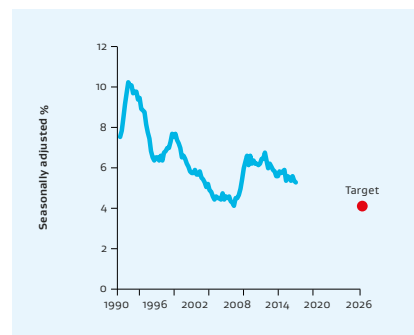
Double labour productivity growth to around 2% per year by 2025

Labour productivity (i.e. output per hour worked) has increased 0.4 per cent per year on average since 2012, although it fell 0.7 per cent in the year to June 2016.



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

The unemployment rate has been on a gradual downward trend since peaking at 6.7 per cent in the second half of 2012. As at June 2017, the unemployment rate was 4.8 per cent.



Improved housing affordability

The Ministry has developed an experimental Housing Affordability Measure. At this stage, data is only available to March 2016 and may not reflect recent changes to house prices or rents. We will continue to develop and improve the Housing Affordability Measure.



OUR MINISTERS

WE WORKED WITH THE FOLLOWING MINISTERS IN THE 2016/17 FINANCIAL YEAR:

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 Construction	
	Minister Responsible for Housing New Zealand Corporation	
	Minister for Social Housing	Associate Minister for Social Housing

IN ADDITION TO THE 14 PORTFOLIO MINISTERS, WE ALSO SUPPORT THE FOLLOWING MINISTERS:

Minister supporting Greater Christchurch Regeneration	Associate Minister supporting Greater Christchurch Regeneration
Minister for Regulatory Reform	

OUR YEAR IN REVIEW

This section provides a high-level overview of the Ministry's work over the past year. We have organised this into seven sections to show how our work integrates to deliver tangible results for New Zealand.

Each section reports on how we are actively contributing to growing the economy, delivering effective services and creating the right legislative and regulatory settings. It also shows how we are tracking against our outcomes and our key programmes of work as outlined in our Business Strategy.





Working across government

Working collaboratively across government is a core part of how we deliver better outcomes for New Zealanders.

AT A GLANCE – Working across government

<p>What we're working towards</p>	<p>More supportive and dynamic business environment</p> <ul style="list-style-type: none"> › Improved government procurement practices › Businesses find it easier to access and develop markets 		
<p>Our services and functions</p>	<p>We provide 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 (BPS Result 9) as part of the Government's Better Public Services (BPS) results programme.</p>		
<p>You may recognise us as</p>	<ul style="list-style-type: none"> › Business.govt.nz › R9 Accelerator › Small Business Roadshows › Government Property Group › Visitor Sector Emergency Advisory Group 		
			
<p>Other services Non-departmental</p>	<ul style="list-style-type: none"> › Energy and Resources: Crown Energy Efficiency 		
<p>How much we spent</p>	<table border="1"> <tr> <td data-bbox="536 1783 836 1917"> <p>\$24.5 million Departmental expenses and capital expenditure Budget: \$29.7 million</p> </td> <td data-bbox="927 1783 1235 1917"> <p>\$1.4 million Non-departmental expenses and capital expenditure Budget: \$2.0 million</p> </td> </tr> </table>	<p>\$24.5 million Departmental expenses and capital expenditure Budget: \$29.7 million</p>	<p>\$1.4 million Non-departmental expenses and capital expenditure Budget: \$2.0 million</p>
<p>\$24.5 million Departmental expenses and capital expenditure Budget: \$29.7 million</p>	<p>\$1.4 million Non-departmental expenses and capital expenditure Budget: \$2.0 million</p>		

Economic performance

Businesses drive economic growth by building a more successful economy and supporting quality of life. Government has an important role in providing the right conditions for that growth. The Ministry and the Treasury coordinated the Business Growth Agenda (BGA), including its refresh in June 2017.

We worked with the Māori Economic Development Advisory Board (MEDAB) and Te Puni Kōkiri to deliver He Kai Kei Aku Ringa (HKKAR), the Māori Economic Development Strategy, to support Māori economic innovation and success. It provides a vision for a productive, innovative, export-orientated Māori economy driven by whānau. Literally it means ‘providing food by my own hands’.



As you read this annual report, you will see evidence of how the BGA and HKKAR have focused our activities, investment and advice.

Better Public Services (BPS)

Better for Business is a partnership of 10 government agencies working to make it easier and more efficient for business customers to deal with government. For business people this means less effort on administration and more time to focus on running and growing their business. By reducing effort and improving services we can help New Zealand businesses have a competitive edge in the local and global economy.

The Ministry is the lead agency for *Better Public Services Result 9: Delivering better public services to business customers (BPS Result 9)*.

We, with our partner agencies, have implemented a number of initiatives in recent years, and have others due to commence soon, that are designed to generate a reduction in the amount of effort businesses need to put into dealing with government. We know that more needs to be done and we are targeting our efforts at the areas that we think will have the biggest impact. Future work will focus on putting the business customer at the centre of the design and delivery of services, with the impact of regulation on businesses a key consideration in any new, or revised, regulations.

You can read more about our BPS Result 9 work such as the Small Business Roadshows, Workplace Policy Builder and New Zealand Business Number Initiative in this annual report.

Accelerator Demo Days

In June 2017 we ran the R9 Accelerator 3+ Demo Day. The Accelerator is a unique adaptation of a methodology used to develop and scale start-ups. Teams of public and private sector innovators go through a three-month accelerator to develop and test solutions to identified, often cross-agency, problems.

At the June event, seven teams, bringing together public and private sector talent, presented their solutions for making it easier for business to deal with government. Since Demo Day teams have been negotiating with interested parties to secure funding to advance their ideas.



R9 Accelerator 3+ teams celebrate a successful Demo Day



Regulatory systems leadership

Robust and agile regulatory systems can have a significant economic impact by providing certainty and confidence to firms and people to participate in the economy. The Ministry has established a number of system leadership roles to support the regulatory system, which includes leading the joint-agency Government Regulatory Practice Initiative (G-Reg Initiative). Our goal is to be a centre of excellence on regulation.

- i** One of the key challenges identified by the Performance Improvement Framework (PIF) was maximising the potential of co-design of regulatory systems. Involving key stakeholders and sectors in designing how regulations will work will be a key focus for regulatory design, and is a key focus for the Ministry.



G-Reg Initiative

Regulators from different agencies find they often deal with similar issues in their regulatory environment. The G-Reg is a cross-agency programme with the goal of enhancing the professionalisation of the regulatory workforce across the central and local governments.

G-Reg is building capability across the sector and over the past year has developed a more formal set of structured qualifications for regulators.

The Level 3 Core Knowledge Certificate was made available for everyone working in a regulatory agency and there is continuous work to release more qualifications. These courses deepen understanding of the way regulation works.

All-of-government approach to disaster response

Collectively the government can bring a lot of resources together to help communities deal with natural disasters. The Ministry plays a vital role in coordinating responses and providing joined up advice to Ministers. We learnt significant lessons from the Christchurch earthquakes and have been able to apply these learnings in responding to the Kaikōura earthquake and the Edgumbe floods of 2016/17.

Following the 14 November 2016 earthquake, the Ministry established an Earthquake Recovery Co-ordination Team (ERCT). The ERCT co-ordinated the Ministry's activities and ensured the right information was captured and fed to the right people, both within the Ministry and across government. The Ministry also brought together key agencies to form the Regional Economic Recovery Officials Group. This interagency group coordinated activities so that Ministers had one source of authoritative information (data and analysis) on regional economic recovery issues.

The Ministry coordinates the Visitor Sector Emergency Advisory Group (VSEAG), which is made up of representatives from the tourism industry and government agencies that work with international visitors. VSEAG activated immediately following the Kaikōura earthquake to assist international visitors impacted by the earthquake, mobilise the resources of the visitor sector to assist with the emergency response, and develop appropriate messaging about the earthquake for international visitor and student markets.

- i** As you read this annual report, you will see examples of how the Ministry has supported communities affected by the Kaikōura earthquakes and the Edgumbe floods.

Property management

As the functional lead for property across government, the Government Property Group (GPG) played a crucial role in finding temporary office space for agencies displaced following the Kaikōura earthquakes. This was made easier with the immediate availability of two large buildings recently vacated as part of the Wellington Accommodation Project – Tranche 2 (WAP2) and the collaboration of agencies offering smaller pockets of available space.

Being more agile in the way we work is a significant focus for the GPG through the Government National Property Strategy. A shift in this direction across the public sector and better technology allowed people to work despite the Kaikōura earthquake. This ensured services to the public continued without interruption, highlighting how important workplace set up is to productivity.



Wellington accommodation project – Tranche 2 (WAP2)

Led by the GPG, WAP2 is the biggest single office leasing transaction ever in New Zealand. WAP2 consists of 13 buildings housing 23 government agencies. The intent is to support more collaborative working styles and property management efficiencies across government with forecast savings of \$191 million in rental costs over 20 years.

Taking an all-of-government approach and managing processes centrally has helped get these results. But the real benefit will be increased productivity from people enjoying their modern, safe and effective workplaces.

Future procurement specialists

As part of our functional leadership for procurement in government, we launched the Procurement Graduate Programme in 2014 to attract and develop future leaders in this growing area of work. Within the 3.5 years that the programme has been in place, it has grown from recruiting and placing four to 18 graduates across a range of agencies.

Performance highlights

The Ministry met or exceeded all of its performance measures, with the following exceptions:

- › The two BPS Result 9 measures in the *Economic Development: Implementation of Improvements in Public Sector Procurement and Services to Business* appropriation were not met. The targets for these measures have been extended to 2020 as part of the refresh of the BPS targets in May 2017. The measures are discussed in more detail earlier in this section under *Better Public Services*.
- › The Government National Property Strategy was updated during the 2016/17 year. The new strategy includes more complex requirements on agencies that form part of the GPG mandate. As a result, agencies were not able to update their property plan to reflect the new requirements by 30 June 2017, which meant that the performance target for the *State Services: Property Management within the State Sector* appropriation was not achieved. We are working with agencies to ensure completion of their property plans and their alignment with the Government National Property Strategy.

A particular highlight has been the achievements in the *Economic Development: Implementation of Improvements in Public Sector Procurement and Services to Business* appropriation, which funds the Procurement Functional Leadership¹ and BPS Result 9 work programmes.

The Procurement Functional Leadership Programme has, since its inception in 2012, delivered 24 All-of-Government (AoG) contracts and currently has 1,076 agencies participating in one or more of these contracts, including over 690 schools. To date, \$484 million in savings have been achieved through AoG contracts. Over the life of the contracts that have been delivered to date, the savings are expected to reach \$770 million.

We have achieved the majority of our planned work programme within set financial expectations for this year, with the following exceptions:

- › The *Implementation of Improvements in Public Sector Procurement and Services to Business* appropriation was underspent due to changes made to the BPS Result 9 and Procurement Functional Leadership Programme that meant that some planned projects will be completed in 2017/18 instead.
- › The *Economic Development: Property Managements Services* appropriation was underspent because of a delay in the move in date for the Cashel Street office in Christchurch.

¹ Previously called the Government Procurement Reform Programme

What we're working towards

MORE SUPPORTIVE AND DYNAMIC BUSINESS ENVIRONMENT²



OUTCOME PERFORMANCE KEY	T TARGET	A ACTUAL
= NO CHANGE	+ INCREASE/IMPROVE	- DECREASE/REDUCTION

INTERMEDIATE OUTCOME – IMPROVED GOVERNMENT PROCUREMENT PRACTICES

Performance measure

Improvement in government procurement capability and performance leads to value-based procurement savings³



Savings from All-of-Government contracts of \$152 million in 2016/17, up from \$128 million in 2015/16

INTERMEDIATE OUTCOME – BUSINESSES FIND IT EASIER TO ACCESS AND DEVELOP MARKETS

Performance measure

A 25% reduction in the cost of doing business with government relative to other businesses by 2017



A three point index point reduction as at 30 June 2017 compared with our starting base of 100 in 2012. This target has been extended to 2020 as part of the BPS refresh

Our services and functions

APPROPRIATION

PERFORMANCE MEASURES

T TARGET 2016/17	17 ACTUAL 2016/17	16 15 ACTUAL PREVIOUS TWO CONSECUTIVE YEARS
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Economic Development: Implementation of Improvements in Public Sector Procurement and Services to Business

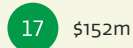
This appropriation is intended to achieve better public services and encourage business growth



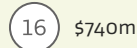
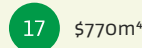
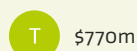
Percentage of participating agencies satisfied or very satisfied



Year on year improvement in business feedback about the quality of government procurement practice from the annual government procurement business survey



Savings target across public sector agencies identified through the Government Procurement Reform agenda for the financial year³



A forecasted saving realised over the life of the initial government contracts³

² You can find out more about our progress in this outcome area in the *Strengthening sectors, regions and businesses, Confidence in our markets and Fair, safe and productive workplaces* sections

³ The Ministry relies on information provided by suppliers to calculate savings. The Ministry reviews information provided for reasonableness, but cannot confirm the accuracy of the information

⁴ To date, \$484 million in savings have been achieved through all-of-government contracts

APPROPRIATION

PERFORMANCE MEASURES

T TARGET 2016/17 17 ACTUAL 2016/17 16 15 ACTUAL | PREVIOUS TWO CONSECUTIVE YEARS

	<p>T On track towards target Index of 75 by 2020</p> <p>17 Index = 97⁶ Overall, the index is 3 points below the starting point of 100</p> <p>16 Index = 94</p> <p>15 Index = 84</p> <p>Business costs (effort) from dealing with government will reduce by 25% by 2020, through a year-on-year reduction in effort required to work with agencies⁵</p>	<p>T On track</p> <p>17 Public sector effort score of 97 is 14 points higher than the private sector score of 83</p> <p>16 Public sector effort score of 94 is 12 points higher than the private sector score of 82</p> <p>15 -</p> <p>Government services to business will have similar key performance ratings as leading private sector firms by July 2020</p>
<p>State Services: Property Management Services This appropriation is intended to achieve efficient and effective shared accommodation services in the state sector</p>	<p>T Achieved</p> <p>17 Achieved</p> <p>16 -</p> <p>15 -</p> <p>The cost of shared accommodation services are recovered from participating tenant agencies⁷</p>	
<p>State Services: Property Management within the State Sector⁸ This appropriation is intended to achieve improved property management practices across government and support agencies to manage property in more effective and efficient ways</p>	<p>T Achieved</p> <p>17 Not Achieved</p> <p>16 Achieved</p> <p>15 -</p> <p>All agencies within the Government Property Group (GPG) mandate will maintain a current agency property plan aligned with the Government National Property Strategy and approved by the GPG</p>	

5 The target for this measure was extended as part of the BPS refresh in May 2017

6 Result for January to June 2017

7 New measure introduced in 2016/17

8 Previously called 'State Services: Property Management Centre of Expertise'



How much we spent

ACTUAL 2015/16 \$000	OUR EXPENDITURE IN SUMMARY	ACTUAL 2016/17 \$000	SUPPLEMENTARY ESTIMATES 2016/17 \$000	MAIN ESTIMATES 2016/17 \$000
19,796	Departmental Expenses	24,495	29,664	22,117
	- Non-departmental Expenses	-	-	-
	- Departmental Capital	-	-	-
2,000	Non-departmental Capital	1,379	2,000	2,000
21,796	Total expenditure	25,874	31,664	24,117

You can find out more about how this was spent in the financial statements and the following appropriation statements

STATEMENT OF BUDGETED AND ACTUAL EXPENSES AND CAPITAL EXPENDITURE INCURRED

Our services and functions

ACTUAL 2015/16 \$000	APPROPRIATION NAME	ACTUAL 2016/17 \$000	SUPPLEMENTARY ESTIMATES 2016/17 \$000	MAIN ESTIMATES 2016/17 \$000
	Departmental Outputs			
17,586	Economic Development: Improvements in Public Sector Procurement and Services to Business	19,161	23,726	19,362
	- State Services: Property Management Services ⁹	2,096	2,679	-
2,210	State Services: Property Management within the State Sector	3,238	3,259	2,755
19,796	Total expenditure	24,495	29,664	22,117

Note performance information for the appropriations in the table above is located in the 'Our services and functions' table above

Other Services – Non-departmental

ACTUAL 2015/16 \$000	NON-DEPARTMENTAL APPROPRIATIONS	LOCATION OF YEAR END PERFORMANCE INFORMATION	ACTUAL 2016/17 \$000	SUPPLEMENTARY ESTIMATES 2016/17 \$000	MAIN ESTIMATES 2016/17 \$000
	Non-departmental Capital Expenditure				
2,000	Energy and Resources: Crown Energy Efficiency	1	1,379	2,000	2,000
2,000	Total Non-departmental Capital Expenditure		1,379	2,000	2,000



Location of year end performance information:

1 An exemption from reporting was granted under section 15D (2)(b) of the *Public Finance Act 1989*.

⁹ This is a new appropriation created in 2016/17

Growing science and innovation

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 and internationally-connected economy.

The government is responsible for funding around 50 per cent of New Zealand's reported expenditure on science and innovation. In 2016/17 the Government invested around \$1.4 billion in the science and innovation system¹⁰. This is set to grow to over \$1.6 billion by 2020.

The science and innovation system was chosen as a focus area for the Ministry's Performance Improvement Framework (PIF) follow-up review, owing to its significant economic impact and recent programme of change.

The PIF acknowledged the work undertaken to develop and release the National Statement of Science Investment (NSSI) in 2015, which provides a roadmap for the future development, focus and investment for the system. A critical landmark this year was the release of the first Science and Innovation System Performance Report. Our findings from that report are discussed further in this section.

We are seeing indicators of increasing innovation activity in New Zealand. The 2016 Research and Development (R&D) survey released this year showed a 29 per cent increase in business expenditure on R&D from the last survey in 2014. This statistic was mirrored by strong growth in trademark registration, with the Intellectual Property Office of New Zealand (IPONZ) reporting a 15 per cent increase in the number of trademarks registered by New Zealand applicants in 2016/17.



Photo credit: Chris Williams

¹⁰ Science and Innovation System Performance Report, Ministry of Business, Innovation and Employment, 2016 Wellington: MBIE. <http://www.mbie.govt.nz/info-services/science-innovation/performance/document-image-library/2016-science-and-innovation-system-performance-report.pdf>



AT A GLANCE – Growing science and innovation

<p>What we're working towards</p>	<p>An increased number of highly skilled people and innovative firms</p> <ul style="list-style-type: none"> › Greater levels of business innovation › Greater investment by business in skilled workers and research and development › Greater impact from science investments 	<p>More productive and prosperous sectors, regions and people</p> <ul style="list-style-type: none"> › Increased knowledge-intensive activities and exports
<p>Our services and functions</p>	<p>The Ministry shapes the science and innovation system through funding of research and the monitoring of Crown owned research institutes and the science and innovation system. The Ministry also provides policy guidance for the delivery of services to help businesses innovate through Callaghan Innovation, and plays an important role in shaping the wider business environment within which businesses innovate.</p> <p>IPONZ supports innovations by ensuring businesses understand how to best protect and manage their intellectual property assets to ensure they maximise the benefit of their innovative concepts, ideas and designs.</p>	
<p>You may recognise us as</p>	<p>You may recognise us through the initiatives that we use to directly fund scientists, research organisations and businesses (such as the National Science Challenges, the Catalyst Fund and the Endeavour Fund) and the funding we provide to enable other agencies such as Callaghan Innovation, the Health Research Council and the Royal Society of New Zealand to provide on the Government's behalf.</p>	
<p>Other services Non-departmental</p>	<ul style="list-style-type: none"> › National Science Challenges – MYA › Research and Development Growth Grants – MYA › Contestable Research Fund › Health Research Fund › Marsden Fund › National Measurement Standards › Partnered Research Fund › Repayable Grants for Start-Ups › Targeted Business Research and Development Funding – MYA › Catalyst Fund › Māori Innovation Fund › Callaghan Innovation 	
<p>How much we spent</p>	<p>\$19.3 million Departmental expenses and capital expenditure Budget: \$20.2 million</p>	<p>\$953.3 million Non-departmental expenses and capital expenditure Budget: \$991.0 million</p>

Understanding the science system

The NSSI is the Government’s key policy statement for the science system, setting a vision of ‘a highly dynamic science system that enriches New Zealand, making a more visible, measurable contribution to our productivity and wellbeing through excellent science’.

The Science and Innovation System Performance Report shows how public funding for science and innovation is being invested and how our system is performing in key areas. It includes examples of the impacts of different scientific developments in New Zealand, who was involved, how they were funded, and the results that occurred.

Highlights from the 2016 Science and Innovation System Performance Report include the following:

- › New Zealand does better than the Organisation for Economic Co-operation and Development (OECD) average on indicators of research quality, but worse than other small advanced economies.
- › New Zealand has strong international science links – international collaboration is seen in more than 50 per cent of scientific papers published and this is growing. Top collaborating partner countries are the United States, Australia and the United Kingdom.
- › New Zealand produces relatively fewer graduates in science, technology, engineering and mathematics subjects than other small advanced economies. However, the number of graduates in these areas is growing, and we are successful in attracting significantly more qualified scientists, and technology and engineering professionals to New Zealand than leave each year (net inward migration of these professionals was over 2,000 in 2015).
- › Total expenditure on R&D across the economy has grown significantly in real terms since 2000 (by 77 per cent).

International cooperation

International partnerships are fundamental for New Zealand’s science and innovation system as they bring new knowledge, ideas, people, technology and investment into our system.

The New Zealand-Australia Science, Research and Innovation Cooperation Agreement, signed in February 2017, is the first treaty of its kind between Australia and New Zealand. The Agreement formalises an already naturally close and enduring partnership. It recognises the strength of our relationship and the advantages of sharing resources, assets and knowledge. Areas of collaboration include the following:

- › The New Zealand Institute for Plant and Food Research, in collaboration with the New South Wales Department of Primary Industries, will undertake research on the susceptibility of key New Zealand plant species to myrtle rust.
- › The University of Auckland, in collaboration with the Murdoch Children’s Research Institute, will investigate links between genes, environment, molecular physiology and health through early and mid-life to improve the health of our children.
- › Massey University, in collaboration with the Commonwealth Scientific and Industrial Research Organisation, will explore turning metal-organic frameworks into disruptive technologies and applications, including new catalysts for eliminating nitrous oxide greenhouse gas emissions.





Learning from Kaikōura

Described as the ‘most complex earthquake ever recorded’, the Kaikōura earthquake has attracted the attention of the global scientific community. Never before has a cascading rupture across so many faults been observed in such detail.

The earthquake presented a scenario that had not been included in seismic hazard models. It defies many conventional assumptions about the degree to which earthquake ruptures are controlled by individual faults, and provides additional motivation to re-think these issues in seismic hazard monitoring. For the scientific community it has meant the reassessment of a number of assumptions about earthquake processes. This new research will feed into Civil Defence and Emergency Management advice and planning.

Following the earthquake, the Ministry made available \$3.2 million of science funding to respond to increased demand for scientific services such as surveys, seismic assessments and increased monitoring.

In December 2016, Cabinet also agreed to provide GeoNet with additional funding of up to \$3 million in 2016/17 to upgrade its ability to monitor and respond to natural hazards such as earthquakes and tsunamis. Initial funding was appropriated from the Strategic Science Investment Fund, and the Ministry led work across government identifying opportunities to strengthen the current natural hazards monitoring system.

Further funding of \$19.5 million has been approved by Government to enhance New Zealand’s ability to provide 24/7 monitoring of earthquakes, tsunamis and volcanoes. An indicative business case is in development that will set out development options for enhanced monitoring, to increase the speed and certainty of evaluations of geological threats, whenever they occur.



Photo credit: Nigel Spiers

Investing in health research

In June 2017, the first Health Research Strategy was launched to increase the excellence and impact of government investment in health research. The Strategy sets a vision of creating a world-leading health research and innovation system by 2027, and brings together science, health, research and innovation to form a more cohesive system.

The Strategy sets out the four principles to achieve this vision – excellence, transparency, partnership with Māori and collaboration for impact - together with four strategic priorities:

- › Invest in excellent health research that addresses the health needs of New Zealanders.
- › Create a vibrant research environment in the health sector.
- › Build and strengthen pathways for translation into policy and practice.
- › Advance innovative ideas and commercial opportunities.

The Ministry, the Ministry of Health and the Health Research Council will lead the implementation of the Strategy. An advisory group of experts across the system will advise on implementation.

Performance highlights

The Ministry met or exceeded all of its performance measures apart from the Public Attitudes Survey Score measure in the *Science in Society* category of the *Science and Innovation: Talent and Science Promotion MCA*. This is because the next Public Attitude Survey will be conducted in late 2017 and the final score was not available in time for the publication of this report.

Our programme of work has been delivered as planned and has also been flexible enough to respond to the additional research and information needs from the Kaikōura earthquake.

Last financial year we reviewed and reorganised our funding structure to align more closely with the NSSI. The revised appropriation structure is reflected in this year’s annual report. The review has resulted in appropriations that share a common purpose being brought together under the same appropriation.

What we're working towards

AN INCREASED NUMBER OF HIGHLY SKILLED PEOPLE AND INNOVATIVE FIRMS¹¹



OUTCOME PERFORMANCE KEY

T TARGET A ACTUAL

⊖ NO CHANGE ⊕ INCREASE/IMPROVE ⊖ DECREASE/REDUCTION

INTERMEDIATE OUTCOME - GREATER LEVELS OF BUSINESS INNOVATION

Performance measure
Increasing the percentage of firms reporting innovative activity

T ⊕

A ⊕ 49% in 2015, up from 46% in 2013

Performance measure
Increasing profitability per employee of innovative firms compared with non-innovative firms

T ⊕

A ⊖ \$11,000 in 2015, down from \$13,000 in 2013

INTERMEDIATE OUTCOME - GREATER INVESTMENT BY BUSINESS IN SKILLED WORKERS AND RESEARCH AND DEVELOPMENT

Performance measure
Increasing business expenditure on research and development as a percentage of gross domestic product

T ⊕

A ⊕ 0.64% in 2016, up from 0.54% in 2014

Performance measure
Increasing the percentage of Crown Research Institute revenue derived from the private sector

T ⊕

A ⊕ 46.7% in 2014/15 financial year, up from 44.8% in 2013/14

INTERMEDIATE OUTCOME - GREATER IMPACT FROM SCIENCE INVESTMENTS

Performance measure
Increasing the share of the world's top 1% most-cited science and innovation publications attributed to New Zealand research

T ⊕

A ⊖ 1.8% in 2016, same as 2015

Performance measure
Improving the quality ranking for New Zealand's scientific research institutions

T ⊕

A ⊕ 18th in 2016/17, up from 19th in 2015/16

MORE PRODUCTIVE AND PROSPEROUS SECTORS, REGIONS AND PEOPLE¹²



OUTCOME PERFORMANCE KEY

T TARGET A ACTUAL

⊖ NO CHANGE ⊕ INCREASE/IMPROVE ⊖ DECREASE/REDUCTION

INTERMEDIATE OUTCOME - INCREASED KNOWLEDGE-INTENSIVE ACTIVITIES AND EXPORTS

Performance measure
Increasing percentage of innovative businesses that have external linkages

T ⊕

A ⊖ 51% in 2011, no increase since 2007

¹¹ You can find out more about our progress in this outcome area in *Fair, safe and productive workplaces* section

¹² You can find out more about our progress in this outcome area in *Strengthening sectors, regions and businesses* and *Fair, safe and productive workplaces* sections

Our services and functions

APPROPRIATION	PERFORMANCE MEASURES		T TARGET 2016/17	17 ACTUAL 2016/17	16	15	ACTUAL PREVIOUS TWO CONSECUTIVE YEARS
<p>Science and Innovation: Contract Management MCA The single overarching purpose of this appropriation is to manage the allocation of funds for science, research and technology, to manage the related contracts and to evaluate the science and innovation outputs and impacts</p>	T	At least 90%	Performance for this appropriation will be measured by available funding allocated ¹³	T	At least 90%	Performance for this appropriation will be measured by contracts monitored ¹³	
	17	100%		17	100%		
	16	-		16	-		
	15	-		15	-		
<p>Science and Innovation Contract Management This category is intended to achieve the efficient and effective allocation and contracting of research, science and technology grants to maximise their returns to New Zealand</p>	T	Achieved	Initiatives are developed and managed to align with objective of the fund ¹³				
	17	Achieved					
	16	-					
	15	-					
<p>Research Contract Management This category is intended to achieve the efficient and effective allocation and contracting of research, science and technology grants to maximise their returns to New Zealand</p>	T	Achieved	Monitor and assess reporting from the funding and investment agents against the contractual agreements ¹³				
	17	Achieved					
	16	-					
	15	-					
<p>Science and Innovation: Strategic Investment Fund MCA The single overarching purpose of this appropriation is to support long-term programmes of mission-led science and the platforms that enable those programmes</p>	T	100%	Performance for this appropriation will be measured by programmes funded for 5 years or more ¹³				
	17	100% ¹⁴					
	16	-					
	15	-					
<p>Strategic Science Investment Fund – Infrastructure This category is intended to achieve access for researchers to resources and information that require national-scale, nationally-coordinated, multi-user financial support</p>	T	Achieved	Maintain quality ranking of New Zealand’s scientific research institutions ¹³				
	17	Achieved					
	16	-					
	15	-					

¹³ New measure introduced in 2016/17

¹⁴ This result relates only to the Strategic Science Investment Fund Programmes

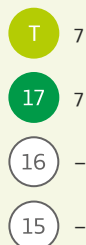
APPROPRIATION

PERFORMANCE MEASURES

T TARGET 2016/17 17 ACTUAL 2016/17 16 15 ACTUAL | PREVIOUS TWO CONSECUTIVE YEARS

Strategic Science Investment Fund – Programmes

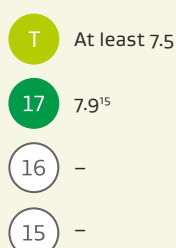
This category is intended to achieve the support of longer-term programmes of mission-led science which contribute to the future of New Zealand’s economy, environment and wellbeing



Number of long term programmes of mission-led science contracts approved¹⁶

Science and Innovation: Talent and Science Promotion MCA

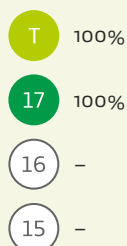
The single overarching purpose of this appropriation is to contribute to an excellent, high-performing science system through enhancing public engagement with science and the development of talented people, including through research



Performance will be assessed for this appropriation measured by researchers per 1,000 people in the workforce¹⁶

Fellowship for Excellence

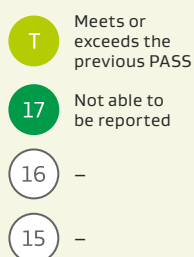
This category is intended to achieve an improvement in career development opportunities for New Zealander’s early to mid-career researchers



Compliance with the terms and conditions associated with each fellowship¹⁶

Science in Society

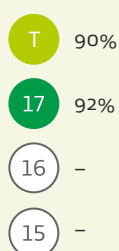
This category is intended to achieve the outcomes of the NSSI, performance of which will be reported in the annual Science and Innovation Systems Performance Report



Increased public awareness demonstrated through the Public Attitudes Survey Score (PASS) increases¹⁶

Vision Mātauranga Capability Fund

This category is intended to achieve development of skilled people and organisations undertaking research that supports the four themes of Vision Mātauranga



Reports (annual, midpoint or final) that show an increase in uptake and application of research results by Māori research users and/or improve researchers’ and research organisations’ understanding of Mātauranga and research relevant to Māori¹⁶

15 This result is based on OECD Main Science and Technology Indicators available on <https://data.oecd.org/rd/researchers.htm>
 16 New measure introduced in 2016/17



How much we spent

ACTUAL 2015/16 \$000	OUR EXPENDITURE IN SUMMARY	ACTUAL 2016/17 \$000	SUPPLEMENTARY ESTIMATES 2016/17 \$000	MAIN ESTIMATES 2016/17 \$000
17,654	Departmental Expenses	19,347	20,169	20,837
882,289	Non-departmental Expenses	953,336	991,032	1,032,146
	- Departmental Capital	-	-	-
4,300	Non-departmental Capital	-	-	8,000
904,243	Total expenditure	972,683	1,011,201	1,060,983

You can find out more about how this was spent in the financial statements and the following appropriation statements

STATEMENT OF BUDGETED AND ACTUAL EXPENSES AND CAPITAL EXPENDITURE INCURRED

Our services and functions

ACTUAL 2015/16 \$000	APPROPRIATION NAME	ACTUAL 2016/17 \$000	SUPPLEMENTARY ESTIMATES 2016/17 \$000	MAIN ESTIMATES 2016/17 \$000
	Departmental Outputs			
17,654	Science and Innovation: Science and Innovation Contract Management	-	-	-
17,654	Total Departmental Output Expenses	-	-	-
	Multi-Category Expenses and Capital Expenditure			
	- Science and Innovation: Contract Management MCA¹⁷	28,036	28,996	27,064
	Departmental Output Expense			
	- Science and Innovation Contract Management	19,347	20,169	20,837
	Non-departmental Output Expense			
	- Research Contract Management	8,689	8,827	6,227
	- Science and Innovation: Strategic Investment Fund MCA¹⁸	245,559	245,590	250,988
	Non-departmental Output Expense			
	- Strategic Investment Fund – Infrastructure	43,645	44,866	35,418
	- Strategic Investment Fund – Programmes	201,914	200,724	215,570
	- Science and Innovation: Talent and Science Promotion MCA¹⁹	27,222	27,828	26,886
	Non-departmental Output Expense			
	- Fellowship for Excellence	10,253	10,435	11,570
	- Science in Society	10,164	10,274	8,849
	- Vision Mātauranga Capability Fund	6,305	6,619	5,967
	Non-departmental Other Expense			
	- Royal Society of New Zealand	500	500	500
	- Total Multi-Category Expenses and Capital Expenditure	300,817	302,414	304,938
17,654	Total expenses	300,817	302,414	304,938

Note performance information for the appropriations in the table above is located in the 'Our services and functions' table above

17 This is a new appropriation created in 2016/17. It is made up of the 'Science and Innovation Contract Management' and 'Research Contract Management' appropriations

18 This is a new appropriation created in 2016/17. It is made up of the ' Crown Institute Core Funding', 'Biological Industries (IRO funding only)', 'Square Kilometre Array', 'Australian Synchrotron', 'Advanced Network Capacity', 'Genomics Research Infrastructure', 'Science Collections and Infrastructure' and 'National eScience Infrastructure' appropriations

19 This is a new appropriation created in 2016/17. It is made up of the 'Engaging New Zealanders with Science and Technology', 'Vision Mātauranga Capability Fund', 'Fellowship for Excellence' and 'Royal Societies of New Zealand' appropriations

Other Services – Non-departmental

ACTUAL 2015/16 \$000	NON-DEPARTMENTAL APPROPRIATIONS	LOCATION OF YEAR END PERFORMANCE INFORMATION	ACTUAL 2016/17 \$000	SUPPLEMENTARY ESTIMATES 2016/17 \$000	MAIN ESTIMATES 2016/17 \$000
Non-departmental Outputs					
40,311	National Science Challenges – MYA	1	72,578	72,578	102,401
119,661	Research and Development Growth Grants – MYA	2	134,550	140,339	144,200
94,892	Science and Innovation: Biological Industries Research		-	-	-
24,095	Science and Innovation: Building Business Innovation		-	-	-
12,863	Science and Innovation: Business Research and Development Contract Management		-	-	-
201,622	Science and Innovation: Crown Research Institute Core Funding		-	-	-
-	Science and Innovation: Contestable Research Fund ²⁰	1	173,362	173,841	183,230
12,127	Science and Innovation: Energy and Minerals Research		-	-	-
10,627	Science and Innovation: Engaging New Zealanders with Science and Technology		-	-	-
31,589	Science and Innovation: Environmental Research		-	-	-
10,253	Science and Innovation: Fellowship for Excellence		-	-	-
11,845	Science and Innovation: Hazards and Infrastructure Research		-	-	-
83,571	Science and Innovation: Health and Society Research		-	-	-
-	Science and Innovation: Health Research Fund ²¹	3	85,125	85,125	87,175
63,649	Science and Innovation: High Value Manufacturing and Services Research		-	-	-
53,627	Science and Innovation: Marsden Fund	1	57,755	57,755	57,755
5,082	Science and Innovation: National Measurement Standards	2	5,764	5,764	5,764
-	Science and Innovation: Partnered Research Fund ²²	1	35,621	35,831	37,162
11,661	Science and Innovation: Repayable Grants for Start-Ups	2	11,458	16,996	13,996
23,375	Science and Innovation: Research and Development Services and Facilities for Business and Industry		-	-	-
5,883	Science and Innovation: Research Contract Management		-	-	-
6,554	Science and Innovation: Vision Mātauranga Capability Fund		-	-	-
22,804	Targeted Business Research and Development Funding – MYA	2	23,361	47,196	40,000
846,091	Total Non-departmental Output Expenses		599,574	635,425	671,683

²⁰ This is a new appropriation created in 2016/17. It is made up of the 'Biological Industries Research', 'High Value Manufacturing and Services Research', 'Environmental Research', 'Energy and Minerals Research', 'Hazards and Infrastructure', and part of the 'Health and Society Research' appropriations

²¹ This is a new appropriation created in 2016/17

²² This is a new appropriation created in 2016/17. It is made up of the 'Biological Industries Research', 'High Value Manufacturing and Services Research', and 'Environmental Research' appropriations



ACTUAL 2015/16 \$000	NON-DEPARTMENTAL APPROPRIATIONS	LOCATION OF YEAR END PERFORMANCE INFORMATION	ACTUAL 2016/17 \$000	SUPPLEMENTARY ESTIMATES 2016/17 \$000	MAIN ESTIMATES 2016/17 \$000
Non-departmental Other Expenses					
4,000	Science and Innovation: Advanced Network Capacity		-	-	-
983	Science and Innovation: Australian Synchrotron		-	-	-
95	Science and Innovation: Convention Du Metre		-	-	-
11,123	Science and Innovation: Catalyst Fund ²³	1	9,353	9,675	12,675
3,036	Science and Innovation: Māori Innovation Fund	4	3,288	4,536	4,536
7,182	Science and Innovation: National eScience Infrastructure		-	-	-
500	Science and Innovation: Royal Society of New Zealand		-	-	-
8,510	Science and Innovation: Science Collections and Infrastructure		-	-	-
769	Science and Innovation: Square Kilometre Array		-	-	-
36,198	Total Non-departmental Other Expenses		12,641	14,211	17,211
Non-departmental Capital Expenditure					
4,300	Science and Innovation: Callaghan Innovation	2	-	-	8,000
4,300	Total Non-departmental Capital Expenditure		-	-	8,000
Multi-Category Expenses and Capital Expenditure					
Science and Innovation: Callaghan Innovation – Operations					
-	MCA	2	59,651	59,651	59,651
Non-departmental Output Expenses					
-	Building Business Innovation		24,378	24,378	32,378
-	Business Research and Development Contract Management		12,250	12,250	7,750
-	Research and Development Services and Facilities for Business and Industry		23,023	23,023	19,523
-	Total Multi-Category Expenses and Capital Expenditure		59,651	59,651	59,651
886,589	Total Non-departmental Annual and MYA Expenses		671,866	709,287	756,545



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 Health Research Council of New Zealand's annual report
- 4 Exemption granted under section 15D (2)(b) of the *Public Finance Act 1989*.

²³ Previously called 'Science and Innovation: International Relationships'

Strengthening sectors, regions and businesses

Our nation is made up of diverse regions, each with distinct economic strengths and challenges. We will only realise our full economic potential when all our regions are thriving.

Regional labour markets are strong, with employment rates and average incomes rising in most regions. However, only half of all regions saw real GDP per capita growth in 2016, meaning GDP growth has been driven largely by more people working more rather than improvements in productivity performance.

Our biggest city, Auckland, continues to show strong economic growth with GDP per capita and employment growing faster than the rest of New Zealand. Since 2012, 44 per cent of national job growth occurred in Auckland. However urban planning settings, housing construction and infrastructure investment have struggled to keep up with Auckland's high pace of population growth and addressing growth constraints will continue to be a priority focus for the Ministry.

The Canterbury region's economy has recovered well from the earthquakes, with construction activity underpinning

the economic recovery. Future years may see slower growth as the rebuild has now peaked. However, the tourism and dairy sectors are expected to underpin future growth.

Diversifying New Zealand's products, services and export markets is critical to achieving sustainable growth. We are seeing success, for example, with the food and beverage sector where there has been considerable diversification over the last decade, with processed foods and beverages today making up close to 25 per cent of all food and beverage exports. Over the last year, food and beverage contributed \$29 billion to our exports and has been growing at a seven per cent compound annual growth rate for 15 years.

Tourism is a key driver supporting economic growth in our regions. It contributed \$12.9 billion (or 5.6 per cent) to New Zealand's total GDP in the year to March 2016, compared with \$10.6 billion in 2015, \$10.2 billion in 2014 and \$9.8 billion in 2012. Tourism directly employed 7.5 per cent of our workforce. Growth in visitor arrivals and visitor spending has been strong and is forecast to continue.



Photo credit: Jeremy Price



AT A GLANCE – Strengthening sectors, regions and businesses

<p>What we're working towards</p>	<p>More productive and prosperous sectors, regions and people</p> <ul style="list-style-type: none"> › More dynamic and better connected regional economies › Increase and inclusive economic growth of the Auckland region › Increased resilient economic growth of the Canterbury region 	<p>More supportive and dynamic business environment</p> <ul style="list-style-type: none"> › Increased international trade and investment
<p>Our services and functions</p>	<p>The Ministry is responsible for advising on sector, regional and business development policies and programmes, and supports tourism and major events for their economic impact. We support regions to develop regional economic development plans by providing data and analysis to enable regions, businesses and sectors to make better decisions. We also administer grant funding aimed at supporting initiatives that will help regions to prosper.</p>	
<p>You may recognise us as</p>	<p>You may recognise us through the funds that we administer such as the Maintaining the Quality of Great Rides Fund, New Zealand Screen Production Grant, Major Events Fund, Tourism Growth Partnerships and Mid-Sized Facilities Fund. Our work can also be seen through the Crown entities that we have oversight for such as New Zealand Trade and Enterprise, Tourism New Zealand, and through information resources such as the New Zealand Tourism Dashboard, the Monthly Tourism Estimates, and Tourism Insight Series, aimed at helping the tourism sector plan for and manage growth.</p>	
<p>Other services Non-departmental</p>	<ul style="list-style-type: none"> › Canterbury Earthquakes: Emergency and Temporary Accommodation › Hurunui/ Kaikōura Earthquake Response – Tourism Support Package › Marketing of New Zealand as a Visitor Destination › Attracting International Screen Productions › Depreciation on Auckland's Queens Wharf › Earthquake Business Recovery Grant › International Subscriptions and Memberships › Major Events Development Fund › Management Development Fund › Ōpōtiki Harbour Development › Regional Growth Initiatives (2016-2021) – MYA › The Pike River Mine Site › Home Insulation – MYA › New Zealand Screen Production Grant – International MYA › Regional Research Institutes › Energy Efficiency and Conservation 	
<p>How much we spent</p>	<p>\$8.8 million Departmental expenses and capital expenditure</p> <p>Budget: \$9.7 million</p>	<p>\$511.3 million Non-departmental expenses and capital expenditure</p> <p>Budget: \$557.8 million</p>

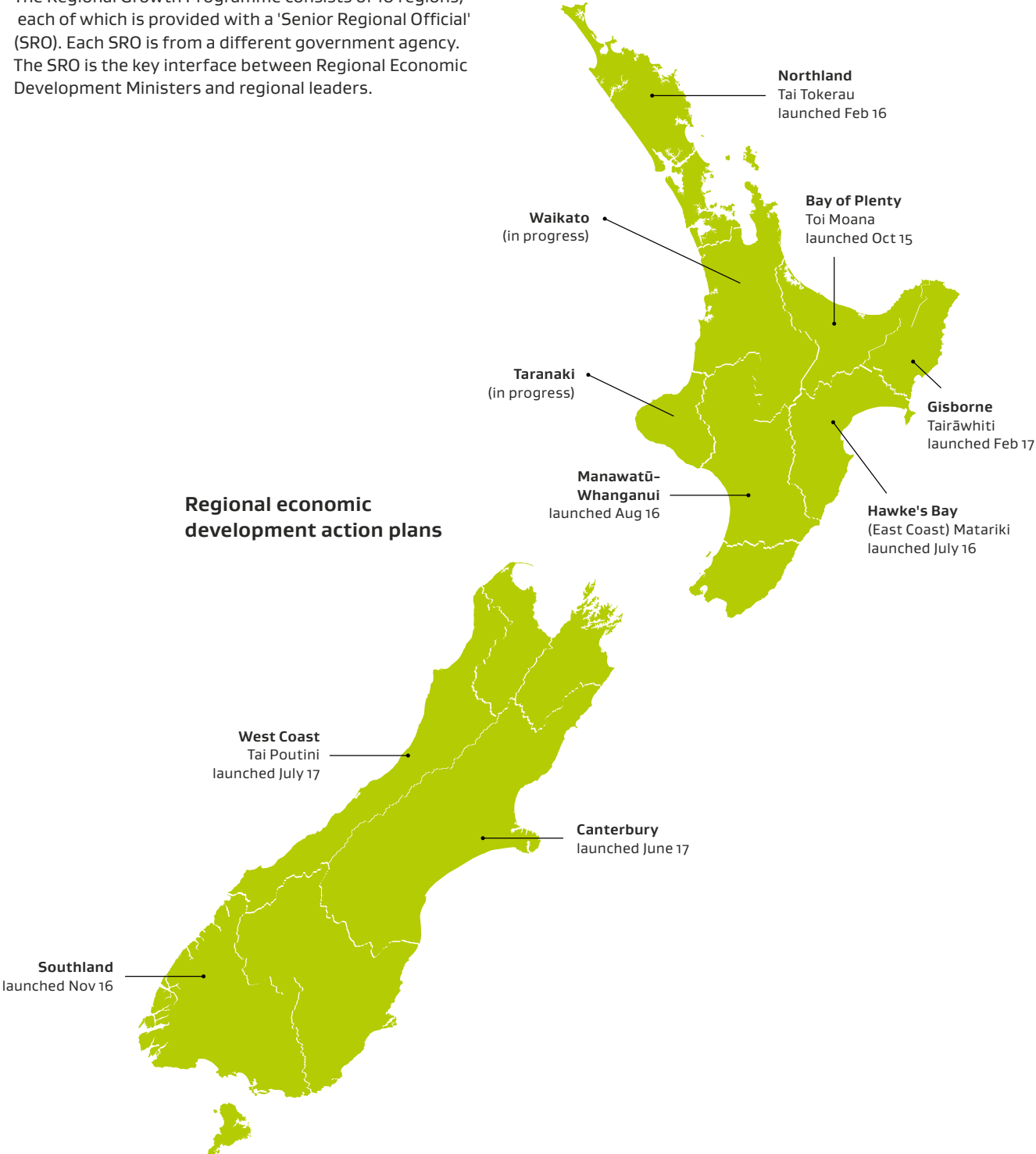
Regional growth

In Budget 2017, the Government committed to providing \$50 million of funding over four years for regional economic development initiatives that will boost economic growth and benefit communities. The programme is a cross agency programme of work led by the Ministry and Ministry for Primary Industries. The funded initiatives will help increase jobs, income and investment in regions where there is an identified need.

The Regional Growth Programme consists of 10 regions, each of which is provided with a 'Senior Regional Official' (SRO). Each SRO is from a different government agency. The SRO is the key interface between Regional Economic Development Ministers and regional leaders.

The programme involves working with regions to develop a regional economic development action plan that sets out initiatives and investment priorities for the region. The action plans set out potential projects for support through the Regional Growth Programme.

Regional economic development action plans





Recognised Seasonal Employer Scheme 10 year celebrations

Partnering with the Pacific for 10 years

Immigration New Zealand has been joining with Pacific leaders and horticulture and viticulture industry leaders to celebrate 10 years of the innovative and world-leading Recognised Seasonal Employer (RSE) scheme.

The RSE scheme was established in 2007 and allows the horticulture and viticulture industries to recruit workers from overseas for seasonal work when there are not enough New Zealand workers.

The scheme delivers a triple win, where it benefits:

- › New Zealand's economy by providing much-needed workers when there are no New Zealanders available
- › Pacific Island nations' economies by providing employment and funds for development
- › Individual workers and their families through work training and funds for their prosperity and growth.

In addition, it has seen jobs available for New Zealanders grow significantly over the past 10 years, with industry having certainty of labour supply through the scheme.

RSE workers are typically sending home more than 40 per cent of their take-home income during their seven months' stay here – with currently more than \$40 million per annum remitted back to the Pacific.

Development of a New Zealand space industry

Most people are unaware of the role space plays in our day-to-day lives. We rely on data from satellites to provide services that we all benefit from, including banking, transport, telecommunications, security, and climate change monitoring. We established a Space Agency function in April 2016 in response to the growing opportunities for New Zealand in the space industry. The Space Agency is responsible for space policy, regulation and business development relating to space activities in New Zealand.

We are building a regulatory regime that provides for the safe, responsible and secure use of space from New Zealand. During the year we developed the Outer Space and High-altitude Activities Bill. The Bill will enable the development of a space industry in New Zealand and enable regulators to manage risks and ensure compliance with international obligations relating to space activities and space technology. It will also ensure our space industry meets its obligations under the Technology Safeguards Agreement, recently signed with the United States. The Bill was passed in July 2017 and will come into force on 21 December 2017.

Open space from New Zealand

On 25 May 2017, New Zealand became the only country in the world with a completely private space launch facility and one of just 11 countries who can launch into outer space from their own territory. Rocket Lab's new Electron rocket and their private orbital Launch Complex 1 facility on the Māhia Peninsula presents a considerable opportunity to change the frequency of access to space, with plans for one launch each week when it begins its commercial launches.

That means New Zealand could soon become the country with the highest frequency of space launches anywhere in the world.

New Zealand's location is important as it provides wide access to launch angles, and clear skies and seas to enable frequent launches, with a safe, secure and enabling regulatory environment.

Supporting small businesses

Small businesses are the backbone of New Zealand's economy, making up 97 per cent of all enterprises, accounting for 29 per cent of employment and contributing to more than a quarter of GDP.

Small businesses spend a significant amount of time working with government agencies on activities such as compliance, tax, surveys or trade and innovation, which can be a confusing and time-consuming experience.

In June 2016, we launched a cross-agency roadshow called *Taking Care of Business* with the Accident Compensation Corporation (ACC), Statistics New Zealand, Inland Revenue, WorkSafe New Zealand, the Ministry for Primary Industries, the Ministry of Social Development Digital Journey and Te Puni Kōkiri. The roadshows aimed to help small businesses to better navigate, understand and transact with government agencies.

More than 2,720 business owners and operators attended the 32 *Taking Care of Business* events held around the country between June 2016 and June 2017. The events were highly successful, with 74 per cent of respondents rating it as either excellent or very good. A wide range of businesses from many industries were represented at the various events, and many respondents noted that they would like to see the roadshow repeated. There were also roadshows that focused on business owners from particular ethnic communities, including Māori, Korean, Indian and Chinese.

Regional research institutes

In Budget 2015, the Government committed up to \$25 million over three years to support the establishment of new privately-led Regional Research Institutes to maximise the unique business, technology and economic growth opportunities by establishing research centres that help build research and development intensity and lift innovation in key regional industries.

Two new Regional Research Institutes have been funded:

- › The Centre for Space Science Technology is an overarching research organisation that aims to support the development and growth of New Zealand's space economy by filling critical gaps in the collection and processing of New Zealand's satellite data. The Centre will be based in Alexandra, and will have research hubs in Taranaki, Canterbury and Dunedin.
- › The New Zealand Winegrowers Research Centre (formerly known as the New Zealand Research Institute of Viticulture and Oenology) aims to provide world-leading research for commercial grape and wine production. It will be based in Marlborough.

A further \$40 million was allocated to the Regional Research Institute initiative in Budget 2017, bringing total contingency funding to \$65 million over four years. An investment process to establish further Regional Research Institutes was progressed during 2017, and has culminated in the establishment of two new institutes:

- › The New Zealand Institute for Minerals to Materials Research aims to use innovative research and manufacturing techniques to unlock the potential of New Zealand's minerals resources. It will be based in Greymouth.
- › Innovation in Premium Plant-based Value Chains (Plantech) aims to develop technologies for the horticulture sector with the aim of becoming a leader in supporting customised, precise and automated production systems that are accessible for businesses at a range of scales. It will be based in Tauranga.





Project 1000

Project 1000 aims to link local people on benefits to 1,000 jobs in industries across the Hawke's Bay region over three years.

One aspect of this project involved the Ministry of Social Development and the Eastern Institute of Technology partnering with a grower, Mr Apple, to develop the Employer Link and Learn initiative. Seasonal workers were employed, trained and provided with income continuity during a quiet time between thinning and harvesting. This partnership resulted in 45 employees remaining in paid work.

This initiative supports employers, and iwi and hapū businesses by working with them to create employer-led solutions to labour supply issues. The value of Project 1000 is in developing direct relationships with those who create jobs and working with them to meet their business needs and aspirations. It also ensures local people are ready to access these employment opportunities.

As at 30 June 2017, 257 people had been placed into employment through employer-led initiatives. Of those employed, 34 per cent are female and 66 per cent male; 50 per cent are youth and 56 per cent are Māori. This supports the plan's focus on growing Māori participation in economic development and ensuring they also benefit from it.

Disaster relief for regions

Small businesses can be particularly vulnerable following a natural disaster. This in turn can have devastating effects on our people, their families and the wider regional economy. Supporting businesses to recover faster leads to faster recovery of the community.

Businesses affected by the Kaikōura earthquake were provided with a support package. This package was designed to assist those businesses who had experienced a sudden, large and sustained drop in revenue to retain their staff while the district recovered. The subsidy was also extended to include businesses in Hanmer Springs and the Hurunui District.

In addition to the business support package, further support was provided to tourism operators in Hanmer Springs and the Hurunui District. This support funded marketing to bolster the local visitor economy, and to help mitigate the negative effects of the quake.

Following the end of the subsidy, a grants programme was put in place to help affected businesses in their recovery through the period to when State Highway One will reopen. A similar programme was put in place for businesses affected by severe flooding in Edgcumbe and Whakatāne in April 2017.

Temporary accommodation

The Ministry has a responsibility to coordinate the provision of temporary accommodation for displaced people following an emergency. The Temporary Accommodation Services (TAS) was in operation for people affected by the Canterbury earthquakes, the Kaikōura earthquake and the Edgcumbe floods.

The TAS team works with displaced people to understand their needs, coordinate the provision of temporary accommodation and provide guidance on how to access financial assistance and psychosocial support.



August 2011 – Canterbury Earthquake Temporary Accommodation Service (CETAS) activated

Since August 2011, CETAS has helped more than 6,580 earthquake affected residents find temporary accommodation, including placing over 1,185 households into village housing.

Demand for temporary accommodation support is reducing at a steady rate. Currently CETAS is managing 110 requests, down from 278 in May 2016 and 503 in May 2015. CETAS is working to wind down this service and has reused the houses to support the recovery in the Kaikōura and Hurunui districts or sold them to social housing providers or KiwiSaver HomeStart eligible first home buyers where possible.



22 November 2016 – Kaikōura Earthquake Temporary Accommodation Service (KETAS) activated

A total of 364 requests have been received by KETAS since 22 November 2016; of these 279 have been resolved and 85 remain active.



13 April 2017 – Edgcumbe Temporary Accommodation Service activated

Ninety-nine requests were received between 13 April and 19 May 2017. Of these, 43 have been resolved and the TAS is working to resolve the remaining requests.

Clever use of resources

Sixteen of the Canterbury earthquake temporary accommodation houses at Rāwhiti Domain in Christchurch were sold to rural property owners who lost their primary home or worker accommodation as a result of the Kaikōura earthquake. The Government and the Hurunui District Council established a temporary accommodation village in Waiau using the remaining four Rāwhiti village houses, to support residential recovery in the area.

We supported rural property owners to buy Rāwhiti houses, and extended this support to non-Rāwhiti house buyers to assist them to resolve their temporary accommodation needs.

- › *Support New Market Opportunities to Grow Firms and Sectors for the Benefit of New Zealand MCA*, was underspent. In 2016/17, 62 companies (compared with 68 in 2015/16) opted to do a market validation exercise prior to making an application for full International Growth Fund funding. Companies are able to obtain funding of up to \$100,000 for market validation exercises. Due to the increased focus on quality, there has been a lower number of grants awarded this year – however, the result is still above the target of 60.

Tourism facilities MCA

The *Tourism Facilities MCA* was underspent compared with the Estimate for the year. The *Tourism Facilities MCA* funds three grant funds – the Regional Mid-sized Tourism Facilities Grant Fund (RMFF), Tourism Growth Partnership (TGP), the National Cycleway Fund (NCF) – and also provides support to the New Zealand Cycle Trail Incorporated. Expenditure in this MCA was lower than expected.

This is the last year for the RMFF and the TGP. The RMFF will be replaced by the new Tourism Infrastructure Fund from next year. The TGP was discontinued in May 2017, reflecting that visitor-related infrastructure is now a higher priority for government support. Successful applicants to the second funding round of the RMFF were announced in June 2017. Twenty-eight infrastructure projects across 16 councils were approved co-funding totalling \$5.2 million.

Over its two funding rounds, the RMFF provided a total of \$8.28 million in funding for 42 projects, including freedom camping facilities, car parking, waste disposal facilities, and public toilets.

As at 30 June 2017, 20 of the 22 New Zealand Great Rides are open. The West Coast Wilderness Trail was opened in mid-2017, and the Alps 2 Ocean Trail in Canterbury is expected to be completed in 2018. Large sections of both of these trails are complete, open and popular with users.

Co-funding up to \$2.49 million was awarded through Round five of the TGP for four projects in Rotorua and Southland, alongside an additional \$107,100 for seven feasibility studies. Funding was announced in March 2017.

Performance highlights

The Ministry has met or exceeded all of its performance measures except:

- › The client satisfaction target for the *Hurunui/Kaikōura Accommodation Services* appropriation and the *Edgecumbe Temporary Accommodation Services MCA* were not met. This was due to the low number of respondents in the temporary accommodation service survey and is reflective of these services just starting. The low numbers (four for Edgecumbe and 12 in Kaikōura) is not indicative of a representative sample and may not reflect the experience of the majority. The Canterbury Earthquake Temporary Accommodation Service has been in operation since 2011 and has a satisfaction result of 86-87 per cent over the past three years.
- › The *Tourism Facilities MCA* measure, 'quality of existing tourism facilities and infrastructure', was unable to be reported this year because the information was not available at the time the annual report was produced. There is a requirement that recipients of Mid-sized Tourism Facilities Grants provide an evaluation of their project, which should include information on how tourists have responded to the new facilities, a year after the project is completed. The earliest report is not due until the 2017/18 year.

We have achieved the majority of our planned work programme within set financial expectations for this year with the following exceptions:

- › *Hurunui/ Kaikōura Accommodation Services* appropriation and *Edgecumbe Temporary Accommodation Services MCA*, were underspent. The Kaikōura and Edgecumbe Temporary Accommodation Services have been in operation since November 2016 and April 2017 respectively. These services have not been in operation for very long and expenditure for these services is demand driven.

What we're working towards

MORE PRODUCTIVE AND PROSPEROUS SECTORS, REGIONS AND PEOPLE²⁴



OUTCOME PERFORMANCE KEY

○ NO CHANGE

○ T TARGET

○ A ACTUAL

● + INCREASE/IMPROVE

● - DECREASE/REDUCTION

INTERMEDIATE OUTCOME – MORE DYNAMIC AND BETTER CONNECTED REGIONAL ECONOMIES

Performance measure
Positive trends in regional gross domestic (GDP) per capita

○ T ● +

○ A ● -

Eight out of 16 regions had positive real GDP per capita growth in 2016, down from 15 in 2015

Performance measure
Positive trends in regional employment

○ T ● +

○ A ● +

12 out of 16 regions saw increasing employment rates in 2017, up from six regions in 2016²⁵

Performance measure
Positive trends in regional household incomes

○ T ● +

○ A ● +

11 out of 16 regions experienced positive real household income growth in June 2017, up from 10 in June 2016²⁵

INTERMEDIATE OUTCOME – INCREASE AND INCLUSIVE ECONOMIC GROWTH OF THE AUCKLAND REGION

Performance measure
Increase in productivity in the Auckland region (GDP per hours worked)

○ T ● +

○ A ● +

\$53.4 per hour in 2016, up from \$52.8 in 2015²⁵

Performance measure
Increase in innovation in the Auckland region (patents per million population)

○ T ● +

○ A ● +

71.5 per million population in 2012, up from 64.1 in 2011

INTERMEDIATE OUTCOME – INCREASED RESILIENT ECONOMIC GROWTH OF CANTERBURY REGION

Performance measure
Increasing Canterbury region GDP

○ T ● +

○ A ● +

\$29.6 million (2010 base year) in 2016, up from \$29.0 million in 2015

Performance measure
Increasing Canterbury region GDP per capita

○ T ● +

○ A ● -

\$47,700 in 2016, down from \$47,800 in 2015

Performance measure
Improving performance against the Canterbury Region Manufacturing Index

○ T ● +

○ A ● +

62.2 as of May 2017, up from 56.6 in May 2016

Performance measure
Improving performance against the Canterbury Region Construction Index

○ T ● +

○ A ● -

The index was 196 in May 2017, compared with 197 in May 2016

²⁴ You can find out more about our progress in this outcome area in *Growing science and innovation* and *Fair, safe and productive workplaces* sections

²⁵ The data for this measure has been revised by Statistics New Zealand

Performance measure
Increasing numbers of skilled jobs in the Canterbury region as a proportion of total employment

T +
A +

60% as of June 2017, up from 58.7% in June 2016

MORE SUPPORTIVE AND DYNAMIC BUSINESS ENVIRONMENT²⁶



OUTCOME PERFORMANCE KEY

T TARGET A ACTUAL

= NO CHANGE + INCREASE/IMPROVE - DECREASE/REDUCTION

INTERMEDIATE OUTCOME – INCREASED INTERNATIONAL TRADE AND INVESTMENT

Performance measure
An increase in the contribution to the economy from tourists

T +
A +

Tourism contributed \$12.9 billion to GDP in the year ended March 2016, compared with \$10.6 billion in 2015

Performance measure
An increase in the contribution to the economy from international students

T +
A +

Tuition fees rose to \$1.08 billion in 2016, up 5% from 2015

Our services and functions

APPROPRIATION	PERFORMANCE MEASURES	T TARGET 2016/17	17 ACTUAL 2016/17	16 15 ACTUAL PREVIOUS TWO CONSECUTIVE YEARS
<p>Greater Christchurch Recovery This appropriation is intended to achieve information and advice that supports the recovery of greater Christchurch to progress in a timely and efficient way</p>	<p>T Satisfied or very satisfied</p> <p>17 Achieved</p> <p>16 Satisfied</p> <p>15 -</p>			
<p>Hurunui/Kaikōura Recovery: Accommodation Services This appropriation is intended to achieve assistance for displaced people, response workers and seasonal workers in areas affected by the Kaikōura Earthquake to find safe and healthy accommodation</p>	<p>T 80%</p> <p>17 42%</p> <p>16 -</p> <p>15 -</p>			

26 You can find out more about our progress in this outcome area in *Working across government*, *Confidence in our markets* and *Fair, safe and productive workplaces* sections

27 New measure introduced in 2016/17

APPROPRIATION

PERFORMANCE MEASURES

T TARGET
2016/17

17 ACTUAL
2016/17

16 15

ACTUAL | PREVIOUS TWO
CONSECUTIVE YEARS

Edgcumbe Temporary Accommodation Services MCA

The single overarching purpose of this appropriation is to ensure that temporary accommodation is coordinated and provided to people displaced in Edgcumbe

T	At least 80%	The percentage of clients satisfied or very satisfied with the matching and placement service ²⁸
17	50%	
16	–	
15	–	

Edgcumbe Temporary Accommodation Readiness, Response and Recovery

This category is intended to achieve the coordination and provision of temporary accommodation services for people displaced by flooding and other civil emergencies in the Bay of Plenty region in 2016/17

T	100%	The percentage of registered displaced households who are assessed for matching and placement services ²⁸
17	100%	
16	–	
15	–	

Sector Analysis and Facilitation MCA

The single overarching purpose of this appropriation is to provide services that support the effective functioning of individual economic sectors

T	Increasing	Subscriptions to tourism data ²⁸
17	7% increase compared to previous year	
16	–	
15	–	

T	Increasing	Hits on regional economic data
17	Increasing ²⁹	
16	124% increase compared to previous year	
15	–	

Sectoral and Regional Data and Analysis – Economic Development

This category is intended to achieve the generation of more trust and confidence in markets, allow business to assess and develop markets with ease, and increase international trade and investment

T	100%	Sector and regional data and analysis published on the Ministry of Business, Innovation and Employment website within agreed timeframes
17	100%	
16	100%	
15	–	

Tourism Data and Analysis – Tourism

This category is intended to achieve knowledge and understanding that enables businesses to assess and develop markets with ease and increases international trade and investment

T	Achieved	Meet Statistics New Zealand Official Statistics Standards for all core Tourism datasets published by the Ministry of Business, Innovation and Employment
17	Achieved	
16	Achieved	
15	Not Achieved	

T	100%	Tourism data and analysis is published on the Ministry of Business, Innovation and Employment's website within agreed timeframes
17	100%	
16	100%	
15	–	

²⁸ New measure introduced in 2016/17

²⁹ Includes Regional Economic Activity mobile app from 2016/17

APPROPRIATION

PERFORMANCE MEASURES

T TARGET 2016/17 17 ACTUAL 2016/17 16 15 ACTUAL | PREVIOUS TWO CONSECUTIVE YEARS

Seed Co-Investment Fund MCA

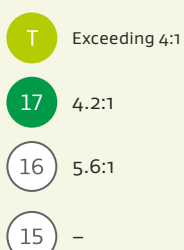
The single overarching purpose of this appropriation is to provide capital to support the development of markets for early stage equity finance and venture capital



The performance for this appropriation will be assessed by the number of new investments in companies from the Seed Co-Investment Fund

Support New Market Opportunities to Grow Firms and Sectors for the Benefit of New Zealand MCA

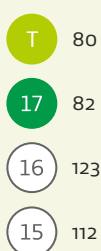
The single overarching purpose of this appropriation is to promote growth by providing support for firms and sectors in securing new market opportunities



The performance for this appropriation will be assessed by the potential direct economic impact ratio for approved International Growth Fund grants

International Growth Fund

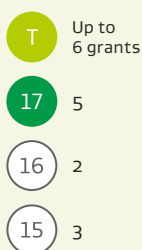
This category is intended to achieve market development and business capability development activities required for growth of New Zealand firms in international markets



Number of International Growth Fund (IFG) grants awarded

Sector Strategies and Facilitation

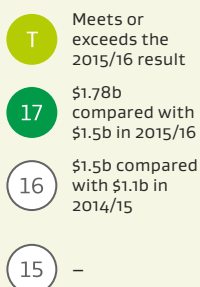
This category is intended to achieve co-fund feasibility studies which are used to develop and present the business case for investment in New Zealand



Number of Strategic Investment Fund grants awarded

Support the Growth and Development of New Zealand Firms, Sectors and Regions MCA

The single overarching purpose of this appropriation is to provide support for the growth and development of New Zealand firms, sectors and regions to maximise international business opportunities



The performance for this appropriation will be assessed by the total value of deals affected with New Zealand Trade and Enterprise's (NZTE) involvement

APPROPRIATION

PERFORMANCE MEASURES

T TARGET
2016/17

17 ACTUAL
2016/17

16

15

ACTUAL | PREVIOUS TWO
CONSECUTIVE YEARS

Collaborative Activity and Special Events

This category is intended to achieve economic benefits through key sector initiatives and special events

T	\$21m by 30 June 2018 ³⁰	Cumulative value of contracts secured through the Government to Government Partnership Office
17	\$15.1m between 01 July 2014 and 30 June 2017	
16	\$14.1m between 01 July 2014 and 30 June 2016	
15	–	

International Business Growth Services

This category is intended to achieve increased internationalisation for New Zealand businesses and matching of capital with investment opportunities

T	690-720	Number of intensively account managed (F700) customers in New Zealand Trade and Enterprise's (NZTE) customer portfolio	T	3,000-3,500 (demand driven)	Total number of customers in NZTE's customer portfolio (excluding those intensively managed)
17	671		17	4,365	
16	705		16	3,085	
15	621		15	3,389	

T	\$1.5b	Total potential Direct Economic Impact (pDEI) from Foreign Direct Investment (FDI) deals	T	Meets or exceeds the 2015/16 result	Number of international growth outcomes achieved with NZTE assistance
17	\$1.74 b pDEI from FDI ³¹		17	890	
16	\$2b pDEI from FDI		16	635	
15	–		15	–	

Services to Support the Growth and Development of New Zealand Businesses

This category is intended to achieve increased business and management capability that improves individual firm and wider business performance

T	50	Total net promoter score for the Regional Partner Network
17	+58	
16	56	
15	–	

Tourism Facilities MCA

The single overarching purpose of this appropriation is to enhance New Zealand's tourism facilities and infrastructure

Performance for this appropriation will be assessed by:

T	Increase	Number of new tourism facilities and infrastructure ³²	T	Improvements	Quality of existing tourism facilities and infrastructure ³²
17	42 grants approved		17	Achieved	
16	–		16	–	
15	–		15	–	

30 Target updated from annual target of \$7m to cumulative value of \$21m in the 2016/17 Supplementary Estimates. Note that due to the budget rollover of G2G Know-How the current cumulative period ended at 30 June 2017, with a new cumulative period commencing in July 2017

31 Note that for 2016/17, NZTE has included pDEI from capital mobilisation and FDI in its total pDEI result. This is on the basis that capital mobilisation also provide economic impact to NZ. Both pDEI from FDI deals and total pDEI from FDI and capital mobilisation will be reported on in NZTE's annual report

32 New measure introduced in 2016/17

APPROPRIATION

PERFORMANCE MEASURES

T TARGET 2016/17 17 ACTUAL 2016/17 16 15 ACTUAL | PREVIOUS TWO CONSECUTIVE YEARS

	<p>T Positive comments</p> <p>17 Unable to be reported this year</p> <p>16 -</p> <p>15 -</p>	Facilities and infrastructure that have been supported by this funding ³³	
<p>Tourism Facilities Development Grants</p> <p>This category is intended to achieve an improvement in the quality and reliability of tourism facilities and services</p>	<p>T Achieved</p> <p>17 Achieved</p> <p>16 -</p> <p>15 -</p>	Improvements in the quality of existing tourism facilities and infrastructure ³³	
<p>Tourism Growth Partnership</p> <p>This category is intended to achieve the increased provision of facilities, infrastructure and services in the tourism sector</p>	<p>T Achieved</p> <p>17 Achieved</p> <p>16 -</p> <p>15 -</p>	Provide advice to the Minister and gain approval of content of the Portfolio Statement that guides investment decisions and application assessments ³³	<p>T At least one</p> <p>17 Achieved</p> <p>16 -</p> <p>15 -</p> <p>Undertake and complete a funding round each year³³</p>
	<p>T 100%</p> <p>17 100%</p> <p>16 -</p> <p>15 -</p>	Percentage of contracts assessed against their objectives and critical steps as per the monitoring plan ³³	

33 New measure introduced in 2016/17

APPROPRIATION

PERFORMANCE MEASURES

T TARGET
2016/17

17 ACTUAL
2016/17

16 15

ACTUAL | PREVIOUS TWO
CONSECUTIVE YEARS

National Cycleway Fund – Development and Extension of Ngā Haerenga, The New Zealand Cycle Trail

This category is intended to achieve the completion of the Great Rides and the development, enhancement and extension of Ngā Haerenga, The New Zealand Cycle Trail, to New Zealand design standards

T Achieved

17 Achieved

16 –

15 –

Ministers are satisfied that the quality of the advice received on any funding proposal is sufficient to allow decisions to be made³⁴

T Increase in kilometres of Trail

17 Achieved

16 –

15 –

Ngā Haerenga, The New Zealand Cycle Trail continues to expand³⁴

T Evaluation of Great Rides demonstrates benefits

17 Next evaluation due in 2018

16 –

15 –

The Great Rides continue to deliver economic and social benefits for New Zealand³⁴

How much we spent

ACTUAL 2015/16 \$000	OUR EXPENDITURE IN SUMMARY	ACTUAL 2016/17 \$000	SUPPLEMENTARY ESTIMATES 2016/17 \$000	MAIN ESTIMATES 2016/17 \$000
6,474	Departmental Expenses	8,805	9,686	7,644
507,124	Non-departmental Expenses	506,388	552,918	457,097
-	Departmental Capital	-	-	-
16,550	Non-departmental Capital	4,889	4,889	5,308
530,148	Total expenditure	520,082	567,493	470,049

You can find out more about how this was spent in the financial statements and the following appropriation statements

³⁴ New measure introduced in 2016/17

STATEMENT OF BUDGETED AND ACTUAL EXPENSES AND CAPITAL EXPENDITURE INCURRED

Our services and functions

ACTUAL 2015/16 \$000	APPROPRIATION NAME	ACTUAL 2016/17 \$000	SUPPLEMENTARY ESTIMATES 2016/17 \$000	MAIN ESTIMATES 2016/17 \$000
Departmental Outputs				
1,205	Greater Christchurch Recovery	2,624	2,774	2,474
-	- Hurunui/Kaikōura Recovery: Accommodation Services ³⁵	301	500	-
1,205	Total Departmental Output Expenditure	2,925	3,274	2,474
Multi-Category Expenses and Capital Expenditure				
-	Edgecumbe Temporary Accommodation Services MCA³⁵	157	4,850	-
Departmental Output Expenses				
	Temporary Accommodation Readiness, Response and Recovery	157	350	-
Non-departmental Output Expenses				
-	Edgecumbe Temporary Accommodation Housing Initiatives – Operations	-	2,000	-
Non-departmental Capital Expenditure				
-	Edgecumbe Temporary Accommodation Housing Initiatives – Capital	-	2,500	-
5,269	Sector Analysis and Facilitation MCA	5,723	6,062	5,170
Departmental Output Expenses				
561	Sectoral and Regional Data Analysis – Economic Development	1,585	1,668	1,968
4,708	Tourism Data and Analysis	4,138	4,394	3,202
9,350	Seed Co-Investment Fund MCA	7,689	7,689	5,830
Non-departmental Output Expenses				
2,800	Investment Fund Management	2,800	2,800	2,800
Non-departmental Capital Expenditure				
6,550	Seed Co-Investment Fund	4,889	4,889	3,030
25,066	Support New Market Opportunities to Grow Firms and Sectors for the Benefit of New Zealand MCA	23,289	36,696	31,231
Non-departmental Other Expenses				
24,718	International Growth Fund	23,235	35,492	30,827
348	Sector Strategies and Facilitation	54	1,204	404
166,045	Support the Growth and Development of New Zealand Firms, Sectors and Regions MCA	172,034	173,724	172,584
Non-departmental Output Expenses				
5,590	Collaborative Activity and Special Events ³⁶	5,569	5,569	4,973
147,274	International Business Growth Services	151,284	152,974	152,430
13,181	Services to Support the Growth and Development of New Zealand Businesses	15,181	15,181	15,181

³⁵ This is a new appropriation created in 2016/17

³⁶ Previously called 'Services to Support Sector Development and Special Events'



ACTUAL 2015/16 \$000	APPROPRIATION NAME	ACTUAL 2016/17 \$000	SUPPLEMENTARY ESTIMATES 2016/17 \$000	MAIN ESTIMATES 2016/17 \$000
-	Tourism Facilities MCA³⁷	8,217	16,772	28,767
	Non-departmental Output Expenses			
-	Tourism Growth Partnership	1,923	2,830	14,500
	Non-departmental Other Expenses			
-	Maintaining the Quality of the Great Rides	1,951	2,275	2,500
	National Cycleway Fund – Development and Extension of Ngā Haerenga,			
-	The New Zealand Cycle Trail	1,498	5,000	6,600
-	New Zealand Cycle Trail Incorporated Funding	400	400	400
-	Tourism Facilities Development Grants	2,445	6,267	4,767
205,730	Total Multi-Category Expenses and Capital Expenditure	217,109	245,793	243,582
206,935	Total expenditure	220,034	249,067	246,056

Note performance information for the appropriations in the table above is located in the 'Our services and functions' table above

Other Services – Non-departmental

ACTUAL 2015/16 \$000	NON-DEPARTMENTAL APPROPRIATIONS	LOCATION OF YEAR END PERFORMANCE INFORMATION	ACTUAL 2016/17 \$000	SUPPLEMENTARY ESTIMATES 2016/17 \$000	MAIN ESTIMATES 2016/17 \$000
	Non-departmental Outputs				
716	Canterbury Earthquakes: Emergency and Temporary Accommodation	6	283	1,150	-
-	Economic Development: Hurunui/Kaikōura Earthquake Response – Tourism Support Package ³⁸	6	291	350	-
2,500	Energy and Resources: Implementation of the Home Insulation Programme		-	-	-
115,850	Tourism: Marketing of New Zealand as a Visitor Destination	1	117,350	117,350	117,350
7,585	Tourism: Tourism Growth Partnership		-	-	-
126,651	Total Non-departmental Output Expenses		117,924	118,850	117,350
	Non-departmental Other Expenses				
-	Economic Development: Attracting International Screen Productions ³⁸	6	1,300	1,300	1,300
2,000	Economic Development: Depreciation on Auckland's Queens Wharf	6	2,000	2,000	2,000
-	Economic Development: Earthquake Business Recovery Grant ³⁸	6	1,090	1,090	-
1,300	Economic Development: Film New Zealand		-	-	-
1,206	Economic Development: Impairment of Crown Assets		-	-	-
-	Economic Development: International Subscriptions and Memberships ³⁹	6	776	790	790
7,449	Economic Development: Major Events Development Fund ³⁸	2	13,442	13,767	13,000
733	Economic Development: Management Development Fund	6	392	696	756
-	Economic Development: Opotiki Harbour Development ³⁸	6	291	400	2,400
-	Economic Development: Regional Growth Initiatives (2016-2021) – MYA ³⁸	2	822	11,000	11,000
123	Energy and Resources: The Pike River Mine Site	6	320	1,600	-
-	Energy and Resources: Home Insulation — MYA	3	2,728	3,000	11,000
22,391	Home Insulation – MYA ³⁸		-	-	-

37 This is a new appropriation created in 2016/17. It is made up of the 'Maintaining the Quality of the Great Rides', 'National Cycleway – Extension', 'Tourism New Zealand Cycle Trail Incorporated Seed Funding', 'Tourism Facilities Development Grants', and 'Tourism Growth Partnership' appropriations

38 New appropriation created in 2016/17

39 New appropriation introduced in 2016/17. It is made up of the 'Commerce and Consumer Affairs: Contributions to International Organisations', 'Energy and Resources: International Energy Agency Subscription', and 'Science and Innovation: Convention Du Metre' appropriations

ACTUAL 2015/16 \$000	NON-DEPARTMENTAL APPROPRIATIONS	LOCATION OF YEAR END PERFORMANCE INFORMATION	ACTUAL 2016/17 \$000	SUPPLEMENTARY ESTIMATES 2016/17 \$000	MAIN ESTIMATES 2016/17 \$000
118,474	New Zealand Screen Production Grant – International MYA	2	126,963	131,933	31,535
-	- Science and Innovation: Regional Research Institutes ⁴⁰	4	1,416	1,416	-
582	Tourism: Maintaining the Quality of the Great Rides		-	-	-
2,535	Tourism: National Cycleway Fund – Extension		-	-	-
185	Tourism: New Zealand Cycle Trail Incorporated Seed Funding		-	-	-
156,978	Total Non-departmental Other Expenses		151,540	168,992	73,781
	Non-departmental Capital Expenditure				
10,000	Venture Investment Fund – MYA	5	-	-	2,278
10,000	Total Non-departmental Capital Expenditure		-	-	2,278
	Multi-Category Expenses and Capital Expenditure				
29,584	Energy Efficiency and Conservation MCA	3	30,584	30,584	30,584
	Non-departmental Output Expenses				
13,000	Electricity Efficiency		13,000	13,000	13,000
16,584	Energy Efficiency and Conservation		16,584	16,584	16,584
-	- Implementation of the Home Insulation Programme ⁴¹		1,000	1,000	1,000
29,584	Total Multi-Category Expenses and Capital Expenditure		30,584	30,584	30,584
323,213	Total Non-departmental Annual and MYA Expenses		300,048	318,426	223,993



Location of year end performance information:

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

⁴⁰ New appropriation introduced in 2016/17

⁴¹ New category created in 2016/17



Connecting people and ideas

Digital technology is changing business models, the way New Zealanders live their lives, and how government makes decisions and interacts with society. While the digital economy is not new, the pace of change is greater now than in the past and this is likely to bring a range of challenges as well as opportunities. Harnessing digital advantages means that New Zealand businesses can continue to compete on the world stage.

The challenge for all regulators and policy makers is to ensure that legislation and rules keep pace with, and where possible ahead of, this changing landscape.

The Commerce Commission's latest telecommunications market monitoring report notes that speeds for mobile services and fixed-line broadband services have increased, while prices have come down. In general, our prices compare well to other OECD countries, especially for broadband and phone bundles.

For example, a 'premium' 100 Mbps ultra-fast broadband (UFB) fibre broadband service with unlimited data and a voice line costs around \$90 a month, which is eight per cent below the OECD average and 19 per cent below Australian prices. In terms of mobile services, a 'serious user' bundle with 100 calls and 2GB of data costs around \$33 per month, 31 per cent below the OECD average.

Data from global content provider Akamai also shows that in the first quarter of 2017, average fixed broadband download speeds have increased to 14.7 Mbps, up 40 per cent in a year.



Image courtesy of Chorus

AT A GLANCE – Connecting people and ideas

What we're working towards

- The built environment better supports a well-functioning economy
- › Increased quality and accessibility (including affordability) of Infrastructure

Our services and functions

- 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 is essential to support virtually all aspects of our economy. We are responsible for:
- › regulating the supply and use of the radio spectrum
 - › providing policy and regulatory advice to ensure that telecommunications regulation effectively promotes competition and investment
 - › overseeing the roll-out of high-speed broadband nationwide.

You may recognise us as

You may recognise us through the roll out of UFB that we administer funding for the Radio Spectrum Management and the Computer Emergency Response Teams (CERT NZ).



Other services Non-departmental

- › Administrative Support for Telecommunications Relay Equipment and Services
- › Emergency Telecommunications Services
- › Enforcement of Telecommunications Sector Regulation
- › Contributions to International Telecommunications Organisations
- › Telecommunications Development Levy Funded Procurement – Deaf Relay Services TSO
- › Telecommunications Development Levy Funded Procurement – Non-Urban Infrastructure
- › Broadband Investment (Crown Fibre Holdings Capital Cost)
- › Acquisition of Textphone Equipment

How much we spent

\$13.4 million
 Departmental expenses and capital expenditure
Budget: \$16.2 million

\$15.5 million
 Non-departmental expenses and capital expenditure
Budget: \$17.5 million



Building a Digital Nation

The Ministry has partnered with the Department of Internal Affairs to develop the Building a Digital Nation action plan, which was released in March 2017.

Building a Digital Nation sets out what we are doing to grow New Zealand's digital sector, encourage greater use of digital technology by other sectors (and small and medium-sized enterprises), and provide New Zealanders with the skills and confidence they need in an increasingly digital world. It also shows how the government is using digital technology to operate more efficiently and to deliver public services in a way that meets the changing needs of businesses and people.

Many of the initiatives in Building a Digital Nation are partnerships between government agencies and New Zealand's digital community. While the Ministry has some of the levers to help grow our digital economy, such as our work on ensuring people and businesses can access fast, affordable and reliable broadband, we need to work with others.

Examples of new activities include:

- › partnering with the tech sector to better understand the opportunities for New Zealand from emerging technologies such as the internet of things, artificial intelligence, FinTech, and augmented and virtual reality
- › supporting the creation of a nationwide Techweek
- › pilot programmes with the construction, arable farming and tourism sectors to encourage greater uptake of ICT
- › working with employers to encourage more women to return to the tech sector
- › better understanding the digital skills that New Zealanders need and the most effective ways to build our digital capability.

New tool takes businesses on digital readiness journey

The Ministry's business.govt.nz team welcomed Techweek '17 with the creation of a new digital assessment tool, co-designed and co-developed with social enterprise Digital Journey. The tool helps small businesses to compare their use of technology to potentially hundreds of other businesses in their sector.

"Digital technology brings a world of new prospects to New Zealand's small businesses and this tool empowers businesses to take advantage of those digital opportunities," says business.govt.nz manager Matt Kennedy-Good.

"A personalised action plan of recommendations, plain English explanations of technology, and links to resources where businesses could learn more about improving online capabilities were some of the useful features of the tool."



Faster broadband access for more New Zealanders

The Government is making a \$2 billion investment on behalf of all New Zealanders into three major initiatives that will deliver faster, better internet: the UFB programme, the Rural Broadband Initiative (RBI) and the Mobile Black Spot Fund (MBSF). Together, these programmes bring the benefits of improved internet connectivity to almost every New Zealander, opening up a huge range of business, educational, community and other opportunities.

The UFB programme is bringing faster, better internet to around 85 per cent of New Zealanders in their homes, schools, hospitals, marae and businesses – including all

Building a Digital Nation report released

Shaping and driving New Zealand's digital transformation.

www.mbie.govt.nz/digital-nation

MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT
HĪKINA WHAKATUTURU

rural public hospitals and schools, and many libraries. UFB is the latest in internet connection technology. Using fibre optic cables to deliver fibre to the premises, it can provide download speeds of almost 1,000 Mbps.

The first phase of the UFB programme started in 2010 with the goal of connecting up over 35 of our largest cities and towns. Today more than half of all New Zealanders are able to connect to UFB. Due to the overwhelming success of the first phase of the programme, in early 2017 contracts were completed to extend the network even further. By the end of 2024, UFB will be available in more than 180 of New Zealand's cities and towns (almost all urban areas of New Zealand), and New Zealand will be in the top five OECD countries for fibre broadband coverage.

Alongside the UFB programme, the Government is making sure that rural New Zealanders can enjoy the benefits of faster, better internet through the RBI. Giving rural areas improved internet connection is expected to provide significant economic benefits, while also giving rural New Zealanders access to important health and educational services that are available online. Because UFB isn't feasible in sparsely populated areas, the first phase of the RBI provided improved broadband access to more than 90 per cent of homes and businesses outside of UFB areas. More than 300,000 rural households and businesses are now able to connect to new or improved fixed line or fixed wireless broadband.

An additional \$100 million has been allocated for phase two of the RBI, to extend improved rural broadband into even more rural and remote areas. The Government has also allocated \$50 million to provide mobile coverage to black spot areas along main highways and at major tourist sites through the MBSF.

Protecting New Zealand's intellectual property

The Intellectual Property Office of New Zealand (IPONZ) assesses more than 20,000 trademark, 8,000 patent, 1,400 design and 140 plant variety rights applications every year, which is similar to the volumes experienced by our Singapore counterparts. We did this while achieving some of the fastest intellectual property application processing times in the world.

The World Trademark Review compared our service to the top 40 trademark offices around the world and ranked us number one for our online capabilities. We were praised both for our online model, and for being the only office in the world to offer third party access to its Application Programming Interfaces. This means businesses can plug directly into our IPONZ system, making it easier to access their information and reducing the administrative effort needed.



Responding to cyber security risks

The Computer Emergency Response Team (CERT NZ) was established in April 2017 to provide increased comprehension of the threat landscape, enable better avoidance and assist reducing the impacts of cyber security incidents for businesses, organisations and individuals.

CERT NZ will help play a part in a global effort to improve cyber security, and enable New Zealand to become a more trusted business and security partner. It does this by receiving cyber incident reports, tracking cyber security incidents or events, and providing advice and alerts to its customers on how to respond to and prevent further attacks.

CERT NZ is also working closely with its international counterparts to prevent and respond to cyber security incidents, and address cybercrime.

In its first three months of operations, from 11 April to 30 June 2017, CERT NZ received 286 incident reports. CERT NZ will produce its first threat landscape report for New Zealand before the end of 2017.

CERT NZ also coordinated the response to two significant global ransomware incidents during this time: WannaCry and NotPetya. CERT NZ engaged with the National Cyber Security Centre (part of the Government Communications Security Bureau) and its information-sharing partners, to identify the impacts, mitigations and advice to enable New Zealand businesses, organisations and individuals to protect themselves against the ransomware.

Cybercrime

New Zealand, like other countries, faces a range of cyber security risks, from cybercrime through to cyber-based espionage. It affects individuals, businesses, organisations and government agencies. The cost of cybercrime to New Zealand has been estimated at \$257 million last year, and New Zealanders lost an average of 22 hours and \$300 per person due to cybercrime in 2015.

Cybercrime is an area that will continue to grow as we become more entrenched in the digital world.



Faster emergency services

During 2016/17 we worked with emergency service providers (New Zealand Police, New Zealand Fire Service, St John and Wellington Free Ambulance) and mobile network operators (Spark, 2degrees and Vodafone) to develop a system that uses the location of a person's handset when they dial 111 from a mobile phone.

The Location Area System turns data into information about your handset's likely location. Authorised emergency service providers are allowed to use this location information to help them verify the caller's location, so they can respond to the emergency as quickly as possible.

Coastal radio

The Ministry's Radio Spectrum Management business unit has worked collaboratively with Maritime New Zealand and the Royal New Zealand Coastguard to manage and coordinate a number of maritime radio channel changes. The changes, which came into effect in October 2016, allow us to expand ship tracking and data services. They are part of our international obligations for radio spectrum management and will ensure our maritime radio services are in line with the rest of the world.

In New Zealand's coastal waters, maritime radio channels are used for many different purposes, ranging from broadcasting weather information to providing a way to communicate in the event of emergency. Marine radios are an essential piece of safety equipment that provides much better coverage than mobile phones. In some cases they can be the only way for people to communicate with other boats or marine rescue groups and receive navigational warnings and weather updates. As many as 500,000 recreational boats in New Zealand have marine radios on board.

Performance highlights

The Ministry met or exceeded all its performance measures this year. We also achieved the majority of our planned work programme within set financial expectations for this year, with the following exceptions:

- › The *Communications: Cyber Security Services* appropriation was underspent due to the new nature of this activity. This appropriation funds the national CERT NZ including build work for the IT networks and systems, website, and reporting tool that are required to deal with cyber security incidents. Elements of the planned work programme for 2016/17 have been carried forward into the 2017/18 year.
- › The *Communications: Management and Enforcement of Radiocommunications Act 1989* was underspent. This appropriation is mainly funded from third party fees which are set ahead of expenditure being incurred for the year. A fee review has been conducted with the primary objective of reducing the surplus and resetting fees to address over-recovery. The new fees come into effect on 1 October 2017.

What we're working towards

THE BUILT ENVIRONMENT BETTER SUPPORTS A WELL-FUNCTIONING ECONOMY⁴²



OUTCOME PERFORMANCE KEY

- T TARGET
- A ACTUAL
- = NO CHANGE
- + INCREASE/IMPROVE
- DECREASE/REDUCTION

INTERMEDIATE OUTCOME – INCREASED QUALITY AND ACCESSIBILITY (INCLUDING AFFORDABILITY) OF INFRASTRUCTURE

Performance measure

Improving New Zealand's position in the Organisation for Economic Co-operation and Development's (OECD) ranking for fixed broadband services (connections per 100 of the New Zealand population)



15th in 2017 down from 14th in 2016

Performance measure

75% of New Zealanders have access to ultra-fast broadband by the end of 2019 under Phase 1 of Ultra-Fast Broadband initiative (UFB)



Around 60% of New Zealanders as of June 2017, up from 52% in 2016

Performance measure

80% of New Zealanders have access to ultra-fast broadband by 2022 under Phase 2 of UFB



Around 60% of New Zealanders as of June 2017, up from 52% in 2016

Performance measure

Improving international ranking for New Zealand's broadband pricing



14th in 2016/17, up from 21st in 2015/16

Performance measure

An increase in New Zealand's average broadband download speed



14.7 Mbps in the March 2017 quarter, up from 10.5 Mbps in the March 2016 quarter

Performance measure

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)



Over 304,000 users are able to connect as of June 2017

Performance measure

Increasing New Zealand's cellular mobile coverage



More than 1,600 km² of additional rural coverage added

Performance measure

At least 90% of New Zealanders have access to a 4G network by 2019



Achieved (91% coverage as of February 2017)

Performance measure

Telecommunication Review to be completed by July 2016



Completed June 2017

Performance measure

100% of schools have access to fibre by the end of 2015⁴³



This target has been achieved

⁴² You can find out more about our progress in this outcome area in the *Confidence in our markets and Well-functioning building and housing markets* sections

⁴³ This excludes 49 remote schools that will have access to high-speed wireless

Our services and functions

APPROPRIATION

PERFORMANCE MEASURES



TARGET
2016/17



ACTUAL
2016/17



ACTUAL | PREVIOUS TWO
CONSECUTIVE YEARS

Communications: Cyber Security Services

This appropriation is intended to achieve the establishment and operation of a computer emergency response organisation to enhance New Zealand's cyber security and resilience and help prevent cybercrime



Achieved

The establishment of a New Zealand computer emergency response organisation by 30 June 2017⁴⁴



Achieved



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Communications: Management and Enforcement of the Radiocommunications Act 1989

This appropriation is intended to achieve the provision of effective and efficient allocation and licensing of the radio spectrum



95%

Percentage of submitted applications that are correctly registered or granted, and documented interference complaints that are actioned within the work programme time frame



100%



100%



100%

Communications: Management of Emergency Telecommunications Services

This appropriation is intended to achieve the management of upgrades to the telecommunications capabilities of the emergency response services in order to provide improved access to quality communications service



Achieved

Milestones achieved as per the project plan



Achieved



Achieved



Achieved

⁴⁴ New measure introduced in 2016/17

How much we spent

ACTUAL 2015/16 \$000	OUR EXPENDITURE IN SUMMARY	ACTUAL 2016/17 \$000	SUPPLEMENTARY ESTIMATES 2016/17 \$000	MAIN ESTIMATES 2016/17 \$000
7,212	Departmental Expenses	13,433	16,160	10,891
50,454	Non-departmental Expenses	15,502	17,351	15,445
-	- Departmental Capital	-	-	-
190,000	Non-departmental Capital	-	165	42,165
247,666	Total expenditure	28,935	33,676	68,501

You can find out more about how this was spent in the financial statements and the following appropriation statements

STATEMENT OF BUDGETED AND ACTUAL EXPENSES AND CAPITAL EXPENDITURE INCURRED

Our services and functions

ACTUAL 2015/16 \$000	APPROPRIATION NAME	ACTUAL 2016/17 \$000	SUPPLEMENTARY ESTIMATES 2016/17 \$000	MAIN ESTIMATES 2016/17 \$000
	Departmental Output Expenditure:			
	- Communications: Cyber Security Services ⁴⁵	4,817	5,299	-
5,969	Communications: Management and Enforcement of the Radiocommunications Act 1989	7,405	9,611	9,641
1,243	Communications: Management of Emergency Telecommunications Services	1,211	1,250	1,250
7,212	Total departmental output expenditure	13,433	16,160	10,891

Note performance information for the appropriations in the table above is located in the 'Our services and functions' table above

⁴⁵ This is a new appropriation created in 2016/17



Other Services – Non-departmental

ACTUAL 2015/16 \$000	NON-DEPARTMENTAL APPROPRIATIONS	LOCATION OF YEAR END PERFORMANCE INFORMATION	ACTUAL 2016/17 \$000	SUPPLEMENTARY ESTIMATES 2016/17 \$000	MAIN ESTIMATES 2016/17 \$000
Non-departmental Outputs					
1,292	Communications: Administrative Support for Telecommunications Relay Equipment and Services	3	1,347	1,519	1,519
-	Communications: Emergency Telecommunications Services	3	4,893	5,200	3,644
6,000	Communications: Enforcement of Telecommunications Sector Regulation	1	4,918	5,500	6,000
980	Communications: Fibre Drop Costs		-	-	-
8,272	Total Non-departmental Output Expenses		11,158	12,219	11,163
Non-departmental Other Expenses					
13,457	Communications: Broadband Investment (Rural Supply)		-	-	-
949	Communications: Contributions to International Telecommunications Organisations	3	960	970	970
2,662	Communications: Telecommunications Development Levy Funded Procurement – Deaf Relay Service TSO	3	2,678	3,000	3,000
25,114	Communications: Telecommunications Development Levy Funded Procurement – Non-Urban Infrastructure	3	706	1,162	312
42,182	Total Non-departmental Other Expenses		4,344	5,132	4,282
Non-departmental Capital Expenditure					
-	Broadband Investment (Crown Fibre Holdings Capital Cost (UFB2))2016-2021 – MYA	2	-	-	42,000
-	Communications: Acquisition of Textphone Equipment	3	-	165	165
190,000	Communications: Broadband Investment (Crown Fibre Holdings Capital Costs) – MYA		-	-	-
190,000	Total Non-departmental Capital Expenditure		-	165	42,165
240,454	Total Non-departmental Annual and MYA Expenses		15,502	17,516	57,610



Location of year end performance information:

- 1 Commerce Commission's annual report
- 2 Crown Fibre Holdings' annual report
- 3 Exemption granted under section 15D(2)(b) of the *Public Finance Act 1989*.

Confidence in our markets

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

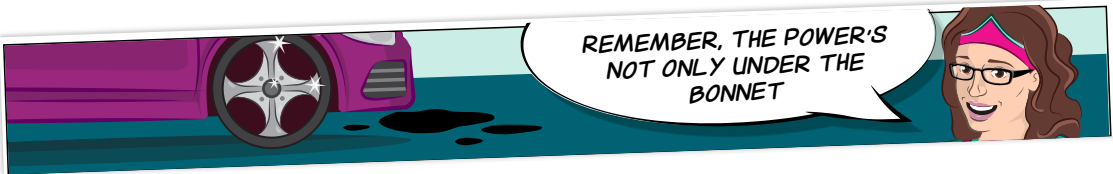
Consumers can confidently buy products and services and invest if markets and standards are well-regulated. Everyone is protected from unfair practices and unsafe products.

According to World Economic Forum (WEF) New Zealand's market is globally competitive, ranking 13th out of 138 countries (this is an improvement from last year). New Zealand's ranking has been improving and is strong on most of the measures that determine it.

International rankings of the quality of New Zealand's regulatory environment vary from year to year and survey to survey. We need our regulatory environment to be excellent compared with other economies, and we will continue to track our progress using a number of international surveys.

According to surveys conducted by Statistics New Zealand, more businesses are able to access both debt and equity finance on acceptable terms (94 per cent and 89 per cent respectively) compared with four years ago.

Successfully navigating the transition to a low carbon emission economy while maintaining economic growth is an important piece of work for the Ministry.



Consumer POWER!

POWER UP AT
consumerprotection.govt.nz

Consumer Protection



AT A GLANCE – Confidence in our markets

<p>What we're working towards</p>	<p>More supportive and dynamic business environment</p> <ul style="list-style-type: none"> › Well-regulated and competitive markets › Increased business and consumer confidence in markets › Businesses find it easier to access and develop markets 	<p>Greater value sustainability derived from the natural environment</p> <ul style="list-style-type: none"> › Investment and development of petroleum and mineral resources › Improved energy productivity and management of resources › Reduced carbon intensity in the economy 	<p>The built environment better supports a well-functioning economy</p> <ul style="list-style-type: none"> › Increased quality and accessibility (including affordability) of infrastructure
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<p>Our services and functions</p>	<p>The Ministry's role 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.</p> <p>We also:</p> <ul style="list-style-type: none"> › provide and enforce consumer, commercial and occupational regulatory frameworks that support well-functioning markets › provide company registration, intellectual property and insolvency services › oversee energy markets and regulate mineral and petroleum exploration and production.
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<p>You may recognise us as</p>	<p>Companies Office, IPONZ, the New Zealand Space Agency, Trading Standards, New Zealand Petroleum and Minerals, Standards New Zealand, Consumer Protection, Insolvency and Trustee Service, Personal Property Securities Register, the Motor Vehicle Traders Register, business.govt.nz, Housing and Tenancy Services and Employment Services.</p>
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**Other services
Non-departmental**

- › Accounting and Assurance Standards Setting
- › Administration of the Takeovers Code
- › Economic Regulation Inquiries
- › Enforcement of Dairy Sector Regulation and Auditing of Milk Price Setting
- › Enforcement of General Market Regulation
- › Retirement Commissioner
- › Review of Input Methodologies for Economic Regulation
- › Economic Regulation of Electricity Line Services 2014-2019 – MYA
- › Economic Regulation of Gas Pipeline Services 2014-2019 – MYA
- › Economic Regulation of Specified Airport Services 2014-2019 – MYA
- › Electricity Industry Governance and Market Operations
- › Management of IEA Oil Stocks
- › Resource Data Acquisition and Management 2015-2018 – MYA
- › Security Management – MYA
- › Financial Markets Authority Litigation Fund
- › Takeovers Panel Litigation Fund
- › Electricity Litigation Fund
- › Investment in the Financial Markets Authority

**How much
we spent**

\$156.9 million
Departmental expenses
and capital expenditure
Budget: \$160.8 million

\$156.6 million
Non-departmental expenses
and capital expenditure
Budget: \$175.6 million



Ease of doing business

According to the World Bank's *Doing Business 2017* report, New Zealand is ranked number one in the world for ease of doing business, up one place from last year. The *Doing Business* Report examines regulations that enhance or constrain business activity by assessing 190 countries and ranking them in accordance with the impacts of their regulatory environment on business. The Ministry's contribution to this result was significant as we oversee many of the regulatory systems that support our markets.

The 2017 report highlights the good work government agencies are doing through the BGA and also notes our strength in procurement through our online procurement process. It shows that we are world leaders when it comes to helping businesses to get set up (with the smallest number of procedures and the shortest time) and we have made the process of paying taxes easier and cheaper. Reducing the regulatory burden is all part of creating a competitive and productive economy that provides more and better-paying jobs for New Zealanders.

Regulatory Systems Amendment Bill

This year the Ministry changed its approach for making small regulatory changes. Historically, small changes to improve and clarify these Acts are delayed until more substantial changes are required.

This year we have changed our approach and have chosen to combine smaller changes across 20 Acts into a single package to enable these improvements in a more timely and efficient way.

Financial market

The overhaul of financial sector regulation was completed with the *Financial Markets Conduct Act 2013* coming into full force on 1 December 2016. This legislation significantly improves the regulatory regime for those offering financial products, including by providing the Financial Markets Authority (FMA) with a suite of new powers. Investor confidence has improved significantly in the last year. The FMA's annual survey into the public's attitude to financial markets released in May 2017 indicated that confidence had risen significantly to 65 per cent among all respondents, from 56 per cent in 2016 (60 per cent in 2014/15 and 58 per cent in 2013/14).

A further key development in the financial markets area this year has been the announcement of a significant increase in the FMA's funding to better enforce the new regulatory regime from 2017/18.

Energy market

The agriculture and energy sectors are the two largest contributors to New Zealand's emissions profile. The shift to a low carbon emission economy is reliant on reducing energy consumption and diversification of New Zealand's sectors so that we are less reliant on agriculture.

Carbon intensity in the economy decreased slightly from 2.60 tonnes per dollar in 2014 to 2.56 tonnes per dollar in 2015. While New Zealand's carbon intensity fell, there has been a one per cent increase in total emissions since 2013 (81.1 Mt CO₂-e⁴⁶ in 2014 compared with 80.3 Mt CO₂-e⁴⁶ in 2013).

The use of energy relative to GDP, or 'energy intensity', is continuing to improve. In 2014, energy intensity was 2.7 MJ/\$GDP⁴⁷ compared to 3.6 MJ/\$GDP⁴⁶ in 2013.

The International Energy Agency (IEA), an autonomous body within the OECD, reviews the energy policies of member countries about every five years. Its latest review, released in February 2017, was positive about New Zealand's energy markets and policy environment. The review found that changes made since the last review in 2010 have made our energy system more reliable, affordable and environmentally sustainable.

The IEA was particularly interested in New Zealand's transition to a low carbon emission economy. The review commended the work to date and the Government's Electric Vehicles Programme, which is focused on having 64,000 electric vehicles on our roads by 2021.

Improving energy efficiency and productivity from the fossil fuels we use is just as important as finding alternatives to fossil fuels. The Ministry is leading policy work in these areas, including the refresh of the New Zealand Energy Efficiency and Conservation Strategy, which sets the medium-term direction for energy efficiency and renewable energy nationally.

Government's Electric Vehicles Programme

Procurement Functional Leadership is supporting the Government's Electric Vehicles Programme. There are now 14 models of electric vehicles available to government agencies under the All-of-Government vehicle contract, and an initiative is underway to encourage purchases of electric vehicles by aggregating the demand from both government agencies and the private sector.

Protecting shareholders

Our integrity and enforcement work aims to promote confidence in the New Zealand business environment by ensuring integrity of registered information. We help directors to comply with their responsibilities and investigate complaints made against individuals or corporate entities.

⁴⁶ Million tonnes of carbon dioxide emissions
⁴⁷ Megajoules per dollar of GDP

The majority of our customers fulfil their obligations and we try to make that easy, rather than to punish them for any and every breach. Where there is serious or prolific non-compliance with obligations, further enforcement action may be taken.

One particular tool is the power of the Registrar of Companies to prohibit individuals from being directors if they have been involved in the management of one or more companies that have failed due to mismanagement in the previous five years. Prohibition is an effective tool to protect the public from directors who have been unscrupulous, incompetent or irresponsible. It ensures that, for the period of prohibition, the individuals are not able to take advantage of the limited liability status of a company or be involved in the management of a company. Individuals can be prohibited for up to 10 years.

In the last 12 months, 37 directors have been prohibited by the Registrar of Companies with an average period of prohibition of approximately seven years.

You can search the register for prohibited directors by using the advanced search and selecting 'Disqualified Director' before typing the director's name.

Performance highlights

The Ministry met or exceeded all of its performance measures, with the following exceptions:

- › The targets for four measures within the *Energy and Resources: Management of the Crown Mineral Estate* appropriation were not achieved. We delivered 94 petroleum data packs to end-users compared with our target of 100. We did not meet the target as it is based on a calendar year rather than the Ministry's financial year. This means that the target would be achieved if the calendar year result was reported. We will revise this target for the delivery cycle of petroleum data packs next year to align reporting and target years.

We did not meet the timeliness target of 100 per cent for processing petroleum mining and prospecting permit applications because one mining and one prospecting permit applications took longer to process than expected.

Higher than expected volumes and greater complexity of applications has meant that 78 per cent of mineral permit applications were completed within the timeframe compared to the target of 80 per cent.

A large influx of applications in the queue from July 2016 to June 2017 meant that the target for reducing the wait list for mineral applications was not met this year.

- › The target for the cost of policy output was not met for the *Policy Advice and Related Services MCA – Vote Business, Science and Innovation*. The target for this measure has remained unchanged since 2013 and reflects the sector median at the time it was set. The methodology for capturing staff time to align with Treasury's guidance continues to improve over time. The Ministry will work with Treasury to refine the methodology and improve the accuracy of assessing the cost associated with the provision of policy advice. The cost per hour includes all costs incurred to produce quality policy advice including legal, financial, accommodation and other associated supporting input costs.

- › The technical quality target for policy papers was not met for the *Policy Advice – Communications, Policy Advice – Economic Development* and *Policy Advice – Tourism* categories of the *Policy Advice and Related Services MCA – Vote Business, Science and Innovation*. The Ministry has adopted a whole-of-Ministry policy quality review process, Te Ara Poutama, which assesses the quality of policy papers and identifies where general improvements are required. Addressing the general and specific improvements identified from this approach should improve quality for portfolios where this standard has been assessed as not being met. The Ministry provides a small sample of the Te Ara Poutama papers to an external reviewer so that future improvements in the approach can be identified and implemented.
- › The timeliness target was not met for completing requests under the *Ministerial Official Information Act 1982* (Ministerial OIA) for the *Related Services – Science and Innovation* category of the *Policy Advice and Related Services MCA – Vote Business, Science and Innovation*. Three out of nine Science and Innovation requests were not completed within agreed timeframes.

In the *Commerce and Consumer Affairs: Standards Development and Approval* appropriation, the number of standards under review or development this year exceeded our target of 166. We will review this target to ensure that it is more challenging next year.

We have achieved the majority of our planned work programme within set financial expectations for this year, with the exception of the *Commerce Commission Externally-Sourced Litigation* category of the *Commerce Commission Litigation Funds MCA*, which was underspent. This was due to quicker resolution of matters and less expenditure being incurred than originally budgeted for on existing cases. In addition, the budgeted provision for new cases was in excess of the requirements for new litigation entering the fund during the year.

The *Policy and Related Services MCA – Vote Business, Science and Innovation*, stayed within expected financial limits. However, the amount spent in each category varied:

- › Actual expenditure in the *Policy Advice – Communications, Related Services to Ministers – Communications, Policy Advice – Small Business and Related Services to Ministers – Small Business* categories was higher than expected. The higher expenditure in the Communications categories was due to the new Digital Economy work programme which includes the Building a Digital Nation action plan, undertaking Techweek 2017, and work on disruptive technologies. The higher expenditure in the Small Business categories was due to business support after the Kaikōura earthquake and small business roadshow events that started in 2015/16 but incurred most of their costs in 2016/17.
- › Slower progress in the Regional Growth Programme and decisions to move discretionary Tourism projects from 2016/17 to 2017/18 (following a strategic review of the Tourism work programme) have meant that expenditure in the *Policy Advice – Economic Development* and *Policy Advice – Tourism* categories were lower than expected.
- › Lower than expected applications and investigations have led to the *Investigative Services – Trade Remedies* category being underspent compared with the Estimate for the year.

What we're working towards

MORE SUPPORTIVE AND DYNAMIC BUSINESS ENVIRONMENT⁴⁸



OUTCOME PERFORMANCE KEY

T TARGET

A ACTUAL

= NO CHANGE

+ INCREASE/IMPROVE

- DECREASE/REDUCTION

INTERMEDIATE OUTCOME – WELL-REGULATED AND COMPETITIVE MARKETS

Performance measure

Improve New Zealand's position in the World Economic Forum (WEF) Global Competitiveness Report

T +

A +

13th in 2016/17, improved from 16th in 2015/16

Performance measure

Improve New Zealand's position in the WEF Global Competitiveness Index on Institutions: 1.09 Burden of government regulation

T +

A +

26th in 2016/17, improved from 36th in 2015/16

INTERMEDIATE OUTCOME – INCREASED BUSINESS AND CONSUMER CONFIDENCE IN MARKETS

Performance measure

Improve confidence of New Zealanders in financial markets

T +

A +

In 2017, 65% of New Zealanders have confidence in financial markets, up from 56% in 2016

INTERMEDIATE OUTCOME – BUSINESSES FIND IT EASIER TO ACCESS AND DEVELOP MARKETS

Performance measure

More businesses that sought debt finance obtained it on acceptable terms

T +

A +

94% in 2016, up from 89% in 2015

Performance measure

More businesses that sought equity finance obtained it on acceptable terms

T +

A +

89% in 2016, up from 81% in 2015

Performance measure

Maintain New Zealand's position in the World Bank Ease of Doing Business survey

T =

A +

1st in 2017, improved from 2nd in 2016

⁴⁸ You can find out more about our progress in this outcome area in the *Working across government, Strengthening sectors, regions and businesses and Fair safe and productive workplaces* sections

GREATER VALUE SUSTAINABILITY DERIVED FROM THE NATURAL ENVIRONMENT



OUTCOME PERFORMANCE KEY		TARGET		ACTUAL	
	NO CHANGE		INCREASE/IMPROVE		DECREASE/REDUCTION

INTERMEDIATE OUTCOME - INVESTMENT AND DEVELOPMENT OF PETROLEUM AND MINERAL RESOURCES

Performance measure
Increasing petroleum liquids production

12.7 million barrels were produced in 2016, down from 14.9 million in 2015

Performance measure
Increasing net natural gas production

191.71 petajoules in 2016, up from 182.29 petajoules in 2015

INTERMEDIATE OUTCOME - IMPROVED ENERGY PRODUCTIVITY AND MANAGEMENT OF RESOURCES

Performance measure
Reducing New Zealand's energy intensity levels (based on megajoules per dollar of real GDP (MJ/\$GDP) and 1995/96 prices)

2.56 MJ/\$GDP in 2015, down from 2.6 MJ/\$GDP in 2014

INTERMEDIATE OUTCOME - REDUCED CARBON INTENSITY IN THE ECONOMY

Performance measure
Reducing carbon intensity of the New Zealand economy (tonnes of CO₂ equivalent per unit of real GDP (2009/10 prices))

367 tonnes of CO₂ equivalent per million dollars of GDP in 2015, down from 380 in 2014

Performance measure
Reducing New Zealand's total greenhouse gas emissions

80.2 megatonnes of carbon dioxide equivalent in 2015, down from 80.3 megatonnes in 2014

Performance measure
Increasing percentage of New Zealand's electricity is generated from renewable sources

86.1% in the March 2017 quarter, up from 82.2% in March 2016

THE BUILT ENVIRONMENT BETTER SUPPORTS A WELL-FUNCTIONING ECONOMY⁴⁹



OUTCOME PERFORMANCE KEY

— NO CHANGE

T TARGET

A ACTUAL

+ INCREASE/IMPROVE

— DECREASE/REDUCTION

INTERMEDIATE OUTCOME – INCREASED QUALITY AND ACCESSIBILITY (INCLUDING AFFORDABILITY) OF INFRASTRUCTURE

Performance measure

Reduction in electricity system interruptions (according to the system average interruption duration index – SAIDI)

T —

A +

SAIDI index was 367 in 2015, up from 284 in 2014

Our services and functions

APPROPRIATION

PERFORMANCE MEASURES

T TARGET 2016/17

17 ACTUAL 2016/17

16 15

ACTUAL | PREVIOUS TWO CONSECUTIVE YEARS

Commerce and Consumer Affairs: Consumer Information

This appropriation is intended to achieve a trading environment in which consumers are well-informed, adequately protected, trading is fair and in which there is effective competition

T 3

17 3

16 —

15 —

Number of consumer information campaigns launched by June 2017⁵⁰

Commerce and Consumer Affairs: Official Assignee Functions

This appropriation is intended to achieve increased business confidence through the discharge of the Official Assignee's statutory responsibilities

T Audit rating between 1-2

17 1.4⁵¹

16 1.3

15 1.2

Compliance with statutory and best practice management functions across all Insolvency Offices

Commerce and Consumer Affairs: Registration and Granting of Intellectual Property Rights

This appropriation is intended to achieve the production of robust intellectual property rights to allow New Zealand businesses to grow domestically and internationally

T 99%

17 100%

16 100%

15 100%

Percentage of decisions by the Intellectual Property Office and the Plant Variety Rights Office to accept, grant or register intellectual property rights that are upheld

⁴⁹ You can find out more about our progress in this outcome area in the *Connecting people and ideas* and *Well-functioning building and housing markets* sections

⁵⁰ New measure introduced in 2016/17

⁵¹ Result is for January to June 2017

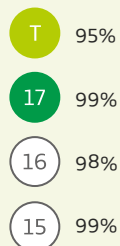
APPROPRIATION

PERFORMANCE MEASURES

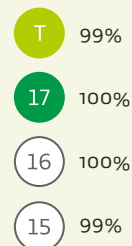
T TARGET 2016/17 17 ACTUAL 2016/17 16 15 ACTUAL | PREVIOUS TWO CONSECUTIVE YEARS

Commerce and Consumer Affairs: Registration and Provision of Statutory Information

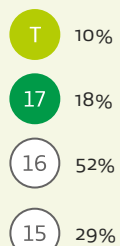
This appropriation is intended to achieve effective and efficient interaction between business and government through the management of registers and provision of access to authoritative information



Percentage of online company name approvals and consents processed within 35 minutes of receipt during normal business hours



Availability of the Companies and Personal Property Securities online registers (excluding agreed outages for scheduled maintenance)



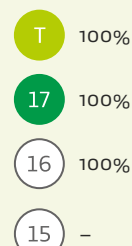
Increase in visits year-on-year to business.govt.nz for access to information and advice, and to interact or transact with government

Commerce and Consumer Affairs: Standards Development and Approval

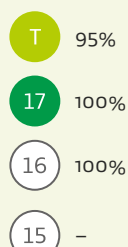
This appropriation is intended to achieve the development of, and access to, standards in New Zealand that meet the needs of business, regulators and consumers



Number of standards under development or review



Percentage of draft NZ Standards submitted for approval by the Standards Executive meet the statutory criteria as specified in the Standards and Accreditation Act 2015



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)

Commerce and Consumer Affairs: Trading Standards

This appropriation is intended to achieve a trading environment in which businesses and consumers are well-informed, adequately protected, trading is fair and there is effective competition



An internal audit and assurance rating received on the quality and timeliness of administration of product safety, weights and measures legislation, and fuel quality monitoring

APPROPRIATION

PERFORMANCE MEASURES

T TARGET 2016/17 17 ACTUAL 2016/17 16 15 ACTUAL | PREVIOUS TWO CONSECUTIVE YEARS

Energy and Resources: Information Services

This appropriation is intended to achieve the provision of information and technical advice on energy and resources

- T Achieved
- 17 Achieved
- 16 Achieved
- 15 Achieved

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

- T Quality Assurance protocols are followed
- 17 Achieved
- 16 Achieved
- 15 Achieved

All publications and information provided on projections of energy supply and demand and energy sector greenhouse gas emissions are reliable

Energy and Resources: Management of the Crown Mineral Estate

This appropriation is intended to achieve the efficient allocation and management of Crown-owned petroleum and mineral resources

- T Achieved
- 17 Achieved
- 16 Achieved
- 15 -

Royalties from Crown estate grow year-on-year over time (subject to market conditions and geologic production constraints)

- T Achieved
- 17 Achieved
- 16 Achieved
- 15 -

New Zealand Petroleum and Mineral statutory consultation requirements are met

- T 100 Data Packs delivered
- 17 94
- 16 Achieved
- 15 -

Petroleum Data pack is delivered to end-users

- T 20%
- 17 31%
- 16 20%
- 15 -

Percentage of applications received online for new permits and changes to existing permits

- T Achieved
- 17 Not Achieved
- 16 Not Achieved
- 15 Not Achieved

100% of petroleum permit applications are granted or declined within 120 days

- T Achieved
- 17 Not Achieved
- 16 Not Achieved
- 15 Not Achieved

80% of mineral permit applications received this year are granted or declined within 6 months

- T 20%
- 17 9% reduction
- 16 -
- 15 -

Percentage reduction in the waiting list for mineral applications⁵²

52 New measure introduced in 2016/17

APPROPRIATION

PERFORMANCE MEASURES

T TARGET 2016/17 17 ACTUAL 2016/17 16 15 ACTUAL | PREVIOUS TWO CONSECUTIVE YEARS

Commerce Commission Litigation Funds MCA

The single overarching purpose of this appropriation is to meet the costs of litigation activity undertaken by the Commerce Commission arising from its general market or sector specific activities

T Using the Fund according to conditions for use
 17 Achieved
 16 Achieved
 15 –

The performance for this appropriation will be assessed based on whether Litigation Funds are utilised in accordance with the conditions for use

Commerce Commission Externally-Sourced Litigation

This category is intended to achieve the best possible outcomes for New Zealanders in competitive and regulated markets by enabling the Commission to undertake major or complex externally-sourced litigation where appropriate

T Achieved
 17 Achieved
 16 Achieved
 15 Achieved

Using the Fund according to conditions for use

Commerce Commission Internally-Sourced Litigation

This category is intended to achieve the best possible outcomes for New Zealanders in competitive and regulated markets by enabling the Commission to undertake major or complex internally-sourced litigation where appropriate

T Achieved
 17 Achieved
 16 Achieved
 15 Achieved

Using the Fund according to conditions for use

Services and Advice to Support Well-functioning Financial Markets MCA

The single overarching purpose of this appropriation is to support well-functioning financial markets through the activities of the Financial Markets Authority

T Increase in confidence
 17 65% in 2017, compared to 56% in 2016
 16 56% (reduction of 4% from 2014/15 result)
 15 –

The performance measure for this appropriation will be assessed by the improvement in the confidence of New Zealanders in financial markets

APPROPRIATION

PERFORMANCE MEASURES

T TARGET
2016/17

17 ACTUAL
2016/17

16

15

ACTUAL | PREVIOUS TWO
CONSECUTIVE YEARS

Performance of Investigation and Enforcement Functions

This category is intended to achieve fair, efficient and transparent financial markets through Financial Markets Authority's (FMA) regulatory and enforcement actions

T 90%
17 97%
16 96%
15 89%

Percentage of inquiries and investigations that are conducted within the timeframes and standards defined in the enforcement governance framework

T Achieved
17 Achieved
16 Achieved
15 Achieved

All investigations of joint interest between the FMA and the Serious Fraud Office are undertaken in accordance with Memorandum of Understanding (MoU)

T Achieved
17 Achieved
16 Achieved
15 -

Details of all public enforcement actions are published on FMA's website

T 100%
17 100%
16 100%
15 100%

Percentage of MoU requests for assistance that are completed within agreed timeframes to the satisfaction of international regulators

T One Report
17 One Report
16 One Report
15 -

A report on the key themes and issues arising from misconduct, and our regulatory responses, is published annually

T 95%
17 98%
16 98%
15 99%

Percentage of misconduct reports about market participants that are acknowledged within two working days of receipt by the FMA's assistance team

T 95%
17 98%
16 98%
15 96%

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

T 95%
17 100%
16 100%
15 100%

Percentage of frontline regulator referrals and misconduct reports about market participants requiring urgent attention that are prioritised for action within one working day of receipt by the FMA's assistance team

T 70%
17 Triennial Stakeholder Survey will be undertaken in 2018
16 Triennial Stakeholder Survey will be undertaken in 2018
15 -

Percentage of stakeholders who agree that the FMA's enforcement actions deter misconduct in New Zealand's financial markets

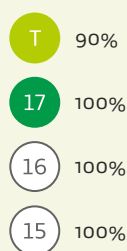
APPROPRIATION

PERFORMANCE MEASURES

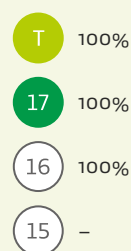
T TARGET 2016/17 17 ACTUAL 2016/17 16 15 ACTUAL | PREVIOUS TWO CONSECUTIVE YEARS

Performance of Licensing and Compliance Monitoring Functions

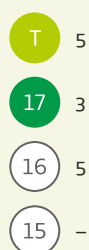
This category is intended to achieve compliance of market participants and frontline regulators



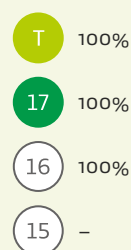
Following receipt by the FMA, percentage of fully completed licence applications that are processed within 60 working days and in accordance with established processes



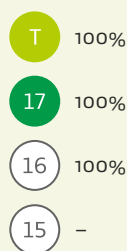
Percentage of reviews of registered securities markets and accredited bodies that are completed and published annually



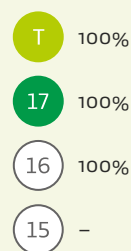
Number of thematic monitoring projects conducted by FMA



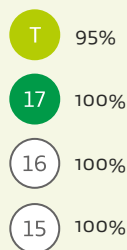
Percentage of regulated offers that are risk-assessed within five working days after a new Product Disclosure Statement (PDS) is lodged or a new prospectus is registered



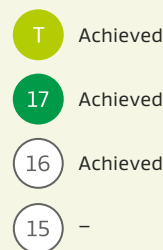
Percentage of high-risk regulated offers that are reviewed post-registration or lodgement



Where FMA has reviewed regulated offers and found issues of material concern, disclosures and offer information are improved or documents withdrawn



Percentage of FMA's licensing decisions that are unchallenged or upheld



The FMA's strategic priorities are incorporated into its entity-based monitoring programme

APPROPRIATION

PERFORMANCE MEASURES

T TARGET
2016/17

17 ACTUAL
2016/17

16

15

ACTUAL | PREVIOUS TWO
CONSECUTIVE YEARS

Performance of Market Analysis and Guidance, Investor Awareness, and Regulatory Engagement Functions

This category is intended to achieve investors having access to resources that help them make more informed decisions

T Achieved

17 Achieved

16 Achieved

15 Achieved

Market participants' input is sought and considered before establishing all significant new guidance

T 100%

17 100%

16 100%

15 -

The FMA briefs all the Ministers of Commerce and Consumer Affairs on key financial market issues and conduct priorities on a quarterly basis

T 95%

17 100%

16 100%

15 100%

Percentage of completed applications for exemptions that are processed within six weeks of receiving all relevant information or as agreed with applicant

T Satisfied

17 Satisfied

16 Satisfied

15 -

Government agencies are "satisfied" with the quality of advice and assistance provided by FMA

T Achieved

17 Achieved

16 Achieved

15 -

The FMA's Strategic Risk Outlook is reviewed annually to incorporate new market developments

T 95%

17 98%

16 99%

15 99%

Percentage of enquiries that receive a substantive response from FMA within 20 working days of FMA receiving all relevant information

T 20

17 26

16 21

15 87

The FMA undertakes at least 20 industry or business presentations or speeches per year, with the aim of providing better information and insight for regulated populations

T 75%

17 92%

16 96%

15 -

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

T 80%

17 94%

16 91%

15 -

Percentage of market participants with an FMA relationship manager who say they have benefitted from the relationship

T 3

17 7

16 4

15 -

Number of investor awareness initiatives per year focusing on improving investor capability

APPROPRIATION

PERFORMANCE MEASURES

T TARGET 2016/17 17 ACTUAL 2016/17 16 15 ACTUAL | PREVIOUS TWO CONSECUTIVE YEARS

Policy Advice and Related Outputs MCA – Vote Business, Science and Innovation
The single overarching purpose of this appropriation is to provide policy advice and other support services to Minister in discharging their policy decision-making and other portfolio responsibilities

T At least 70%
17 77%
16 75 %
15 –

Average satisfaction of Ministers as per the common satisfaction survey

T At most \$155
17 \$191
16 \$141
15 \$152

The total cost per hour of producing policy outputs

Policy Advice – Commerce and Consumer Affairs
This category is intended to achieve the provision of high quality policy advice to Ministers

T At least 70%
17 80%
16 70%
15 72%

The satisfaction of the Minister of Commerce and Consumer Affairs with the policy advice service, as per the common satisfaction survey

T Average of at least 73%
17 75%
16 74%
15 74%

Technical quality of policy advice papers assessed by a survey with a methodological robustness of 80 percent

Policy Advice – Communications
This category is intended to achieve the provision of high quality policy advice to Ministers

T At least 70%
17 75%
16 79%
15 78%

The satisfaction of the Minister for Communications with the policy advice service, as per the common satisfaction survey

T Average of at least 73%
17 71%
16 72%
15 72%

Technical quality of policy advice papers assessed by a survey with a methodological robustness of 80 percent

Policy Advice – Economic Development
This category is intended to achieve the provision of high quality policy advice to Ministers

T At least 70%
17 65%
16 78%
15 74%

The satisfaction of the Minister for Economic Development with the policy advice service, as per the common satisfaction survey

T Average of at least 73%
17 72%
16 69%
15 72%

Technical quality of policy advice papers assessed by a survey with a methodological robustness of 80 percent

APPROPRIATION

PERFORMANCE MEASURES

T TARGET
2016/17

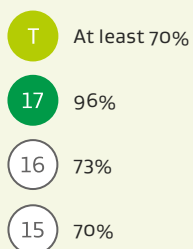
17 ACTUAL
2016/17

16 15

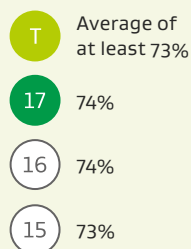
ACTUAL | PREVIOUS TWO
CONSECUTIVE YEARS

Policy Advice – Energy and Resources

This category is intended to achieve, high quality policy advice as measured by the satisfaction of the Minister, external review of the Ministry's policy advice, and hourly cost of policy advice



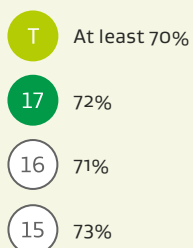
The satisfaction of the Minister of Energy and Resources with the policy advice service, as per the common satisfaction survey



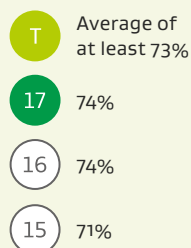
Technical quality of policy advice papers assessed by a survey with a methodological robustness of 80 percent

Policy Advice – Science and Innovation

This category is intended to achieve the provision of high quality policy advice to Ministers



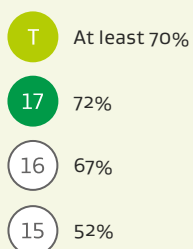
The satisfaction of the Minister of Science and Innovation with the policy advice service, as per the common satisfaction survey



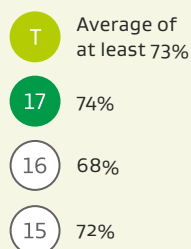
Technical quality of policy advice papers assessed by a survey with a methodological robustness of 80 percent

Policy Advice – Small Business

This category is intended to achieve the provision of high quality policy advice to Ministers



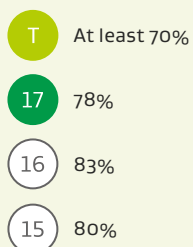
The satisfaction of the Minister for Small Business with the policy advice service, as per the common satisfaction survey



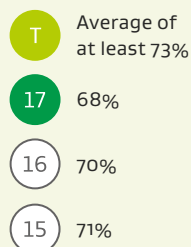
Technical quality of policy advice papers assessed by a survey with a methodological robustness of 80 percent

Policy Advice – Tourism

This category is intended to achieve the provision of high quality policy advice to support Ministerial decision-making on government policy matters relating to tourism



The satisfaction of the Minister of Tourism with the policy advice service, as per the common satisfaction survey



Technical quality of policy advice papers assessed by a survey with a methodological robustness of 80 percent

APPROPRIATION

PERFORMANCE MEASURES

T TARGET 2016/17 17 ACTUAL 2016/17 16 15 ACTUAL | PREVIOUS TWO CONSECUTIVE YEARS

Related Services to Ministers – Commerce and Consumer Affairs

This category is intended to achieve effective and efficient ministerial services, and to monitor the performance and compliance of Crown entities and statutory bodies

T	100%	Ministers receive advice on entities' accountability documents within statutory timeframes
17	100%	
16	100%	
15	-	

T	95% or above
17	99%
16	100%
15	94%

Percentage of requests completed within either specified or statutory timeframes:
Parliamentary Questions

T	95% or above
17	99%
16	96%
15	100%

Percentage of requests completed within either specified or statutory timeframes:
Ministerial Correspondence

T	95% or above
17	95%
16	90%
15	100%

Percentage of requests completed within either specified or statutory timeframes:
Ministerial Official Information Act 1982

Related Services to Ministers – Communications

This category is intended to achieve effective and efficient ministerial service, and to monitor the performance and compliance of Crown entities

T	100%	Ministers receive advice on entities' accountability documents within statutory timeframes
17	100%	
16	100%	
15	-	

APPROPRIATION

PERFORMANCE MEASURES

T TARGET 2016/17 17 ACTUAL 2016/17 16 15 ACTUAL | PREVIOUS TWO CONSECUTIVE YEARS

	<p>T 95% or above</p> <p>17 100%</p> <p>16 100%</p> <p>15 100%</p>	<p>Percentage of requests completed within either specified or statutory timeframes:</p> <p>Parliamentary Questions</p>	<p>T 95% or above</p> <p>17 100%</p> <p>16 100%</p> <p>15 100%</p>	<p>Percentage of requests completed within either specified or statutory timeframes:</p> <p>Ministerial Correspondence</p>
	<p>T 95% or above</p> <p>17 100%</p> <p>16 100%</p> <p>15 100%</p>	<p>Percentage of requests completed within either specified or statutory timeframes:</p> <p>Ministerial Official Information Act 1982</p>		
<p>Related Services to Ministers – Economic Development</p> <p>This category is intended to achieve effective and efficient ministerial service, and to monitor the performance and compliance of Crown entities</p>	<p>T 100%</p> <p>17 100%</p> <p>16 100%</p> <p>15 –</p>	<p>Ministers receive advice on entities' accountability documents within statutory timeframes</p>		
	<p>T 95% or above</p> <p>17 97%</p> <p>16 97%</p> <p>15 97%</p>	<p>Percentage of requests completed within either specified or statutory timeframes:</p> <p>Parliamentary Questions</p>	<p>T 95% or above</p> <p>17 100%</p> <p>16 92%</p> <p>15 99%</p>	<p>Percentage of requests completed within either specified or statutory timeframes:</p> <p>Ministerial Correspondence</p>
	<p>T 95% or above</p> <p>17 100%</p> <p>16 95%</p> <p>15 86%</p>	<p>Percentage of requests completed within either specified or statutory timeframes:</p> <p>Ministerial Official Information Act 1982</p>		

APPROPRIATION

PERFORMANCE MEASURES

T TARGET 2016/17 17 ACTUAL 2016/17 16 15 ACTUAL | PREVIOUS TWO CONSECUTIVE YEARS

Related Services to Ministers – Energy and Resources

This category is intended to achieve effective and efficient ministerial service, and to monitor the performance and compliance of Crown entities

T	100%	Ministers receive advice on entities' accountability documents within statutory timeframes
17	100%	
16	100%	
15	–	

T	95% or above	Percentage of requests completed within either specified or statutory timeframes: Parliamentary Questions
17	99%	
16	100%	
15	100%	

T	95% or above	Percentage of requests completed within either specified or statutory timeframes: Ministerial Correspondence
17	100%	
16	100%	
15	99%	

T	95% or above	Percentage of requests completed within either specified or statutory timeframes: Ministerial Official Information Act 1982
17	100%	
16	100%	
15	100%	

Related Services to Ministers – Science and Innovation

This category is intended to achieve effective and efficient ministerial service, and to monitor the performance and compliance of Crown entities

T	100%	Ministers receive advice on entities' accountability documents within statutory timeframes
17	100%	
16	100%	
15	–	

T	95% or above	Percentage of requests completed within either specified or statutory timeframes: Parliamentary Questions
17	98%	
16	91%	
15	100%	

T	95% or above	Percentage of requests completed within either specified or statutory timeframes: Ministerial Correspondence
17	98%	
16	93%	
15	94%	

APPROPRIATION

PERFORMANCE MEASURES

T TARGET 2016/17

17 ACTUAL 2016/17

16 15

ACTUAL | PREVIOUS TWO CONSECUTIVE YEARS

	<p>T 95% or above</p> <p>17 67%</p> <p>16 100%</p> <p>15 100%</p>	<p>Percentage of requests completed within either specified or statutory timeframes:</p> <p>Ministerial Official Information Act 1982</p>	
<p>Related Services to Ministers – Small Business</p> <p>This category is intended to achieve effective and efficient ministerial services</p>	<p>T 95% or above</p> <p>17 100%</p> <p>16 88%</p> <p>15 92%</p>	<p>Percentage of requests completed within either specified or statutory timeframes:</p> <p>Parliamentary Questions</p>	<p>T 95% or above</p> <p>17 96%</p> <p>16 95%</p> <p>15 100%</p> <p>Percentage of requests completed within either specified or statutory timeframes:</p> <p>Ministerial Correspondence</p>
	<p>T 95% or above</p> <p>17 100%</p> <p>16 No requests received</p> <p>15 100%</p>	<p>Percentage of requests completed within either specified or statutory timeframes:</p> <p>Ministerial Official Information Act 1982</p>	
<p>Related Services to Ministers – Tourism</p> <p>This category is intended to achieve effective and efficient ministerial service, and to monitor the performance and compliance of Crown entities</p>	<p>T 100%</p> <p>17 100%</p> <p>16 100%</p> <p>15 –</p>	<p>Ministers receive advice on entities' accountability documents within statutory timeframes</p>	

APPROPRIATION

PERFORMANCE MEASURES

T TARGET 2016/17 17 ACTUAL 2016/17 16 15 ACTUAL | PREVIOUS TWO CONSECUTIVE YEARS

	<p>T 95% or above</p> <p>17 100%</p> <p>16 100%</p> <p>15 100%</p>	<p>Percentage of requests completed within either specified or statutory timeframes:</p> <p>Parliamentary Questions</p>	<p>T 95% or above</p> <p>17 99%</p> <p>16 99%</p> <p>15 100%</p>	<p>Percentage of requests completed within either specified or statutory timeframes:</p> <p>Ministerial Correspondence</p>
	<p>T 95% or above</p> <p>17 100%</p> <p>16 100%</p> <p>15 100%</p>	<p>Percentage of requests completed within either specified or statutory timeframes:</p> <p>Ministerial Official Information Act 1982</p>		
<p>Investigative Services – Trade Remedies</p> <p>This category is intended to achieve a fair international environment for New Zealand manufacturers through the imposition of anti-dumping and countervailing duties on imported goods, and to allow New Zealand manufacturers time to adjust to competition from surges of imported goods through the imposition of temporary safeguard measures, where an investigation has been established that either action is justified</p>	<p>T In accordance with statutory timeframes</p> <p>17 100%</p> <p>16 –</p> <p>15 –</p>	<p>Timeliness of investigations allowed interested parties to appropriately contribute, and the Minister of Commerce and Consumer Affairs to make final timely determinations⁵³</p>	<p>T Achieved</p> <p>17 Achieved</p> <p>16 Achieved</p> <p>15 Achieved</p>	<p>No successful court challenges or successful World Trade Organisation (WTO) dispute settlement actions related to the Dumping and Countervailing Duties Act 1988 or the Trade (Safeguard Measures) Act 2014</p>

53 New measure introduced in 2016/17



How much we spent

ACTUAL 2015/16 \$000	OUR EXPENDITURE IN SUMMARY	ACTUAL 2016/17 \$000	SUPPLEMENTARY ESTIMATES 2016/17 \$000	MAIN ESTIMATES 2016/17 \$000
141,837	Departmental Expenses	156,887	160,770	148,790
155,892	Non-departmental Expenses	156,347	175,359	176,779
	- Departmental Capital	-	-	-
	- Non-departmental Capital	250	250	-
297,729	Total expenditure	313,484	336,379	325,569

You can find out more about how this was spent in the financial statements and the following appropriation statements

STATEMENT OF BUDGETED AND ACTUAL EXPENSES AND CAPITAL EXPENDITURE INCURRED

Our services and functions

ACTUAL 2015/16 \$000	APPROPRIATION NAME	ACTUAL 2016/17 \$000	SUPPLEMENTARY ESTIMATES 2016/17 \$000	MAIN ESTIMATES 2016/17 \$000
	Departmental Outputs			
2,231	Commerce and Consumer Affairs: Consumer Information	2,425	2,427	2,427
16,377	Commerce and Consumer Affairs: Official Assignee Functions	15,607	15,628	15,640
15,902	Commerce and Consumer Affairs: Registration and Granting of Intellectual Property Rights	17,571	17,577	16,912
29,277	Commerce and Consumer Affairs: Registration and Provision of Statutory Information	35,898	35,980	29,837
2,414	Commerce and Consumer Affairs: Standards Development and Approval	6,276	6,309	5,001
4,663	Commerce and Consumer Affairs: Trading Standards	4,922	4,928	4,944
1,755	Energy and Resources: Information Services	2,406	2,585	2,785
18,107	Energy and Resources: Management of the Crown Mineral Estate	17,823	18,564	17,948
90,726	Total Departmental Output Expenditure	102,928	103,998	95,494
	Multi-Category Expenses and Capital Expenditure			
10,500	Commerce Commission Litigation Funds MCA	5,848	10,500	10,500
	Non-departmental Other Expenses			
7,000	Commerce Commission Externally-Sourced Litigation	3,105	7,000	7,000
3,500	Commerce Commission Internally-Sourced Litigation	2,743	3,500	3,500
26,184	Services and Advice to Support Well-functioning Financial Markets MCA	26,184	26,184	26,184

ACTUAL 2015/16 \$000	APPROPRIATION NAME	ACTUAL 2016/17 \$000	SUPPLEMENTARY ESTIMATES 2016/17 \$000	MAIN ESTIMATES 2016/17 \$000
	Non-departmental Output Expenses			
6,835	Performance of Investigation and Enforcement Functions	6,015	6,015	6,015
11,197	Performance of Licensing and Compliance Monitoring Functions	11,298	11,298	11,298
8,152	Performance of Market Analysis and Guidance, Investor Awareness, and Regulatory Engagement Functions	8,871	8,871	8,871
51,111	Policy Advice and Related Outputs MCA – Vote Business, Science and Innovation	53,959	56,772	53,296
457	Investigative Services – Trade Remedies	447	562	562
8,109	Policy Advice – Commerce and Consumer Affairs	9,055	9,011	8,646
6,184	Policy Advice – Communications	6,559	5,982	5,982
12,393	Policy Advice – Economic Development	11,732	13,817	11,796
4,859	Policy Advice – Energy and Resources	4,711	4,978	5,500
5,180	Policy Advice – Science and Innovation	7,324 ⁵⁴	7,548	5,148
1,097	Policy Advice – Small Business	1,377	1,234	1,234
1,996	Policy Advice – Tourism	2,046	2,942	2,942
1,802	Related Services to Ministers – Commerce and Consumer Affairs	1,788	1,946	1,971
59	Related Services to Ministers – Communications	143	62	62
5,327	Related Services to Ministers – Economic Development	4,022	4,100	4,263
600	Related Services to Ministers – Energy and Resources	796	787	787
2,703	Related Services to Ministers – Science and Innovation	2,766	2,608	2,608
154	Related Services to Ministers – Small Business	554	517	217
191	Related Services to Ministers – Tourism	639	678	1,578
87,795	Total Multi-Category Expenses and Capital Expenditure	85,991	93,456	89,980
178,521	Total Expenditure	188,919	197,454	185,474

Note performance information for the appropriations in the table above is located in the 'Our services and functions' table above

⁵⁴ In addition to the above expenditure, this appropriation has a re-measurement cost of \$2,000 relating to foreign exchange movements, taking total expenditure on this appropriation to \$7,326 million for 2016/17



Other Services – Non-departmental

ACTUAL 2015/16 \$000	NON-DEPARTMENTAL APPROPRIATIONS	LOCATION OF YEAR END PERFORMANCE INFORMATION	ACTUAL 2016/17 \$000	SUPPLEMENTARY ESTIMATES 2016/17 \$000	MAIN ESTIMATES 2016/17 \$000
Non-departmental Outputs					
4,410	Commerce and Consumer Affairs: Accounting and Assurance Standards Setting	1	4,410	4,410	4,410
1,494	Commerce and Consumer Affairs: Administration of the Takeovers Code	2	1,494	1,494	1,494
1,772	Commerce and Consumer Affairs: Enforcement of Dairy Sector Regulation and Auditing of Milk Price Setting	3	462	757	1,245
13,935	Commerce and Consumer Affairs: Enforcement of General Market Regulation	3	17,485	17,823	17,485
5,782	Commerce and Consumer Affairs: Retirement Commissioner	5	6,682	6,682	6,682
3,170	Commerce and Consumer Affairs: Review of Input Methodologies for Economic Regulation	3	1,722	1,758	1,758
4,257	Economic Regulation of Electricity Line Services 2014-2019 – MYA	3	4,585	5,161	5,161
1,965	Economic Regulation of Gas Pipeline Services 2014-2019 – MYA	3	3,120	3,484	3,484
415	Economic Regulation of Specified Airport Services 2014-2019 – MYA	3	263	545	545
73,720	Energy and Resources: Electricity Industry Governance and Market Operations	4	76,037	76,037	76,037
3,790	Energy and Resources: Management of IEA Oil Stocks	6	3,525	8,000	8,000
100	Resource Data Acquisition and Management – MYA		-	-	-
2,419	Resource Data Acquisition and Management 2015 -2018 – MYA	6	2,395	3,730	4,000
-	Security Management – MYA	4	-	6,000	6,000
117,229	Total Non-departmental Output Expenses		122,180	135,881	137,301
Non-departmental Other Expenses					
474	Commerce and Consumer Affairs: Contributions to International Organisations		-	-	-
1,261	Commerce and Consumer Affairs: Financial Markets Authority Litigation Fund	7	1,999	2,000	2,000
-	Commerce and Consumer Affairs: Takeovers Panel Litigation Fund	2	-	200	200
-	Energy and Resources: Electricity Litigation Fund	4	-	444	444
101	Energy and Resources: International Energy Agency Contribution	8	136	150	150
143	Energy and Resources: International Energy Agency Subscription		-	-	-
1,979	Total Non-departmental Other Expenses		2,135	2,794	2,794
Non-departmental Capital Expenditure					
-	Investment in the Financial Markets Authority ⁵⁵	8	250	250	-
-	Total Non-departmental Capital Expenditure		250	250	-
119,208	Total Non-departmental Annual and MYA Expenses		124,565	138,925	140,095

⁵⁵ This appropriation has been re-established as a result of the policy decisions on the Financial Market Authority's funding and levy, the External Reporting Board levy, and Companies Office funding and fees initiative



Location of year end performance information:

1. External Reporting Board's annual report
2. Takeovers Panel's annual report
3. Commerce Commission's annual report
4. Electricity Authority's annual report
5. Commission for Financial Capability's annual report
6. Minister for Energy and Resources Vote Business, Science and Innovation Non-departmental Appropriations report
7. Financial Market Authority's annual report
8. Exemption granted under section 15D(2)(b) of the *Public Finance Act 1989*.



Fair, safe and productive workplaces

Growing, attracting and retaining people with the skills and resources needed by our evolving economy is crucial. Employment relationships need to be of mutual benefit to both workers and employers. This ensures New Zealand is an attractive place to live and work for workers and their families and that the cost of doing business is manageable for employers.

According to the World Economic Forum (WEF), New Zealand's labour market is well-placed globally, ranking sixth out of 138 countries in 2016/17⁵⁶. New Zealand's labour market efficiency has also been improving relative to other countries. New Zealand is seen as a safe place to work with workplace fatalities and serious injuries trending down.

Overall, New Zealand has a highly educated and qualified workforce. We need to continue to improve the skill levels of the workforce and ensure people have the skills that employers want.

There are some challenges in access to and utilisation of skills with:

- › an increased proportion of firms reporting difficulties finding both skilled and unskilled workers
- › a recent OECD survey of adult skills finding a relatively high proportion of New Zealand workers reporting that their qualifications and skills were not well matched to the jobs they were doing.

Immigration plays a significant role in providing labour and skills, particularly where we have skill shortages. Most skilled migrants settle well into jobs that match their skills. Participation in work is an important part of migrant settlement and we provide a range of services and support to facilitate this. We also use immigration to bring in investors and entrepreneurs who can spark businesses that employ New Zealanders.



Photo credit: Ivor Earp-Jones

⁵⁶ The WEF Labour Market Efficiency rating is based on two main indicators, labour flexibility and talent utilisation efficiency

AT A GLANCE – Fair, safe and productive workplaces

<p>What we're working towards</p>	<p>More supportive and dynamic business environment</p> <ul style="list-style-type: none"> › Increased international trade and investment › Well-regulated labour markets 	<p>An increased number of highly skilled people and innovative firms</p> <ul style="list-style-type: none"> › Improved labour force participation rate › Greater investment by business in skilled workers and research and development › Increase people's skills in line with business needs 	<p>More productive and prosperous sectors, regions and people</p> <ul style="list-style-type: none"> › Increased economic growth for Māori whānau and business
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Our services and functions

The Ministry is responsible for administering much of the legislation that regulates the labour market, most notably employment regulation. We are home to the Labour Inspectorate. We also provide policy advice in a number of major areas where operational functions sit outside the Ministry (e.g. health and safety, accident compensation).

We work with the Ministry of Education and the Ministry of Social Development to identify labour and skill shortages and to ensure that the welfare, education and immigration systems work together to provide the labour and skills that employers need. We are increasingly working in partnership with industries to identify these skill needs and also to encourage them to address barriers to recruitment and retention, such as wages, terms and conditions, training and career pathways.

We provide policy advice on immigration and operate the immigration system, which determines who can come to New Zealand, how long they can stay, and what they can do while they are here. We also deliver a range of services and support to help permanent migrants settle in New Zealand, including finding work.

You may recognise us as

Immigration New Zealand, the Immigration Advisers Authority, the Labour Inspectorate, Employment Relations Authority, the Employment New Zealand website, and the Registrar of Unions.





Other services Non-departmental

- › ACC Case Management and Supporting Services
- › ACC Case Management and Supporting Services – Treatment Injuries for Non-Earners
- › ACC Public Health Acute Services
- › ACC Public Health Acute Services – Treatment Injuries for Non-Earners
- › ACC Rehabilitation Entitlements and Services
- › ACC Rehabilitation Entitlements and Services – Treatment Injuries for Non-Earners
- › ACC: Compensation Entitlements
- › ACC: Compensation Entitlements – Treatment Injuries for Non-Earners
- › Employment Relations Education Contestable Fund
- › Health and Safety in Employment Levy – Collection Services
- › Workplace Health and Safety
- › Crown Debt Write Offs
- › Employment Relations Authority Members’ Salaries and Allowances PLA
- › Equal Employment Opportunities Trust
- › International Labour Organisation
- › New Zealand Industrial Relations Foundation
- › Remuneration Authority Members’ Fees, Salaries and Allowances
- › WorkSafe NZ Capability Change Programme

How much we spent

\$377.6 million
Departmental expenses
and capital expenditure
Budget: \$381.3 million

\$1,326.7 million
Non-departmental expenses
and capital expenditure
Budget: \$1,327.3 million

Supporting good employment relations

According to the OECD, New Zealand's employment regulation is flexible, facilitating a high level of employment, job mobility and different types of employment arrangements while ensuring that workers have the protection of a set of minimum standards.

In 2014, the Court of Appeal upheld a decision by the Employment Court that the *Equal Pay Act 1972* covered both equal pay claims (the same pay for the same work) and pay equity claims (the same pay for work of equal value). In response, the Government established the Joint Working Group on Pay Equity, including representatives from Government, business and unions.

Following the Government's acceptance of the Joint Working Group's recommendations in November 2016, we have been working to implement the recommendations starting with the development of the *Employment (Pay Equity and Equal Pay) Bill*. The Bill repeals and replaces the *Pay Equity Act 1972* and the *Government Services Equal Pay Act 1960*. It will help to achieve pay equity and reduce sex-based discrimination.

Over the past financial year, our Employment Mediation Service has helped to resolve 12,100 employment disputes. This has saved New Zealand employees and employers huge amounts of time, effort and money by providing a free alternative option to the Employment Relations Authority (ERA) or the Employment Court.

Better workplace policies

In March 2017 we launched a new online tool to make it easy for employers to create workplace policies tailored to suit the needs of their business. The Workplace Policy Builder and Employment Agreement Builder are part of a growing suite of tools built in collaboration with Employment New Zealand and hosted by business.govt.nz to help make compliance easier for businesses.

These tools have been well received with:

- › 250,000 employment agreements produced since April 2016 and an approval rating of 94 per cent
- › the Workplace Policy Builder tool receiving 25,511 visits and scoring an average rating of 4.5 out of five stars.

Protecting workers

Legislative strengthening of minimum employment standards has meant employers in breach are facing much higher penalties since 1 April 2016. This has been supported with Employment Court decisions over the past year.

New measures have been introduced to stop employers who breach immigration and employment law from recruiting migrant workers. From 1 April 2017, employers that have incurred a penalty for a breach of employment standards will face a set stand-down period preventing them from recruiting migrant labour for between six and 24 months, depending on the severity of the breach.

The strategic deployment of Labour Inspectorate resources towards key sectors, such as horticulture, viticulture, construction, retail, hospitality and dairy farming, has resulted in 63 applications filed with the ERA in the past financial year. In this period 42 ERA applications were concluded, with a total of \$577,000 of penalties awarded.

Immigration New Zealand (INZ) had 22 successful prosecutions during the year, resulting in approximately 20 years in prison, three years of home detention, 180 hours of community service, \$32,000 in fines and \$85,500 in reparations.

Sentencing is determined by the Courts. INZ views any prosecution where the defendant is found guilty to be a successful prosecution.

First conviction for people trafficking in New Zealand

In December, a Fijian national with New Zealand residence was sentenced to a total of nine years and six months in jail after being found guilty of 15 human trafficking charges involving Fijian nationals. He was the first person to be convicted of people trafficking in New Zealand.

The Fijians were enticed to work in New Zealand after answering advertisements placed in Fijian newspapers. They were charged large sums of money but when they arrived were forced to work illegally for long hours, live in cramped conditions and paid little, if anything.



Improving health and safety

Since 2012 we have been overhauling the health and safety system, in response to New Zealand's high rates of workplace injury and fatality, and reflecting the recommendations of the Royal Commission on the Pike River Coal Mine Tragedy and the Independent Taskforce on Workplace Health and Safety. Implementation of the *Health and Safety at Work Act 2015* and the supporting regulations has already seen some improvement in our health and safety statistics.

Over 2016/17, the Ministry continued to focus on implementing the Working Safer reforms, which included the creation of one set of regulations for hazardous substances. This will make it easier for approximately 150,000 workplaces in New Zealand that use hazardous substances to find out how they should manage them.

Better Workplace Health and Safety

In June 2017, the Workplace Health and Safety Performance Improvement Toolkit was launched. The Toolkit was co-designed by representatives from business, health and safety specialists and unions.

The Toolkit delivers a health and safety best practice standard for businesses that is nationally recognised, credible and aligned with the New Zealand regulatory framework, and goes beyond minimum compliance requirements.

The Toolkit is the culmination of the Safety Star Rating Scheme work undertaken by the Ministry, WorkSafe NZ and ACC. Businesses will be able to choose how the Toolkit best caters to their needs with access to resources on the WorkSafe website, an onsite assessment delivered by independent accredited assessors or a free online self-assessment. This is an important step towards achieving the government's target of a 25 per cent reduction in workplace fatalities and serious injuries by 2020.

Ensuring New Zealand has the right skills

Launched in 2016, the Sector Workforce Engagement Programme (SWEP) is a cross-agency initiative that aims to improve employers' access to reliable, appropriately skilled staff at the right time and place, whilst giving priority to domestic job seekers, including beneficiaries. This will be achieved through a series of sector-led, government-supported engagements to develop labour market solutions in sectors critical to New Zealand.

The Auckland Job and Skills Hubs

Auckland is undergoing a period of concentrated construction growth, with associated pressures and opportunities for the labour market.

In late 2016, the Tamaki Jobs and Skills Hub (Tamaki Hub) and the Auckland CBD Jobs and Skills Hub (CBD Hub) were established to enable Auckland employers to access skilled staff at the right time and place, and to facilitate access to timely training for existing and new employees.

Modelled after the successful Ara skills exchange hub at Auckland Airport. The hubs are a partnership between central and local government, businesses, tertiary providers, industry training organisations and Auckland Tourism, Events and Economic Development. By the end of June 2017, as a result of Ara, 251 people have been placed into employment, 26 apprenticeships were registered, 1,771 workers have been trained and 70 airport precinct companies are actively engaged.

As at June 2017, the CBD Hub has placed 41 people into work with seven employers delivering construction and infrastructure projects in Auckland's city centre. Seventy-five per cent of the successful CBD Hub candidates have come off the benefit. Forty-eight per cent of all placements were for Māori job seekers and 16 per cent were for Pasifika job seekers. The Tamaki Hub has placed 20 people into employment, and its Schools Engagement Strategy has generated some early collaboration between local high schools and industry.



Managing immigration

New Zealand is increasingly seen as an attractive place to live and work. We regularly review New Zealand's immigration policy and settings and provide advice on how these can be improved to ensure migration benefits New Zealand.

This year we provided advice the following changes to help strike the right balance in the immigration system:

- › The planning range for the New Zealand Residence Programme was set at 85,000-90,000 for the 2016/17 and 2017/18 years (which is a slight reduction from the previous two-year planning range).
- › Remuneration thresholds were introduced for applicants applying for residence under the Skilled Migrant Category to identify and prioritise higher skilled migrants, and to improve the labour market outcomes of skilled migrants who settle in New Zealand.
- › Consultation occurred on changes to temporary work visa settings (focusing on the Essential Skills visa policy) to strike the right balance between ensuring New Zealanders are at the front of the queue for jobs and preserving access to the temporary migrant labour necessary for New Zealand's continued economic growth, and to ensure only workers with the potential to transition to residence become well settled in New Zealand.

Better services for migrants

New Zealand gains the best economic and social benefits from migrants and refugees when they settle here successfully.

Over the past year we have been busy leading the implementation of Government's Refugee Resettlement Strategy and Migrant Settlement and Integration Strategy. We developed a new cross-agency funding allocation process that achieved consensus on funding for 13 initiatives aimed at enhancing strategy outcomes. One of these, *New Zealand Police Community Safety Patrols*, won a 2017 IPANZ Public Sector Excellence Award and another, Human Rights Commission's *Give Nothing to Racism*, proved to be a very popular social media campaign.

We extended two services to strengthen employment outcomes. We broadened national coverage of the Ministry's Regional Skills Matching and Job Search Assistance programmes, which build connectivity between job-seeking migrants (such as partners and spouses of skilled migrants) and local employers who need their skills. This service links with the new Careers New Zealand's career-mentoring programme Work Connect, successfully piloted in Auckland in 2016/17 and which has now been extended to Wellington, Christchurch and Hamilton.

Influencers

Over 50 influential New Zealanders, from sports players to comedians, actors to journalists, joined Taika to make a stand.

They demonstrated how to react to casual racism in real life, by taking back their positive responses in the form of a reversed laughing meme.

[View an example compilation of the 'give nothing to racism' meme.](#)

(To the right shows how we brought 'Give Nothing' to life in outdoor posters.)

Give nothing to racism

Racism needs only the tiniest encouragement to grow. Let's give it nothing.

The Human Rights Foundation



Attracting investment

Immigration New Zealand has two policies that are focused on attracting foreign investors (Investor and Investor Plus policies) and skilled business people (Entrepreneur policy). These policies attract capital and proven business people who are setting up sound businesses.

At the end of the 2016/17 financial year, both Investor Plus and Investor residence applications approved were the highest since the respective policies began, in terms of both application numbers and value of funds invested.

For the first time, more than \$1 billion of funds have been transferred and invested in a single financial year and more than 400 applications have been processed in a financial year. This represents a 30 per cent increase in Investor Plus applications and a 28 per cent increase in total applications investor applications approved.

The new Global Impact Visa (GIV) initiative is designed to attract those with the drive and capability to launch global ventures from New Zealand and who may not be able to qualify for other visa categories.

The GIV initiative will run as a pilot programme for four years and will benefit up to 400 high impact entrepreneurs, investors and start up teams over that period. The Ministry has partnered with the Edmund Hillary Fellowship to deliver the GIV initiative.

Performance highlights

The Ministry met or exceeded all of its performance measures, with the following exceptions:

- › The targets for three measures in the *Immigration – Immigration Services* appropriation were not met. Increased volumes, coupled with increased complexity, meant that we did not meet the timeliness target for work and student visa applications.

The changes we have made to our operating model (with the shift to more online processing and changes to how our global offices work) have helped to ensure that 80 per cent of work visas and 84 per cent of student visa applications were processed within the set target of 30 days. Continued improvements in our operating model will help us in future years to meet our processing time target of 85 per cent for work visas and 90 per cent for student visas.

We did not meet our quality measure for making visa decisions this year. The target of 90 per cent is challenging and one that we have been trying to achieve over the past four years. Our quality control and assurance processes have been lifting year on year and will continue to improve as we work toward this target.

- › Increased complexity and higher than expected volumes also meant that the timeliness target in the *Immigration – Regulation of Immigration Advisers* appropriation was not met this year. We are exploring options for increasing resources and ensuring the complaints process is as efficient as possible to respond to the higher volume and increased complexity of cases facing the Immigration Advisers Authority.
- › The timeliness target in the *Immigration – Refugee and Protection Services* appropriation was not met this year due to higher-than-anticipated number of refugee and protection claims this year.

- › Two targets within the *Workplace Relations and Safety – Employment Relations Service* appropriation were not met this year. The timeliness target for investigations into suspected breaches of regulatory standards was not met because of increasing complexity of the investigations undertaken by the Labour Inspectorate. This performance measure will be reviewed to ensure that it reflects the growing complexity of the investigations and need to involve multiple parties, other agencies and various avenues of investigation. The target range for reactive interventions, which monitors the number of complaints received from members of the public, was not met because we received more complaints than anticipated.
- › The target for the cost of policy output was not met for the *Policy Advice and Related Services MCA – Vote Labour Market*. The target for this measure has remained unchanged since 2013 and reflects the sector median at the time it was set. The methodology for capturing staff time to align with Treasury's guidance continues to improve over time. The Ministry will work with Treasury to refine the methodology and improve the accuracy of assessing the cost associated with the provision of policy advice. The cost per hour includes all costs incurred to produce quality policy advice including legal, financial, accommodation and other associated supporting input costs.
- › The technical quality target for policy papers was not met for the *Policy Advice – ACC, Policy Advice – Employment and Policy Advice – Immigration* categories of the *Policy Advice and Related Services MCA – Vote Labour Market*. The Ministry has adopted a whole of Ministry policy quality review process, Te Ara Poutama, which assesses the quality of policy papers and identifies where general improvements are required. Addressing the general and specific improvements identified from this approach should improve quality for portfolios where this standard has been assessed as not being met. The Ministry provides a small sample of the Te Ara Poutama papers to an external reviewer so that future improvements in the approach can be identified and implemented.
- › The Ministry did not achieve the timeliness target for completing requests under the Ministerial OIA for the *Related Services – Ministers Employment and Related Services – Immigration* categories of the *Policy Advice and Related Services MCA – Vote Labour Market*. Three out of 48 Immigration and one out of six employment Ministerial OIA requests were not completed within agreed timeframes.
- › The ministerial satisfaction target was not met for the *Policy Advice – Employment* category of the *Policy Advice and Related Services MCA – Vote Labour Market* (66 per cent compared with the target of at least 70 per cent).

We have achieved the majority of our planned work programme within set financial expectations for this year with the following exceptions:

- › The *ACC – Regulatory Services* appropriation was underspent because of the reduction in the Crown's ongoing risks associated with the competitive accident insurance market.
- › The *Policy and Related Services MCA – Vote Labour Market* was underspent due mainly to vacancies across most of the portfolios, lower-than-anticipated costs of independent actuarial advice and legal services relating to ACC and lower-than-anticipated consulting costs in the Workplace Relations and Safety portfolio.

What we're working towards

MORE SUPPORTIVE AND DYNAMIC BUSINESS ENVIRONMENT⁵⁷



OUTCOME PERFORMANCE KEY	T TARGET	A ACTUAL
= NO CHANGE	+ INCREASE/IMPROVE	- DECREASE/REDUCTION

INTERMEDIATE OUTCOME – INCREASED INTERNATIONAL TRADE AND INVESTMENT

Performance measure
An increase in the level of foreign direct investment



A **=** \$112 billion in March 2017, roughly flat since 2015

INTERMEDIATE OUTCOME – WELL-REGULATED LABOUR MARKETS

- Performance measure**
- > At least a 25% reduction in workplace serious injuries by 2020
 - > A 10% reduction in workplace serious injuries by 2016



A **-** 15 serious series injuries per 100,000 person years in 2015, down from 18.7 in 2010

Performance measure
Improvement in New Zealand's ranking in the WEF Global Competitiveness Labour Market Efficiency Indicator



A **=** 6th in 2016, same as 2015

AN INCREASED NUMBER OF HIGHLY SKILLED PEOPLE AND INNOVATIVE FIRMS⁵⁸



OUTCOME PERFORMANCE KEY	T TARGET	A ACTUAL
= NO CHANGE	+ INCREASE/IMPROVE	- DECREASE/REDUCTION

INTERMEDIATE OUTCOME – IMPROVED LABOUR FORCE PARTICIPATION RATE

Performance measure
Increasing labour participation of Pacific peoples



A **+** 65.5% in June 2017, up from 65.1% in June 2016

Performance measure
Reducing the proportion of young people not in employment, education, and training (NEET)



A **+** 11.1% in June 2017, up from 10.7% in June 2016

INTERMEDIATE OUTCOME – GREATER INVESTMENT BY BUSINESS IN SKILLED WORKERS AND RESEARCH AND DEVELOPMENT

Performance measure
Increasing the percentage of recent skilled principal migrants whose current job in New Zealand matches their skills and qualifications



A **-** 81% in 2016, up from 80% in 2015, but down from 84% in 2014.

⁵⁷ You can find out more about our progress in this outcome area in *Working across government, Strengthening sectors, regions and businesses* sections
⁵⁸ You can find out more about our progress in this outcome area in *Growing science and innovation* section

AN INCREASED NUMBER OF HIGHLY SKILLED PEOPLE AND INNOVATIVE FIRMS



OUTCOME PERFORMANCE KEY	T TARGET	A ACTUAL
= NO CHANGE	+ INCREASE/IMPROVE	- DECREASE/REDUCTION

INTERMEDIATE OUTCOME – INCREASE PEOPLE’S SKILLS IN LINE WITH BUSINESS NEEDS

Performance measure
Increasing the percentage of workers in skilled jobs



A + 60.6% as of June 2017, up from 59.7% in March 2016

Performance measure
Decreasing the percentage of firms that find it harder to get skilled staff



A + Net 45.5% finding it harder to get skilled staff in July 2017, up from 37.5% in July 2016

MORE PRODUCTIVE AND PROSPEROUS SECTORS, REGIONS AND PEOPLE⁵⁹



OUTCOME PERFORMANCE KEY	T TARGET	A ACTUAL
= NO CHANGE	+ INCREASE/IMPROVE	- DECREASE/REDUCTION

INTERMEDIATE OUTCOME – INCREASED ECONOMIC GROWTH FOR MĀORI WHĀNAU AND BUSINESS

Performance measure
Increasing median weekly income for Māori as a percentage of the national median



A - Māori median weekly income was \$517 in June 2017, 84% of the national median. This is down from 85% in June 2016

Performance measure
Increasing Māori participation in the workforce



A - 67.8% in June 2017, down from 68.4% in June 2016

⁵⁹ You can find out more about our progress in this outcome area in *Growing science and innovation* and *Strengthening sectors, regions and businesses* sections

Our services and functions

APPROPRIATION	PERFORMANCE MEASURES		T TARGET 2016/17	17 ACTUAL 2016/17	16	15	ACTUAL PREVIOUS TWO CONSECUTIVE YEARS	
<p>Tertiary Education, Skills and Employment – Employment Sector Analysis and Facilitation</p> <p>This appropriation is intended to achieve productive and successful people, communities and regions through the provision of labour market information</p>	T	100%	<p>Labour market information is published on the Ministry of Business, Innovation and Employment’s website within agreed timeframes</p>	T	100%	16	15	<p>Labour market scorecard reports delivered quarterly within agreed timeframes</p>
17	100%	17		100%	16	15		
16	100%	16		100%	15	15		
15	100%	15		100%	15	15		
<p>Immigration – Immigration Services</p> <p>This appropriation is intended to achieve effective and efficient international flows of people to New Zealand</p>	T	80%	<p>Average monthly percentage of new registrations entered into the NZ Now database whose occupations match those listed under the skilled migrant category</p>	T	85%	17	16	<p>Average monthly percentage of new registrations entered into the NZ Now database of people from a priority market</p>
17	80%	17		89%	16	15		
16	83%	16		89%	15	60%		
15	77%	15		60%	15	60%		
<p>Immigration – Immigration Services</p> <p>This appropriation is intended to achieve effective and efficient international flows of people to New Zealand</p>	T	80%	<p>The percentage of visa applicants satisfied with the overall experience of applying for a visa</p>	T	90%	17	16	<p>The percentage of audited visa decisions rated as accurate</p>
17	80%	17		84%	16	15		
16	84%	16		85% ⁶⁰	15	83% ⁶⁰		
15	83%	15		83% ⁶⁰	15	83% ⁶⁰		
<p>Immigration – Immigration Services</p> <p>This appropriation is intended to achieve effective and efficient international flows of people to New Zealand</p>	T	85%	<p>The percentage of successful prosecutions</p>	T	90%	17	16	<p>The percentage of migrants who are satisfied with the settlement services they have accessed</p>
17	100%	17		94%	16	15		
16	96%	16		94%	15	93%		
15	81%	15		93%	15	93%		
<p>Immigration – Immigration Services</p> <p>This appropriation is intended to achieve effective and efficient international flows of people to New Zealand</p>	T	80%	<p>The percentage of employers and stakeholders satisfied with the overall quality of service provided by Immigrations NZ’s relationship managers⁶¹</p>	T	90%	17	16	<p>The percentage of visitor visa applications decided within 25 days</p>
17	93%	17		91%	16	15		
16	-	16		94%	15	96%		
15	-	15		96%	15	96%		

60 This reflects the result from the three quarters available at the time the annual report was produced

61 New measure introduced in 2016/17

APPROPRIATION

PERFORMANCE MEASURES

T TARGET 2016/17

17 ACTUAL 2016/17

16 15 ACTUAL | PREVIOUS TWO CONSECUTIVE YEARS

	<p>T 85% The percentage of work visa applications decided within 30 days</p> <p>17 Not Achieved</p> <p>16 85%</p> <p>15 89%</p>	<p>T 90% The percentage of student visa applications decided within 30 days</p> <p>17 84%</p> <p>16 88%</p> <p>15 90%</p>
	<p>T 45,000 – 50,000 The number of people approved for residence under the New Zealand Residence Programme</p> <p>17 47,684</p> <p>16 52,052</p> <p>15 43,085</p>	<p>T 1,500 – 2,000 The number of people, currently in violation of their visa conditions, deported or departed voluntarily⁶²</p> <p>17 2,174</p> <p>16 –</p> <p>15 –</p>
<p>Immigration – Refugee and Protection Services This appropriation is intended to achieve implementation of New Zealand’s international obligations to refugees and protected persons</p>	<p>T 925-1,075 The annual quota of United Nations High Commissioner for Refugees (UNHCR) mandated refugees and their immediate families who travelled to New Zealand</p> <p>17 1,017</p> <p>16 876</p> <p>15 755</p>	<p>T 75% The percentage of refugee and protection claims decided within 140 days</p> <p>17 58%</p> <p>16 56%</p> <p>15 84%</p>
	<p>T 300 Number of people approved under the Refugee Family Support category⁶²</p> <p>17 328</p> <p>16 –</p> <p>15 –</p>	
<p>Immigration – Regulation of Immigration Advisers This appropriation is intended to achieve certainty and confidence for the industry and the public that immigration advisors are fully competent and contribute to bringing the best people to New Zealand</p>	<p>T 95% The percentage of new and upgrade licence applications for immigration advisers processed within 15 working days of receiving the full application</p> <p>17 96%</p> <p>16 96%</p> <p>15 96%</p>	<p>T 95% The percentage of fast-track renewal licence applications for immigration advisers processed within 5 working days of receiving the full application</p> <p>17 99%</p> <p>16 100%</p> <p>15 98%</p>

62 New measure introduced in 2016/17

APPROPRIATION

PERFORMANCE MEASURES

T TARGET 2016/17 17 ACTUAL 2016/17 16 15 ACTUAL | PREVIOUS TWO CONSECUTIVE YEARS

	<p>T 80%</p> <p>17 83%</p> <p>16 -</p> <p>15 -</p>	<p>The percentage of renewal licence applications involving inspections for immigration advisers processed within 25 working days of receiving the full application⁶³</p>	<p>T 80%</p> <p>17 58%</p> <p>16 80%</p> <p>15 63%</p>	<p>The percentage of complaint cases received after 1 July 2016 closed within 115 working days</p>
<p>ACC – Regulatory Services This appropriation is intended to achieve timely policy advice that manages the Crown’s risk and contributes to skilled and safe workplaces, and trusted, competitive and well-functioning markets</p>	<p>T 100%</p> <p>17 There have been no complaints or enquiries received to date</p> <p>16 100%</p> <p>15 100%</p>	<p>The Accident Insurance Regulator will respond 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</p>		
<p>Workplace Relations and Safety – Employment Relations Services This appropriation is intended to achieve well-functioning workplaces through services to educate and advise employers and employees</p>	<p>T 90%</p> <p>17 67%</p> <p>16 84%</p> <p>15 81%</p>	<p>Percentage of investigations into suspected breaches of regulatory standards of employment legislation completed within six months</p>	<p>T 80%</p> <p>17 87%</p> <p>16 86%</p> <p>15 80%</p>	<p>The percentage of customers satisfied with overall quality and timeliness of mediation services</p>
	<p>T 1,000-1,100</p> <p>17 1,066</p> <p>16 -</p> <p>15 -</p>	<p>The number of proactive interventions aimed at ensuring minimum compliance with employment standards⁶³</p>	<p>T 1,000-1,100</p> <p>17 1,168</p> <p>16 1,851</p> <p>15 2,500</p>	<p>The number of reactive interventions aimed at ensuring minimum compliance with employment standards</p>
	<p>T Establish baseline</p> <p>17 Achieved</p> <p>16 -</p> <p>15 -</p>	<p>Proportion of investigations that involve a regulatory partner⁶³</p>		

63 New measure introduced in 2016/17

APPROPRIATION

PERFORMANCE MEASURES

T TARGET
2016/17

17 ACTUAL
2016/17

16 15

ACTUAL | PREVIOUS TWO
CONSECUTIVE YEARS

Workplace Relations and Safety – Shared Services Support

This appropriation is intended to achieve the provision of corporate services on behalf of WorkSafe New Zealand and other agencies with which arrangements are made

T

Achieved

Services are provided to the service levels and timeframes agreed with WorkSafe New Zealand

17

Achieved

16

Achieved

15

Achieved

Policy Advice and Related Outputs MCA – Vote Labour Market

The single overarching purpose of this appropriation is to provide policy advice and other support services to Ministers in discharging their policy decision-making and other portfolio responsibilities

T

At least 70%

Average satisfaction of Ministers as per the common satisfaction survey

17

71%

16

74%

15

–

T

At most \$155

The total cost per hour of producing policy outputs

17

\$191

16

\$141

15

\$152

Policy Advice – ACC

This category is intended to achieve the provision of high-quality policy advice to support Ministerial decision-making on government policy matters relating to the accident compensation system

T

At least 70%

The satisfaction of the Minister for ACC with the policy advice service, as per the common satisfaction survey

17

73%

16

72%

15

63%

T

Average of at least 73%

Technical quality of policy advice papers assessed by a survey with a methodological robustness of 80 percent

17

70%

16

71%

15

81%

Policy Advice – Employment

This category is intended to achieve the provision of high quality policy advice to support Ministerial decision-making on government policy matters relating to employment

T

At least 70%

The satisfaction of the Minister for Tertiary Education, Skills and Employment with the policy advice service, as per the common satisfaction survey

17

66%

16

75%

15

74%

T

Average of at least 73%

Technical quality of policy advice papers assessed by a survey with a methodological robustness of 80 percent

17

69%

16

75%

15

65%

Policy Advice – Immigration

This category is intended to achieve the provision of high quality policy advice to support Ministerial decision-making on government policy matters relating to immigration system

T

At least 70%

The satisfaction of the Minister of Immigration with the policy advice service, as per the common satisfaction survey

17

71%

16

76%

15

76%

T

Average of at least 73%

Technical quality of policy advice papers assessed by a survey with a methodological robustness of 80 percent

17

70%

16

73%

15

75%

APPROPRIATION

PERFORMANCE MEASURES

T TARGET 2016/17 17 ACTUAL 2016/17 16 15 ACTUAL | PREVIOUS TWO CONSECUTIVE YEARS

Policy Advice – Workplace Relations and Safety

This category is intended to achieve the provision of high quality policy advice to support Ministerial decision-making on government policy matters relating to workplace relations and safety, and international labour commitments

T	At least 70%	The satisfaction of the Minister for Workplace Relations and Safety with the policy advice service, as per the common satisfaction survey
17	72%	
16	74%	
15	72%	

T	Average of at least 73%	Technical quality of policy advice papers assessed by a survey with a methodological robustness of 80 percent
17	74%	
16	74%	
15	76%	

T	100% met	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
17	100%	
16	100%	
15	100%	

T	Satisfied	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
17	Achieved	
16	Achieved	
15	Achieved	

T	Support provided as requested	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
17	Achieved	
16	Achieved	
15	Achieved	

Related Services to Ministers – ACC

This category is intended to achieve the provision of effective and efficient ministerial services to enable Ministers to discharge their accident compensation portfolio responsibilities

T	95% or above	Percentage of requests completed within either specified or statutory timeframes: Parliamentary Questions
17	100%	
16	100%	
15	100%	

T	95% or above	Percentage of requests completed within either specified or statutory timeframes: Ministerial Correspondence
17	100%	
16	98%	
15	100%	

T	95% or above	Percentage of requests completed within either specified or statutory timeframes: Ministerial Official Information Act 1982
17	100%	
16	100%	
15	100%	

APPROPRIATION

PERFORMANCE MEASURES

T TARGET 2016/17

17 ACTUAL 2016/17

16 15

ACTUAL | PREVIOUS TWO CONSECUTIVE YEARS

Related Services to Ministers – Employment

This category is intended to achieve the provision of effective and efficient ministerial services to enable Ministers to discharge their employment portfolio responsibilities

T	95% or above	Percentage of requests completed within either specified or statutory timeframes: Parliamentary Questions
17	100%	
16	99%	
15	100%	

T	95% or above	Percentage of requests completed within either specified or statutory timeframes: Ministerial Correspondence
17	100%	
16	100%	
15	98%	

T	95% or above	Percentage of requests completed within either specified or statutory timeframes: Ministerial Official Information Act 1982
17	83%	
16	100%	
15	100%	

Related Services to Ministers – Immigration

This category is intended to achieve the provision of effective and efficient ministerial services to enable Ministers to discharge their immigration portfolio responsibilities

T	95% or above	Percentage of requests completed within either specified or statutory timeframes: Parliamentary Questions
17	96%	
16	100%	
15	91%	

T	95% or above	Percentage of requests completed within either specified or statutory timeframes: Ministerial Correspondence
17	98%	
16	95%	
15	96%	

T	95% or above	Percentage of requests completed within either specified or statutory timeframes: Ministerial Official Information Act 1982
17	94%	
16	91%	
15	90%	

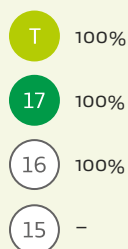
APPROPRIATION

PERFORMANCE MEASURES

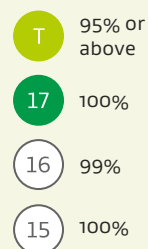
T TARGET 2016/17 17 ACTUAL 2016/17 16 15 ACTUAL | PREVIOUS TWO CONSECUTIVE YEARS

Related Services to Ministers – Workplace Relations and Safety

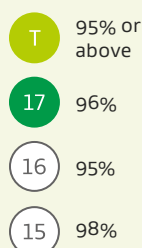
This category is intended to achieve the provision of effective and efficient ministerial services to enable Ministers to discharge their workplace relations and safety portfolio responsibilities, and monitor the performance of Crown entities and statutory bodies



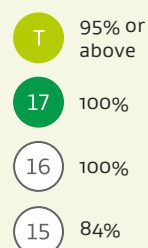
Ministers receive advice on entities' accountability documents within statutory timeframes



Percentage of requests completed within either specified or statutory timeframes: Parliamentary Questions



Percentage of requests completed within either specified or statutory timeframes: Ministerial Correspondence



Percentage of requests completed within either specified or statutory timeframes: Ministerial Official Information Act 1982

How much we spent

ACTUAL 2015/16		ACTUAL 2016/17	SUPPLEMENTARY ESTIMATES 2016/17	MAIN ESTIMATES 2016/17
\$000	OUR EXPENDITURE IN SUMMARY	\$000	\$000	\$000
341,446	Departmental Expenses	377,588	381,266	362,127
1,185,487	Non-departmental Expenses	1,326,678	1,327,277	1,324,612
	- Departmental Capital	-	-	-
5,797	Non-departmental Capital	-	-	9,552
1,532,730	Total expenditure	1,704,266	1,708,543	1,696,291

You can find out more about how this was spent in the financial statements and the following appropriation statements



STATEMENT OF BUDGETED AND ACTUAL EXPENSES AND CAPITAL EXPENDITURE INCURRED

Our services and functions

ACTUAL 2015/16 \$000	APPROPRIATION NAME	ACTUAL 2016/17 \$000	SUPPLEMENTARY ESTIMATES 2016/17 \$000	MAIN ESTIMATES 2016/17 \$000
Departmental Outputs				
3,167	Tertiary Education, Skills and Employment – Employment Sector Analysis and Facilitation	4,132	4,134	4,134
252,631	Immigration – Immigration Services	283,520 ⁶⁴	284,520	262,291
19,926	Immigration – Refugee and Protection Services	24,779	24,783	21,555
2,373	Immigration – Regulation of Immigration Advisers	2,552	2,572	2,382
33,157	Workplace Relations and Safety – Employment Relations Services	34,192	34,268	33,369
13,526	Workplace Relations and Safety – Shared Services Support	10,667	11,000	15,532
97	ACC – Regulatory Services	72	122	122
324,877	Total Departmental Output Expenses	359,914	361,399	339,385
Multi-Category Expenses and Capital Expenditure				
Policy Advice and Related Outputs MCA				
16,569	– Vote Labour Market	17,674	19,867	22,742
1,892	Policy Advice – ACC	2,029	2,426	2,426
1,605	Policy Advice – Employment	1,757	2,171	2,171
3,620	Policy Advice – Immigration	5,432	5,288	7,388
7,143	Policy Advice – Workplace Relations and Safety	6,360	6,916	7,491
246	Related Services to Ministers – ACC	195	301	301
734	Related Services to Ministers – Employment	754	854	854
658	Related Services to Ministers – Immigration	657	1,176	1,376
671	Related Services to Ministers – Workplace Relations and Safety	490	735	735
16,569	Total Multi-Category Expenses and Capital Expenditure	17,674	19,867	22,742
341,446	Total expenditure	377,588	381,266	362,127

Note performance information for the appropriations in the table above is located in the 'Our services and functions' table above

⁶⁴ In addition to the above expenditure, this appropriation has a re-measurement cost of \$264,000 relating to foreign exchange movements, taking total expenditure on this appropriation to \$284.241 million for 2016/17

Other Services – Non-departmental

ACTUAL 2015/16 \$000	NON-DEPARTMENTAL APPROPRIATIONS	LOCATION OF YEAR END PERFORMANCE INFORMATION	ACTUAL 2016/17 \$000	SUPPLEMENTARY ESTIMATES 2016/17 \$000	MAIN ESTIMATES 2016/17 \$000
Non-departmental Outputs					
111,303	ACC – Case Management and Supporting Services	1	158,078	158,078	158,078
11,867	ACC – Case Management and Supporting Services – Treatment Injuries for Non-Earners	1	12,304	12,304	12,730
310,715	ACC – Public Health Acute Services	1	284,706	284,706	284,706
1,289	ACC – Public Health Acute Services – Treatment Injuries for Non-Earners	1	1,727	1,727	8,687
522,008	ACC – Rehabilitation Entitlements and Services	1	595,259	595,259	595,259
94,439	ACC – Rehabilitation Entitlements and Services – Treatment Injuries for Non-Earners	1	117,832	117,832	111,099
1,559	Tertiary Education, Skills and Employment – Māori and Pasifika Trades Training Consortium		-	-	-
662	Workplace Relations and Safety – Employment Relations Education Contestable Fund	3	823	825	500
869	Workplace Relations and Safety – Health and Safety in Employment Levy – Collection Services	3	869	869	869
85,994	Workplace Relations and Safety – Workplace Health and Safety	2	87,863	87,863	85,623
1,140,705	Total Non-departmental Output Expenses		1,259,461	1,259,463	1,257,551
Benefits or Related Expenses					
26,903	ACC – Compensation Entitlements	3	50,391	50,391	50,391
12,652	ACC – Compensation Entitlements – Treatment Injuries for Non-Earners	3	11,107	11,107	10,454
39,555	Total Benefits or Related Expenses		61,498	61,498	60,845
Non-departmental Other Expenses					
21	Crown Debt Write Offs	3	-	125	125
3,080	Workplace Relations and Safety – Employment Relations Authority Members' Salaries and Allowances PLA	3	3,535	3,980	3,980
450	Workplace Relations and Safety – Equal Employment Opportunities Trust	3	396	396	396
1,400	Workplace Relations and Safety – International Labour Organisation	3	1,491	1,500	1,400
15	Workplace Relations and Safety – New Zealand Industrial Relations Foundation	3	15	15	15
261	Workplace Relations and Safety – Remuneration Authority Members' Fees, Salaries and Allowances	3	282	300	300
5,227	Total Non-departmental Other Expenses		5,719	6,316	6,216
Non-departmental Capital Expenditure					
5,797	Workplace Relations and Safety – WorkSafe NZ Capability Change Programme	3	-	-	9,552
5,797	Total Non-departmental Capital Expenditure		-	-	9,552
1,191,284	Total Non-departmental Annual Expenses		1,326,678	1,327,277	1,334,164

**Location of year end performance information:**

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



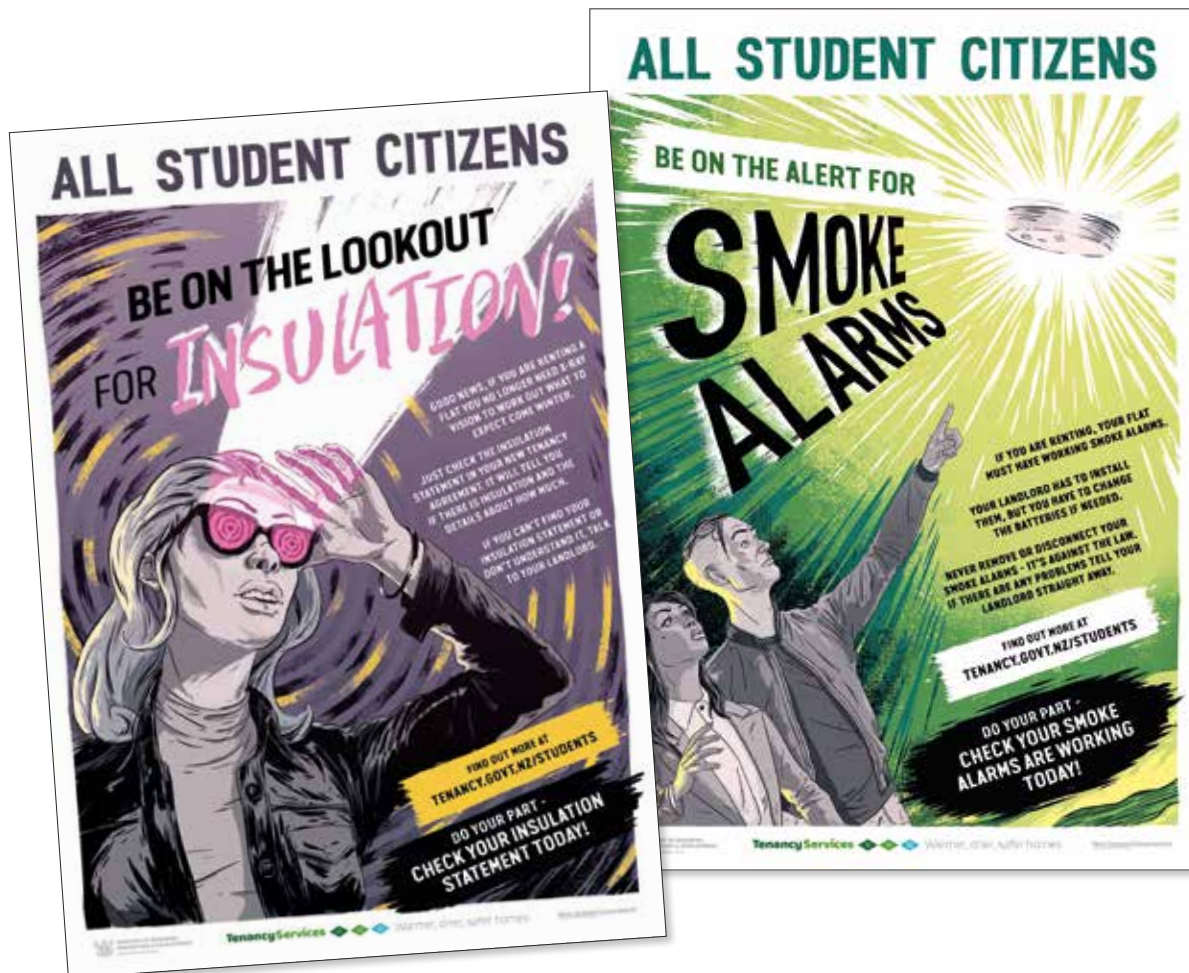
Well-functioning building and housing markets

A good supply of housing is essential both for the economy and for people's wellbeing. People need a range of styles of housing for either purchase or rent to meet their changing economic and lifestyle needs. The housing needs to be available, affordable and of high quality in terms of safety, warmth and construction.

Businesses also need buildings that meet their needs so that they can safely create and deliver their products and services.

Housing affordability is a significant issue for many New Zealanders, the economy and the Government.

In order to try and understand this issue better, we developed an experimental measure with Statistics New Zealand called the Housing Affordability Measure (HAM). The HAM is made up of two indicators. One tracks affordability for the potential first-home buying population, and the second tracks affordability for the renting population. The results for these two indicators currently cover the period from March 2003 to March 2016. We will continue to develop and improve the robustness of the HAM with Statistics New Zealand, with the aim of it becoming a Tier 1 statistic⁶⁵ in the future.



65 Tier 1 statistics are considered by the Government to be the most important statistics for understanding how well New Zealand is performing

AT A GLANCE – Well-functioning building and housing markets

What we're working towards

The built environment better supports a well-functioning economy

- › Well-functioning housing and construction markets that deliver safe, affordable and fit-for-purpose residential and commercial buildings

Our services and functions

We provide policy and regulatory advice on the operation of New Zealand’s construction sector and housing markets, including housing affordability, the quality of rental housing, the provision of infrastructure to support housing development, and the rules and standards for implementing this advice.

To ensure these markets are operating effectively and fairly we regulate community housing providers and licensed practitioners and workers in the building and electrical sector, and we provide tenancy services.

You may recognise us as

Tenancy Services, Community Housing Regulatory Authority, Building Practitioners Scheme and the Electrical Workers Registration Scheme.

Tenancy Services

COMMUNITY HOUSING REGULATORY AUTHORITY



LICENSED BUILDING PRACTITIONERS
Building confidence



Electrical Workers Registration Board
SAFETY | COMPETENCY | COMPLIANCE

Other services Non-departmental

- › HNZC Housing Support Services
- › Management of Crown Properties held under the Housing Act 1955
- › KiwiSaver HomeStart Grant
- › Christchurch City Council Home Ownership Initiative
- › Christchurch City Council Housing Initiatives
- › Housing Assistance
- › Impairment of Crown Assets
- › Payments in Respect of the Weathertight Services Loan Guarantees PLA
- › Remediation of Facades and Parapets of Unreinforced Masonry Buildings in at Risk Areas
- › Social Housing Fund – MYA
- › Social Housing Provider Development
- › Unwind of Discount Rate Used in the Present Value Calculation of Direct Payments Under the Weathertight Homes Financial Assistance Package
- › Weathertight Services: Guarantee Fee Subsidy

How much we spent

\$93 million
Departmental expenses and capital expenditure
Budget: \$97.2 million

\$220.4 million
Non-departmental expenses and capital expenditure
Budget: \$305.3 million



Improving affordability

Planning for urban growth

New Zealand is in a period of rapid urban growth and the Ministry is leading projects that will result in more housing, the development of infrastructure to support the growth, and streamlining the planning processes.

We developed the National Policy Statement on Urban Development Capacity with the Ministry for the Environment to provide local authorities with clear direction on how to ensure their plans enable sufficient housing supply to meet existing and future needs. Budget 2017 saw a \$4.9 million boost to implement this plan over the next four years.

We also developed and led public consultation on proposed urban development legislation to enable development at the scale and pace required to support rapid urban growth. This will enable selected authorities to be granted access to new development powers in specific circumstances.

Collaborating with others

We have established a strong working relationship with Auckland iwi and hapū through the Crown Land Development Programme, which has invested \$100 million into acquiring and on-selling vacant or underutilised Crown land to iwi/private developers on condition they deliver a mix of social, affordable and market priced housing.

As at June 2017, development is progressing on seven sites, including three in Christchurch. Budget 2017 added another \$100 million to the programme.

The Ministry led the development of the \$1 billion contestable Housing Infrastructure Fund, to support developers to build more housing more quickly.

The collaboration with local government has been critical to the success of the *Housing Accords and Special Housing Area Act 2013*, which provides for fast-track consenting with limited rights of appeal. As at July 2017, 213 special housing areas had been established across New Zealand, providing long-term capacity for more than 72,000 dwellings.

Construction Pipeline and National Occupations Model

The National Construction Pipeline Report 2017 provides a forward view of national construction activity for the next six years. It includes information on actual and future building and construction work, based on forecasting by Building Research Association of New Zealand (BRANZ) and Pacifecon data on known non-residential building and infrastructure intentions.

Safer homes

This year we released a highly anticipated standard that will address public concern about occupants living in properties where methamphetamine has been detected. The 'Testing and decontamination of methamphetamine contaminated properties' standard provides a benchmark for cleaning companies when sampling, testing and cleaning methamphetamine, leaving affected homes safe to occupy.

The standard was developed collaboratively by a committee of 21 experts from the public and private sector and includes feedback from almost 1,300 submissions from the public.

Warmer and healthier tenants

The Government has a goal to ensure New Zealand families can access warmer, safer, drier, and affordable rental properties. The *Residential Tenancies Act (RTA)* was brought into force in July 2016. It will require around 180,000 rental properties to be insulated and the 120,000 rental properties currently without smoke alarms to have them installed.

To assist with this goal, we deliver RTA information campaigns, informing landlords and tenants of their rights and responsibilities. The health benefits will help reduce hospitalisations from circulatory and respiratory illnesses, reduce pharmaceutical costs and result in fewer days off work and school.

We established a team this year tasked with monitoring and enforcing compliance with the RTA. The new Tenancy Compliance and Investigations Team use a number of interventions and enforcement options to ensure landlords comply with their obligations under the Act. The team is also able to act on behalf of a tenant in the Tenancy Tribunal and District Court where the actions or behaviours of the landlord are likely to cause serious harm to the tenant, damage the reputation of the tenancy system, or where taking the proceedings is in the public interest.

To date, the team has received 242 complaints. It found 26 involved no breach, reached a compliance agreement with landlords in 76 cases, provided advice to landlords in 55 cases and has lodged cases with the Tenancy Tribunal in three cases involving 199 properties.

First landlord conviction under new law

The first successful prosecution under the Government's tenancy law reform passed last year, of a landlord for renting a substandard property, has occurred. This prosecution is significant because it is the first time the Government has pursued a landlord for failing to provide a warm, dry, safe home.

Last year's tenancy reforms enabled the Ministry to directly prosecute landlords rather than relying on tenants to take an action in the Tenancy Tribunal.

The strong message to landlords from this prosecution is that properties should not be tenanted unless they are warm, dry and safe.

Improving safety and building quality

Improving public safety is a major priority for the Ministry. A key achievement is new legislation for managing earthquake-prone buildings which came into force on 1 July 2017. The Ministry completed detailed regulations to support the new legislation and issued a methodology and guidance for identifying and remediating earthquake-prone buildings.

We also took a number of steps to improve public safety following the Hurunui/Kaikōura earthquake. The Ministry led an investigation into the partial failure of Statistics House in Wellington and is now reviewing building standards based on the lessons learnt during this earthquake.

Steps were also taken to improve the performance of unreinforced masonry (URM) buildings in high-risk areas. Owners of affected buildings are required to secure URM parapets and facades by March 2018. A new fund was established to help building owners meet half the cost of this securing work.

To lift the effectiveness of the building regulatory system the Ministry sharpened the processes for accreditation and monitoring of building consent authorities. We completed a review of the accreditation system, and changes to the system came into force on 1 July 2017. As part of these changes building consent authority employees involved in the consent process are now required to have (or be working towards) a qualification from a list that is specified in regulations.

Together these changes will clarify accreditation requirements, improve building consent authority performance and improve the Ministry's ability to monitor performance.

Performance highlights

The Ministry met or exceeded all of its performance measures, with the following exceptions:

- › The user satisfaction target in the *Building Regulation and Control* appropriation was not met due to lower satisfaction results from a limited, voluntary survey of building.govt.nz users. This compares to higher results from face-to-face training which almost all attendees complete. An online survey that is more widely accessible to the variety of website users is being considered for the next year to enable us to capture a wider online user base.
- › The performance measure for the *Special Housing Areas* appropriation was unable to be reported because the service and funding was not required this year.
- › The target for the cost of policy output was not met for the *Policy Advice and Related Services MCA – Vote Building and Housing*. The target for this measure has remained unchanged since 2013 and reflects the sector median at the time it was set. The methodology for capturing staff time to align with Treasury's guidance continues to improve over time. The Ministry will work with Treasury to refine the methodology and improve the accuracy of assessing the cost associated with the provision of policy advice. The cost per hour includes all costs incurred to produce quality policy

advice including legal, financial, accommodation and other associated supporting input costs.

- › The technical quality target for policy papers was not met for the *Policy Advice – Building and Housing* category of the *Policy and Related Services MCA – Vote Building and Housing*. The Ministry has adopted a whole-of-Ministry policy quality review process, Te Ara Poutama, which assesses the quality of policy papers and identifies where general improvements are required.
- › Addressing the general and specific improvements identified from this approach should improve quality for portfolios where this standard has been assessed as not being met. The Ministry provides a small sample of the Te Ara Poutama papers to an external reviewer so that future improvements in the approach can be identified and implemented.
- › The Ministry did not achieve the timeliness target for completing requests for Parliamentary Questions and the Ministerial OIA for the *Related Services – Ministers Employment and Related Services – Building and Housing categories of the Policy and Related Services MCA – Vote Building and Housing*. Seven out of 51 Ministerial OIAs and 26 out of 242 Parliamentary Questions were not completed within agreed timeframes.

We have achieved the majority of our planned work programme within set financial expectations for this year, with the following exceptions:

- › The *Administering Social Housing Development Fund* appropriation was underspent. The level of grant payments to community housing providers has reduced as the level of house completions has increased. As a result the related administration costs to support the programme have also decreased.
- › The *Canterbury Recovery: Building and Housing Assistance* appropriation was underspent due to lower demand for emergency accommodation services in Christchurch compared to previous years as the rebuild and service winds down.
- › The *Professional Engineering Input Toward the Resolution of Canterbury Residential Rebuild* appropriation was underspent due to lower-than-anticipated demand for this service.
- › The *Residential Tenancy and Unit Title Services* appropriation was overspent due to the impact of the Payroll Remediation project. More detail relating to this project is located in the *Statement of expenses and capital expenditure incurred without, or in excess of, appropriation or other authority*.
- › The *Tenant Health and Safety Information MYA* was underspent. This is a new activity for the Ministry, and the Estimate for this year was based on available information and our understanding of the service at the time.
- › The *Policy Advice and Related Outputs MCA – Vote Building and Housing* was underspent due to delays in the National Policy Statement on Urban Development Capacity and *Residential Tenancies Amendment Act* and *Unit Titles Act* legislative changes. The work programme for these changes will continue into the 2017/18 year.

What we're working towards

THE BUILT ENVIRONMENT BETTER SUPPORTS A WELL-FUNCTIONING ECONOMY⁶⁶



OUTCOME PERFORMANCE KEY

T TARGET

A ACTUAL

= NO CHANGE

+ INCREASE/IMPROVE

- DECREASE/REDUCTION

INTERMEDIATE OUTCOME

– WELL-FUNCTIONING HOUSING AND CONSTRUCTION MARKETS THAT DELIVER SAFE, AFFORDABLE AND FIT-FOR-PURPOSE RESIDENTIAL AND COMMERCIAL BUILDINGS

Performance measure

Improving affordability of houses for New Zealanders to rent and buy

T +

A

The Ministry has developed an experimental Housing Affordability Measure. At this stage, data is only available to March 2016 and may not reflect recent changes to house prices or rents. We will continue to develop and improve the robustness of the Housing Affordability Measure.

Performance measure

Increasing the percentage of all social housing stock provided by community social housing providers

T +

A +

5.3% as of January 2017, up from 0.5% in January 2016⁷⁰

Performance measure

Progress towards 890 social and affordable housing units that are completed by community housing providers⁶⁹

T +

A +

707 housing units completed as of March 2017

Performance measure

3,000 more social housing places⁶⁷ in areas of high demand by December 2017

T +

A +

The number of social housing places has been increasing⁷⁰

Our services and functions

APPROPRIATION

PERFORMANCE MEASURES

T TARGET 2016/17

A ACTUAL 2016/17

A ACTUAL | PREVIOUS TWO CONSECUTIVE YEARS

Administering the Legacy Social Housing Fund

This appropriation is intended to achieve safe, healthy and affordable homes through the effective and efficient administration of the Legacy Social Housing Fund

T Achieved

17 Achieved

16 –

15 –

Effective and efficient administration of the Legacy Social Housing Fund⁶⁸

⁶⁶ You can find out more about our progress in this outcome area in the *Connecting people and ideas and Confidence in our markets* sections

⁶⁷ The number of Income Related Rent Subsidies nationwide has been used as the measure of social housing places

⁶⁸ New measure introduced in 2016/17

⁶⁹ Funded from the Social Housing Fund

⁷⁰ More information regarding the number of social housing places is located in the social housing section of the Ministry of Social Development's annual report

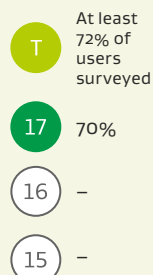
APPROPRIATION

PERFORMANCE MEASURES

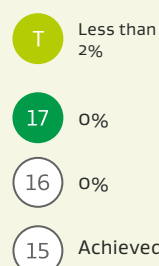
T TARGET 2016/17 17 ACTUAL 2016/17 16 15 ACTUAL | PREVIOUS TWO CONSECUTIVE YEARS

Building Regulation and Control

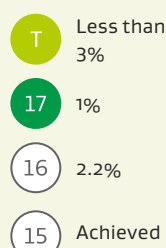
This appropriation is intended to achieve a regulatory system that ensures safe and healthy building practice in the construction sector



Percentage of users satisfied that information provided on matters relating to Building Control has met their need⁷¹



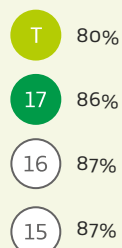
The percentage of determinations successfully appealed



The percentage of determinations subject to clarification due to inadequate coverage of issues

Canterbury Recovery: Building and Housing Assistance

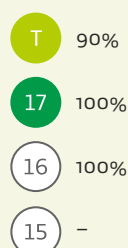
This appropriation is intended to achieve assistance to find safe and healthy temporary accommodation for Cantabrians affected by the earthquakes



The percentage of clients who are satisfied or very satisfied with the matching and placement service (including the temporary village housing)

Community Housing Regulatory Authority

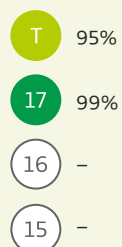
This appropriation is intended to achieve efficient registration and regulation of Community Housing providers in order to ensure that their tenants are properly housed, and support the growth of a fair and efficient, and transparent community housing sector



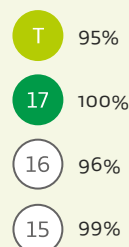
Applications for registration of Community Housing providers are processed within 60 working days

Occupational Licensing

This appropriation is intended to achieve certainty and confidence for the industry and consumers about the quality of licensed practitioners and workers in the building and electrical sector



The percentage of licensing applications completed within the following timeframes upon receipt of a correctly completed application:
5 working days for building practitioners relicensing, issuing of practicing licenses and renewals of electrical workers registration⁷¹



The percentage of licensing applications completed within the following timeframes upon receipt of a correctly completed application:
35 working days for building practitioner new licenses and electrical worker new registrations

71 New measure introduced in 2016/17

APPROPRIATION

PERFORMANCE MEASURES

T TARGET
2016/17

17 ACTUAL
2016/17

16

15

ACTUAL | PREVIOUS TWO
CONSECUTIVE YEARS

	<p>T 85%</p> <p>17 92%</p> <p>16 –</p> <p>15 –</p>	<p>The percentage of complaints against the following that will be investigated and a report provided to the Registrar within 16 weeks of receipt: Non-registered and registered electrical workers⁷²</p>	<p>T 85%</p> <p>17 95%</p> <p>16 –</p> <p>15 –</p>	<p>The percentage of complaints against the following that will be investigated and a report provided to the Registrar within 16 weeks of receipt: Licenced building practitioners that meet the requirements of Regulation⁷²</p>
<p>Professional Engineering Input Toward the Resolution of Canterbury Residential Rebuild Design Uncertainty This appropriation is intended to achieve access to independent technical advice from engineering experts to help progress the Canterbury residential rebuild</p>	<p>T 75% satisfied or very satisfied</p> <p>17 77%</p> <p>16 –</p> <p>15 –</p>	<p>User satisfaction with the residential advisory service (includes independent technical advice)⁷²</p>		
<p>Redevelopment of Surplus Crown Land This appropriation is intended to achieve safe, healthy and affordable homes by the effective and efficient redevelopment of surplus Crown land</p>	<p>T 100%</p> <p>17 100%</p> <p>16 –</p> <p>15 –</p>	<p>Compliance with relevant legislation, Government policy and Treaty settlement provisions in relation to acquisition, development and disposal of land⁷²</p>		
<p>Residential Tenancy and Unit Title Services This appropriation is intended to achieve an environment in which residential tenancy and unit title consumers and businesses are well informed, understand their rights, and meet their regulatory obligations through the provision of information, education, advice, compliance, bond processing and mediation services</p>	<p>T 80%</p> <p>17 88%</p> <p>16 80%</p> <p>15 92%</p>	<p>Percentage of customers who are satisfied or very satisfied with overall quality and timeliness of mediation services</p>		
<p>Special Housing Areas This appropriation is intended to achieve certainty and assurance to the public that resource consenting will be carried out for Special Housing Areas</p>	<p>T Achieved</p> <p>17 None processed</p> <p>16 None processed</p> <p>15 –</p>	<p>Resource consents issued according to statutory timeframes</p>		

72 New measure introduced in 2016/17

APPROPRIATION

PERFORMANCE MEASURES

T TARGET 2016/17 17 ACTUAL 2016/17 16 15 ACTUAL | PREVIOUS TWO CONSECUTIVE YEARS

Tenant Health and Safety Information – MYA

This appropriation is intended to achieve an environment in which tenants and landlords are aware of their rights and regulatory obligations to ensure residential rental homes are warm, dry and safe through the provision of information, education, advice and compliance

T	By 30 June 2017	Deliver information campaigns to promote warm, dry and safe residential rental homes ⁷³
17	Achieved	
16	–	
15	–	

Weathertight Services

This appropriation is intended to achieve a reduction in the number of weathertight issues in New Zealand

T	At least 1,500	The number of homeowners who have repaired or have started repairing with the Financial Assistance Package since the beginning of the scheme ⁷³
17	3,440	
16	–	
15	–	

T	80%	The number of short assessments (Eligibility) completed within 60 working days of being allocated to an assessor ⁷³
17	92%	
16	–	
15	–	

T	80%	The number of long assessments (Full, Follow-up full, Addendum, Concise, Cost update and Supplemental) completed within 120 working days of being allocated to an assessor ⁷³
17	89%	
16	–	
15	–	

Community Group Housing MCA

The overarching purpose of this appropriation is to purchase housing services from Housing New Zealand Corporation and Community Group Housing providers to maintain the supply of tenanted Community Group Housing properties

T	Up to 1,500	The number of community group housing properties and related housing services made available by Housing New Zealand Corporation ⁷³
17	1,480	
16	–	
15	–	

Acquisition, Development and Construction of Emergency Housing Properties

This category is intended to achieve an increase in the supply of emergency housing places

T	Achieved	The Acquisition, Development, and Construction of Emergency Properties category will contribute to the provision of between 1,200 and 1,400 additional emergency housing places in areas of demand ⁷³
17	Achieved	
16	–	
15	–	

73 New measure introduced in 2016/17

APPROPRIATION

PERFORMANCE MEASURES

T TARGET 2016/17

17 ACTUAL 2016/17

16 15

ACTUAL | PREVIOUS TWO CONSECUTIVE YEARS

Policy Advice and Related Outputs MCA – Vote Building and Housing

The overarching purpose of this appropriation is to provide advice and support to Ministers in discharging their policy decision-making and other portfolio responsibilities

- T At least 70%
- 17 88%
- 16 62%
- 15 72%

The satisfaction of the Minister for Building and Construction with the policy advice service, as per the common satisfaction survey

- T At most \$155
- 17 \$191
- 16 \$141
- 15 \$152

The total cost per hour of producing policy outputs

Policy Advice – Building and Housing

This category is intended to achieve the provision of high quality policy advice to support Ministerial decision-making on government policy matters relating to building and housing

- T Average of at least 73%
- 17 71%
- 16 72%
- 15 73%

Technical quality of policy advice papers assessed by a survey with a methodological robustness of 80 percent

Related Services to Ministers – Building and Housing

This category is intended to achieve the provision of effective and efficient ministerial services to enable Ministers to discharge their building and housing portfolio responsibilities

- T 95% or above
- 17 89%
- 16 92%
- 15 97%

Percentage of requests completed within either specified or statutory timeframes: Parliamentary Questions

- T 95% or above
- 17 99%
- 16 95%
- 15 96%

Percentage of requests completed within either specified or statutory timeframes: Ministerial Correspondence

- T 95% or above
- 17 86%
- 16 96%
- 15 86%

Percentage of requests completed within either specified or statutory timeframes: Ministerial Official Information Act 1982

How much we spent

ACTUAL 2015/16 \$000	OUR EXPENDITURE IN SUMMARY	ACTUAL 2016/17 \$000	SUPPLEMENTARY ESTIMATES 2016/17 \$000	MAIN ESTIMATES 2016/17 \$000
82,825	Departmental Expenses	93,026	97,167	97,851
138,726	Non-departmental Expenses	111,031	144,487	140,643
	- Departmental Capital	-	-	-
35,896	Non-departmental Capital	109,364	160,800	105,800
257,447	Total expenditure	313,421	402,454	344,294

You can find out more about how this was spent in the financial statements and the following appropriation statements

STATEMENT OF BUDGETED AND ACTUAL EXPENSES AND CAPITAL EXPENDITURE INCURRED

Our services and functions

ACTUAL 2015/16 \$000	APPROPRIATION NAME	ACTUAL 2016/17 \$000	SUPPLEMENTARY ESTIMATES 2016/17 \$000	MAIN ESTIMATES 2016/17 \$000
	Departmental Outputs			
437	Administering the Legacy Social Housing Fund ⁷⁴	330	600	600
23,061	Building Regulation and Control	27,287	28,574	27,000
890	Canterbury Recovery: Building and Housing Assistance	960	1,249	1,250
675	Community Housing Regulatory Authority	681	700	700
9,556	Occupational Licensing	9,542	9,546	9,566
400	Professional Engineering Input Toward the Resolution of Canterbury Residential Rebuild Design Uncertainty	496	700	700
1,930	Redevelopment of Surplus Crown Land	2,000	2,003	2,003
24,662	Residential Tenancy and Unit Title Services	27,993	27,396	27,558
	- Special Housing Areas	-	1,500	1,500
344	Tenant Health and Safety Information – MYA	865	1,149	830
8,974	Weathertight Services	8,755	8,907	13,165
70,929	Total Departmental Output Expenditure	78,909	82,324	84,872
	Multi-Category Expenses and Capital Expenditure			
19,207	Community Group Housing MCA	119,282	119,668	19,668
	Non-departmental Output Expenses			
9,434	Community Group Housing Market Rent Top-Up	9,764	9,764	9,764
	Non-departmental Other Expenses			
3,973	Community Housing Rent Relief	4,104	4,104	4,104
	Non-departmental Capital Expenditure			
5,800	Acquisition and Improvement of Community Group Housing Properties	5,414	5,800	5,800
	Acquisition, Development and Construction of Emergency Housing Properties	100,000	100,000	-
11,896	Policy Advice and Related Outputs MCA – Vote Building and Housing	14,018	14,843	12,979
	Departmental Output Expenses			
11,735	Policy Advice – Building and Housing	13,263	13,883	12,697
161	Related Services to Ministers – Building and Housing	854	960	282
31,103	Total Multi-Category Expenses and Capital Expenditure	133,399	134,511	32,647
102,032	Total Expenditure	212,308	216,835	117,519

Note performance information for the appropriations in the table above is located in the "Our services and functions" table above

74 Previously the 'Social Housing Unit'



Other Services – Non-departmental

ACTUAL 2015/16 \$000	NON-DEPARTMENTAL APPROPRIATIONS	LOCATION OF YEAR END PERFORMANCE INFORMATION	ACTUAL 2016/17 \$000	SUPPLEMENTARY ESTIMATES 2016/17 \$000	MAIN ESTIMATES 2016/17 \$000
Non-departmental Outputs					
6,879	HNZC Housing Support Services	1	8,728	11,544	11,544
8	Management of Crown Properties held under the Housing Act 1955	1	98	1,395	1,395
3,370	Tamaki Regeneration		-	-	-
10,257	Total Non-departmental Output Expenses		8,826	12,939	12,939
Benefits or Related Expenses					
65,949	KiwiSaver HomeStart grant	4	74,919	85,863	85,863
65,949	Total Benefits or Related Expenses		74,919	85,863	85,863
Non-departmental Other Expense					
-	Christchurch City Council Home Ownership Initiative ⁷⁵	2	-	3,071	5,000
-	Christchurch City Council Housing Initiatives	4	1,233	1,929	-
1,397	Housing Assistance	4	837	1,507	1,507
-	Impairment of Crown Assets	4	-	20	20
-	Payments in respect of the Weathertight Services Loan Guarantees PLA	4	-	1,900	1,900
-	Remediation of Facades and Parapets of Unreinforced Masonry Buildings in at risk areas ⁷⁶	4	-	3,000	-
17,956	Social Housing Fund – MYA	2	9,648	16,894	16,250
760	Social Housing Provider Development	4	600	791	791
2,500	Unwind of Discount Rate Used in the Present Value Calculation of Direct Payments Under the Weathertight Homes Financial Assistance Package	4	1,100	1,659	1,659
-	Weathertight Services: Guarantee Fee Subsidy	3	-	1,046	846
26,500	Wellington City Council Social Housing Assistance		-	-	-
49,113	Total Non-departmental Other Expenses		13,418	31,817	27,973
Non-departmental Capital Expenditure					
30,096	Auckland Housing Developments		-	-	-
-	Auckland Vacant or Underutilised Crown Land Programme – MYA	3	3,950	55,000	100,000
30,096	Total Non-departmental Capital Expenditure		3,950	55,000	100,000
155,415	Total Non-departmental Annual and MYA Expenses		101,113	185,619	226,775



Location of year end performance information:

- 1 Housing New Zealand Corporation's annual report
- 2 Minister for Social Housing's Vote Building and Housing Non-departmental Appropriations report
- 3 Minister for Building and Construction's Vote Building and Housing Non-departmental Appropriations report
- 4 Exemption granted under section 15D(2)(b) of the *Public Finance Act 1989*.

⁷⁵ This is a new appropriation created in 2016/17

⁷⁶ This is a new appropriation created in 2016/17. It was established to contribute to the remediation cost of street-facing facades and parapets of earthquake prone buildings

Organisational performance

Our organisational strategy includes how our culture and the way we work helps us deliver on our external commitments. This section reports on how the Ministry is performing, and how we have developed and matured into a high performing organisation over the last five years.

In 2017, the Ministry went through its second independent review using the State Services Commission's Performance Improvement Framework (PIF). The PIF reviewers found that we had performed strongly and were on track to deliver on our priorities.

Common behaviours and traits run across the organisation and are supported by our organisational priorities and cross-Ministry work programmes.

This section highlights some of our achievements aimed at strengthening our organisational practice, including our organisational priorities. Similar to the Business Strategy, which drives key programmes of work, the Ministry has four organisational development priorities that focus on building culture and capability across the organisation. These are:

- › **Health, safety and security:** building an organisational culture where health, safety and security thinking is embedded into our organisational DNA to ensure everyone goes home safe, every day.
- › **People leader fundamentals:** valuing our people leaders and ensuring they understand and are supported to meet core management expectations. This programme has now been completed and is being transitioned into business-as-usual. We are looking to add a new priority on diversity and inclusion.
- › **Service promise:** enabling a more customer-centric organisation. Our commitment to provide excellent customer service will help shape our future approach to our customers, both internal and external, so we can best meet their needs.
- › **Engaging in shared purpose:** enabling ongoing discussion about what our shared purpose, "Grow New Zealand for All", means to individuals and teams, and how the work they do contributes to it, and encouraging greater connections and purposeful collaboration.

Managing risk

The Ministry continues to develop and mature its approach to risk management. Risks are linked to the Ministry's strategic objectives, outcomes and priorities.

Substantial work has been undertaken to review and reframe the Ministry's risk management policy and framework alongside further support for building risk capability, education and awareness. A new priority for this year is the formalisation of the Ministry's insurance framework.

There remains a strong emphasis on risk education and awareness. The deployment of new tools, resources and guidance are helping to further embed good risk management practice and behaviours across the Ministry. There is an ongoing focus on improving the quality and consistency of internal policies and supporting integrity awareness across the Ministry.

Investing wisely

Last year we strengthened the governance structure for making and implementing investment decisions through the establishment of the Investment Board.

The Investment Board is responsible for prioritising investments in line with agreed investment objectives and Government and Ministry priorities. It has a multi-year investment focus, looking out over a four-year horizon in line with our Four-Year Plan and Long-Term Investment Plan. It will ensure that appropriate enterprise-wide investment decisions are made.

A Long-Term Investment Plan enables us to take a more strategic view of future requirements and better understand and manage risks and potential trade-offs more effectively.

Investor Confidence Rating

The Minister of Finance and the Treasury have introduced the Investor Confidence Rating (ICR) as a new assurance mechanism. The ICR is an independent assessment of an agency's capability to undertake capital investments effectively and identifies areas where an agency can lift investment management capability and performance. The ICR is a component of the information considered by Cabinet when it prioritises investments.

The ICR uses a scale that ranges from an *A* rating signalling the highest level of performance to an *E* rating when significant assistance may be needed for the agency's investments to deliver promised results.

The Ministry was assessed this year and received a rating of *B*, which means that we are a well performing organisation with mature investment management processes and strong asset management practices. The assessment highlighted areas where we can strengthen our investment practice, such as portfolio and project capability and our Long-Term Investment Planning areas. We will incorporate this advice into our work programme.

As part of the ICR, key asset measures were established and are currently being tested. These will be reported by Treasury in its sector report this year and in our annual report from 2017/18 onwards.



Investing in health safety and security

The health, safety and security of our people, information and work environment is one of our four organisational priorities. Key achievements over the past year include:

- › establishing a Health, Safety and Security Governance Committee
- › initiating a Ministry-wide assessment and roadmap of our critical health, safety, security and business continuity risks
- › increased health, safety and wellbeing reporting due to health and safety training and ongoing awareness with 95 per cent of our people completing training modules
- › developing a staff 'Wellness Hub' to make it easier for staff to access information about leave, health and support, following a joint project with the Public Services Association.

Keeping our people safe and secure at work

Keeping our people healthy, safe and secure at work is the Ministry's top priority. Some of our people face critical risks in their work that may result in serious harm or injury, particularly if they work alone or with members of the public, or work in locations outside of the Ministry's offices.

Specific initiatives focused on managing critical health, safety and security risks more effectively have resulted in additional measures rolling out to front-facing and field workers across the Ministry. These measures include targeted training, guidelines for keeping in touch and emergency response planning, GPS installation in fleet vehicles, specialised personal protective equipment, compliance and assurance guidelines, and operational protocols to support our people to manage critical risk in an appropriate, proportional and effective way.

One example is the situational security and tactical communication training now in place for most front-facing workers in Immigration New Zealand and the Market Services Group. This training aims to help our people deal with difficult situations more effectively, making them better able to de-escalate or get away safely from potentially threatening circumstances. The positive feedback and results to date have seen this course made compulsory for more than 650 workers in specific front-facing roles in these parts of the Ministry, and the training is now a core part of our critical risk management approach.

Growing people and capability

People are our greatest asset and it's important that they are valued and can contribute to our purpose of growing New Zealand for all. The Ministry supports the development and recognition of its people through a variety of avenues including:

- › MBIE awards
- › Chief Executive Recognition Programme
- › MBIE Development Fund.

To support personal and professional development the Ministry also offers:

- › a suite of learning and development products that staff can access through an online learning platform
- › a biannual policy rotation cycle
- › graduate programmes, including one with a focus on attracting Pasifika graduates
- › capability frameworks that support staff and managers to map a career pathway
- › informal mentoring programmes.

We aspire to be an employer of choice and a highly desirable organisation to work for that attracts and retains high-calibre people.

Diversity

Creating and maintaining diverse workforces is a challenge that face all organisations. We need diverse staff to deliver to a diverse New Zealand and know that people with a range of perspectives, experiences and backgrounds add value in a business sense. On top of that, acknowledging and embracing our diversity is crucial to growing a strong and positive workplace culture. We are proud of the number of staff-led initiatives at the Ministry, which include:

- › Women in Leadership Committee
- › Māori staff network
- › Pasifika staff network
- › Asia Literacy network
- › Ngāi Kahukura – Rainbow network.

We are in the process of developing an organisation-wide diversity and inclusion strategy. This is expected to be finalised in the first quarter of the 2017/18 financial year. Future focus areas will include reducing our gender and ethnic pay gaps, supporting representative diversity in our workforce, and improving the accessibility of our working environment. In addition, diversity and inclusion is set to be one of our organisational development priorities going forward.

People leaders

Growing great leaders is fundamental to sustaining a high performing organisation. The Ministry has an in-depth programme that is designed to support emerging and existing leaders to understand and meet their core management obligations.

This year we launched a new online resource called 'LeaderKit' to provide easy access to information, tools and training to help our people leaders in their managerial roles. It also sets clear expectations of managers. It has been well received by our managers and has generated interest from other agencies.

Tomorrow’s workforce









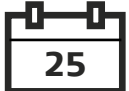

We are focused on ensuring that we have a workforce that grows and changes with the changing nature of government.

Our Policy Graduate Programme attracts people from diverse academic backgrounds, including law, international relations, environmental science, biomedical science, policy and languages. It’s been running for four years and has transformed 48 graduates into policy advisers who are now dispersed throughout the Ministry and the public sector.

The Ministry is committed to investing in the professional development of its people, which can be seen in the high number of our regulatory staff (more than 400) who are enrolled in the Government Regulatory Practice Initiative Level 3 Core Knowledge Certificate.

This year we launched the Development Fund to support up to 15 people to extend their learning over a broad range of development opportunities.



2016	2017
 <p>Headcount 3,203 Full time 2,948 Part time 255</p>	 <p>Headcount 3,451 Full time 3,147 Part time 304</p>
 <p>Female 1,929 Female people leaders 51%</p>	 <p>Female 2,098 Female people leaders 55%</p>
 <p>Male 1,274 Male people leaders 49%</p>	 <p>Male 1,353 Male people leaders 45%</p>
 <p>Total turnover 15%</p>	 <p>Total turnover 15%</p>
 <p>Average tenure 5.71 years</p>	 <p>Average tenure 6.03 years</p>

Tupu Tai Pacific Public Sector Internship Programme

Historically graduate policy programmes across government have had difficulty in attracting young Pacific people into public policy careers. In response to this gap, the Pasifika team within the Ministry developed the Tupu Tai Pacific Public Sector Internship Programme.

The success of Tupu Tai is reflected in an increase in applications for internships and graduate policy positions by both Pasifika and Māori applicants.

Performance highlights

The Ministry continues to implement its capital investment programme:

- › We have continued improvements to the functionality of the immigration system to deliver a fully ICT enabled Visa Processing operating model. The net effect is a more efficient operation, allowing for better decision making and it will be more adaptable to changing and emerging markets. The enhancements will improve risk management through early vetting of travellers and sharing information across border agencies.
- › We have made leasehold improvements onshore and offshore – largely office refurbishments and consolidations as they fall due based on existing lease arrangements, plus new or expanded premises.
- › We have invested in the integration and establishment of new functions including Standards New Zealand, Government Property Group and Computer Emergency Response Team (CERT NZ).
- › We have refreshed ageing technology to improve the effectiveness and efficiency of our services, and to meet the different needs of our customers and stakeholders.



Our services and functions

APPROPRIATION

PERFORMANCE MEASURES

T TARGET 2016/17 A ACTUAL 2016/17 A ACTUAL | PREVIOUS TWO CONSECUTIVE YEARS

Ministry of Business, Innovation and Employment – Capital Expenditure PLA
This appropriation is intended to achieve the implementation of the Ministry of Business, Innovation and Employment's capital expenditure plan

Mangere Refugee Centre

- T Operational in 2016/17
- 17 Refugee Centre opened in June 2016
- 16 –
- 15 –

Christchurch Integrated Government Accommodation

- T Operational in 2016/17
- 17 Opened in November 2016
- 16 On-track
- 15 –

Auckland Accommodation Project

- T On track to be operational in 2019/20
- 17 Yet to start
- 16 On-track
- 15 –

Technology Enhancements to Visa Processing Operating Model

- T Delivering through 2016/17 – 17/18
- 17 On-track
- 16 On-track
- 15 –

How much we spent

STATEMENT OF BUDGETED AND ACTUAL EXPENSES AND CAPITAL EXPENDITURE INCURRED

ACTUAL 2015/16 \$000	APPROPRIATIONS NAME	ACTUAL 2016/17 \$000	SUPPLEMENTARY ESTIMATES 2016/17 \$000	MAIN ESTIMATES 2016/17 \$000
Departmental Capital Expenditure				
68,334	Ministry of Business, Innovation and Employment – Capital Expenditure PLA	76,999	96,366	96,366

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FINANCIAL STATEMENTS

WE RECEIVE REVENUE FROM 3 SOURCES

\$329m

CROWN

\$370m

OTHER REVENUE



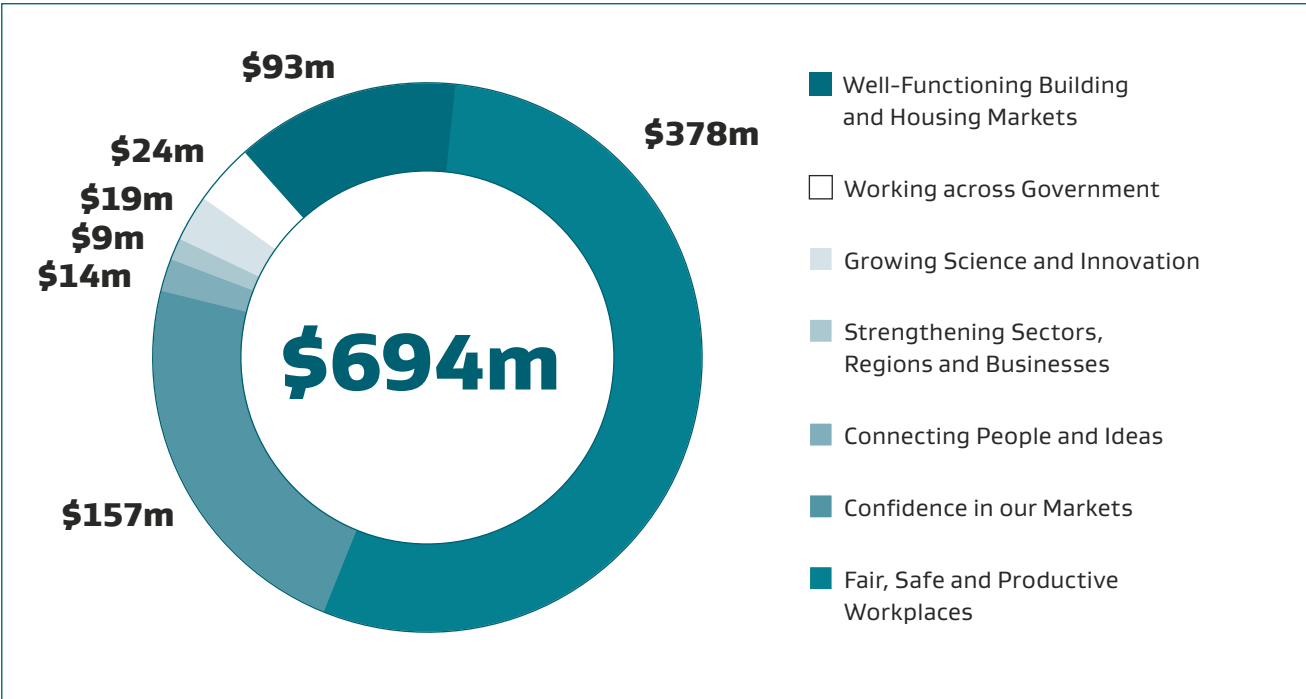
\$8m

DEPARTMENT




\$707m

TOTAL REVENUE

OUR EXPENSES



WE MAINTAIN 14 MEMORANDUM ACCOUNTS ACROSS 3 VOTES

	1 July 2016	Revenue	Expenses	Capital Contribution/ Withdrawal	30 June 2017
 Building and Housing	\$19m	\$43m	(\$36m)	\$8m	\$34m
 Business, Science and Innovation	\$49m	\$85m	(\$74m)	-	\$60m
 Labour Market	(\$5m)	\$201m	(\$208m)	-	(\$12m)

KEY OPERATING STATISTICS

<p>\$274m</p> <p>capital assets at 30 June 2017</p>	<p>\$2m</p> <p>of operating surplus returned to the Crown</p>
<p>\$200m</p> <p>immigration fees received in the 2016/17 financial year</p>	<p>\$21m</p> <p>received in interest from tenancy bonds</p>



Statement of Management Responsibility

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 2017 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 2018 and its operations for the year ending on that date.

Signed by

A handwritten signature in black ink, appearing to read 'Carolyn Tremain'.

Carolyn Tremain

Chief Executive

Ministry of Business, Innovation and Employment

28 September 2017

Independent Auditor's Report

To the readers of
Ministry of Business, Innovation and Employment's
annual report for the year ended 30 June 2017

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 his behalf of:

- › the financial statements of the Ministry on pages 118 to 148, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and assets as at 30 June 2017, 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 2017 on pages 14 to 15, 21 to 23, 34 to 40, 49 to 50, 58 to 73, 85 to 93, 100 to 104, and 110
- › the statements of expenses and capital expenditure of the Ministry for the year ended 30 June 2017 on pages 16, 24 to 26, 40 to 43, 51 to 52, 74 to 77, 93 to 95, 105 to 106, 110 and 164 to 169
- › the schedules of non-departmental activities which are managed by the Ministry on behalf of the Crown on pages 151 to 163, and 170 to 171 that comprise:
 - the schedule of non-departmental assets, the schedule of non-departmental liabilities, the schedule of non-departmental commitments and the schedule of non-departmental contingent liabilities and contingent assets as at 30 June 2017
 - the schedule of non-departmental expenditure and the schedule of non-departmental revenue for the year ended 30 June 2017
 - the statement of trust monies for the year ended 30 June 2017, and
 - the notes to the schedules that include accounting policies and other explanatory information.

OPINION

In our opinion:

- › the financial statements of the Ministry on pages 118 to 148:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2017, 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 on pages 14 to 15, 21 to 23, 34 to 40, 49 to 50, 58 to 73, 85 to 93, 100 to 104, and 110:
 - presents fairly, in all material respects, for the year ended 30 June 2017:
 - what has been achieved with the appropriation, and
 - the actual expenses or capital expenditure incurred compared with the appropriated or forecast expenses or capital expenditure, and
 - complies with generally accepted accounting practice in New Zealand.
- › the statements of expenses and capital expenditure of the Ministry on pages 16, 24 to 26, 40 to 43, 51 to 52, 74 to 77, 93 to 95, 105 to 106, 110, and 164 to 169 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 151 to 163, and 170 to 171 present fairly, in all material respects, in accordance with the Treasury Instructions:
 - the assets, liabilities, commitments and contingent liabilities and assets as at 30 June 2017
 - the expenses and revenue for the year ended 30 June 2017, and
 - the statement of trust monies for the year ended 30 June 2017.

Our audit was completed on 28 September 2017. 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 relating to the information to be audited, we comment on other information, and we explain our independence.

BASIS FOR OUR OPINION

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

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

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

RESPONSIBILITIES OF THE CHIEF EXECUTIVE FOR THE INFORMATION TO BE AUDITED

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

In preparing the information to be audited, the Chief Executive is responsible on behalf of the Ministry for assessing the Ministry's ability to continue as a going concern. The Chief Executive is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to merge or to terminate the activities of the Ministry, or there is no realistic alternative but to do so.

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

RESPONSIBILITIES OF THE AUDITOR FOR THE INFORMATION TO BE AUDITED

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

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

For the budget information reported in the information we audited, our procedures were limited to checking that the information agreed to the Ministry's Statement of Intent, Estimates of Appropriations, as updated in the Supplementary Estimates of Appropriations, and the 2016/17 forecast figures included in the Ministry's 2015/16 Annual Report.

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

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

- › we identify and assess the risks of material misstatement of the information we audited, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- › we obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Ministry's internal control
- › we evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive
- › we evaluate the appropriateness of the reported performance information within the Ministry's framework for reporting its performance
- › we conclude on the appropriateness of the use of the going concern basis of accounting by the Chief Executive and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Ministry's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the information we audited or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Ministry to cease to continue as a going concern
- › we evaluate the overall presentation, structure and content of the information we audited, including the disclosures, and whether the information we audited represents the underlying transactions and events in a manner that achieves fair presentation.

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

Our responsibilities arise from the Public Audit Act 2001.

OTHER INFORMATION

The Chief Executive is responsible for the other information. The other information comprises the information included on pages 1 to 7, 10 to 13, 17 to 20, 27 to 33, 44 to 48, 53 to 57, 78 to 84, 96 to 99, 107 to 109, 112 to 113 and 180 to 184, but does not include the information we audited, and our auditor's report thereon.

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

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

INDEPENDENCE

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

Other than in our capacity as auditor, we have no relationship with, or interests, in the Ministry.



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



STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the year ended 30 June 2017

ACTUAL 2016 \$000		NOTES	ACTUAL 2017 \$000	UNAUDITED SUPPLEMENTARY ESTIMATES 2017 \$000	UNAUDITED MAIN ESTIMATES 2017 \$000	UNAUDITED FORECAST 2018 \$000
Revenue						
302,461	Crown	4	328,998	328,998	311,816	337,390
7,386	Department	4	8,148	6,586	2,143	6,415
368,651	Other revenue	4	370,445	383,093	357,693	369,999
182	Finance income	4	92	-	-	-
678,680	Total revenue	3,4	707,683	718,677	671,652	713,804
Expenditure						
320,751	Personnel costs	6	372,910	420,343	415,090	439,842
32,689	Depreciation and amortisation	15,16	40,541	37,936	37,936	48,232
16,122	Capital charge	8	14,095	10,817	13,714	9,880
931	Restructuring costs		2,573	-	-	-
706	Net foreign exchange losses		967	-	-	-
247,386	Other operating expenses	7	263,462	245,786	203,517	211,502
618,585	Total expenditure	3	694,548	714,882	670,257	709,456
60,095	Net surplus		13,135	3,795	1,395	4,348
Other comprehensive revenue and expense						
6,576	Gain on revaluation of property, plant and equipment		-	-	-	-
66,671	Total comprehensive revenue and expense		13,135	3,795	1,395	4,348

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

STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

ACTUAL 2016 \$000	NOTES	ACTUAL 2017 \$000	UNAUDITED SUPPLEMENTARY ESTIMATES 2017 \$000	UNAUDITED MAIN ESTIMATES 2017 \$000	UNAUDITED FORECAST 2018 \$000	
Assets						
Current assets						
61,362	Cash and cash equivalents	17	27,342	7,642	15,071	57,095
111,015	Debtors and other receivables	9	97,054	73,370	73,370	109,566
5,749	Prepayments		4,780	3,177	3,177	3,177
157	Inventory		-	47	47	47
-	Derivative financial instruments		-	160	160	160
178,283	Total current assets		129,176	84,396	91,825	170,045
Non-current assets						
1,706	Debtors and other receivables	9	3,245	-	-	-
69,668	Property and equipment	15	88,463	73,214	65,120	69,835
168,466	Intangible assets	16	185,349	223,350	251,579	223,973
239,840	Total non-current assets		277,057	296,564	316,699	293,808
418,123	Total assets		406,233	380,960	408,524	463,853
Liabilities						
Current liabilities						
56,713	Creditors and other payables	10	48,818	47,521	47,521	47,521
20,405	Unearned income	11	17,567	17,245	17,245	17,245
26,996	Return of operating surplus	12	1,893	-	1,395	-
3,030	Provisions	13	12,636	5,120	5,120	5,120
21,682	Employee entitlements	14	24,382	23,346	23,346	23,346
52	Derivative financial instruments	17	111	-	-	-
128,878	Total current liabilities		105,407	93,232	94,627	93,232
Non-current liabilities						
1,915	Provisions	13	2,296	1,163	1,163	1,163
6,821	Employee entitlements	14	6,689	2,072	2,072	2,072
8,736	Total non-current liabilities		8,985	3,235	3,235	3,235
137,614	Total liabilities		114,392	96,467	97,862	96,467
280,509	Net assets		291,841	284,493	310,662	367,386
Equity						
205,769	Taxpayers' funds	18	199,252	273,337	306,082	356,230
63,584	Memorandum accounts	18	82,736	-	-	-
11,156	Property revaluation reserves	18	9,853	11,156	4,580	11,156
280,509	Total equity		291,841	284,493	310,662	367,386

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



STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2017

ACTUAL 2016 \$000		ACTUAL 2017 \$000	UNAUDITED SUPPLEMENTARY ESTIMATES 2017 \$000	UNAUDITED MAIN ESTIMATES 2017 \$000	UNAUDITED FORECAST 2018 \$000
240,834	Balance at 1 July	280,509	280,506	250,125	300,388
66,671	Total comprehensive revenue and expense	13,135	3,795	1,395	4,348
(26,996)	Return of operating surplus to the Crown	(1,893)	-	(1,395)	-
9,500	Capital injections	14,705	7,032	66,137	69,650
(9,500)	Capital withdrawal	(14,615)	(6,840)	(5,600)	(7,000)
280,509	Balance at 30 June	291,841	284,493	310,662	367,386

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

STATEMENT OF CASH FLOWS

For the year ended 30 June 2017

ACTUAL 2016 \$000		ACTUAL 2017 \$000	UNAUDITED SUPPLEMENTARY ESTIMATES 2017 \$000	UNAUDITED MAIN ESTIMATES 2017 \$000	UNAUDITED FORECAST 2018 \$000
Cash flows from operating activities					
222,390	Receipts from the Crown	373,998	384,104	341,816	322,390
379,051	Receipts from other revenue	342,869	367,929	359,448	368,183
(198,756)	Payment to suppliers	(265,113)	(251,093)	(204,232)	(212,217)
(320,556)	Payments to employees	(361,752)	(422,713)	(414,375)	(439,127)
(16,122)	Payments for capital charge	(14,095)	(10,817)	(13,714)	(9,880)
2,287	Goods and services tax (net)	(4,758)	2,044	285	335
68,294	Net cash flows from operating activities	71,149	69,454	69,228	29,684
Cash flows from investing activities					
106	Receipts from sale of property and equipment	427	-	-	-
182	Interest from other than New Zealand Debt Management Office	-	-	-	-
(20,108)	Purchase of property and equipment	(30,841)	(17,537)	(17,537)	(10,612)
(45,999)	Purchase of intangible assets	(46,158)	(78,829)	(78,829)	(68,234)
(65,819)	Net cash flows from investing activities	(76,572)	(96,366)	(96,366)	(78,846)
Cash flows from financing activities					
7,401	Capital injections	192	7,032	66,137	69,650
-	Return of operating surplus	(27,002)	(27,000)	(30,205)	(5,467)
(9,500)	Capital withdrawal	(100)	(6,840)	(5,600)	(7,000)
(2,099)	Net cash flows from financing activities	(26,910)	(26,808)	30,332	57,183
376	Net (decrease)/increase in cash	(32,333)	(53,720)	3,194	8,021
61,480	Cash at the beginning of the year	61,362	61,362	11,877	49,074
(494)	Effect of foreign exchange movements on cash balances	(1,687)	-	-	-
61,362	Cash at the end of the year	27,342	7,642	15,071	57,095

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

RECONCILIATION OF NET SURPLUS TO NET CASH FLOWS FROM OPERATING ACTIVITIES

ACTUAL 2016 \$000		ACTUAL 2017 \$000
60,095	Net surplus	13,135
	Add/(less) non-cash items	
32,689	Depreciation and amortisation	40,541
101	Increase in non-current employee entitlements	(131)
798	Other non-cash items	108
33,588	Total non-cash items	40,518
	Add/(less) non-operating activities	
(182)	Net interest received	(92)
-	Net other (gains)/losses	967
2,486	Net loss on sale of property and equipment	1,330
2,304	Total non-operating activities	2,205
	Add/(less) movements in working capital	
(110)	(Increase)/decrease in inventory	157
(2,572)	(Increase)/decrease in prepayments	970
(38,569)	(Increase)/decrease in debtors and receivables	12,422
8,890	Increase/(decrease) in creditors and payables	(8,106)
3,160	Increase/(decrease) in unearned income	(2,839)
(1,185)	(Decrease)/increase in provisions	9,987
2,693	Increase in current employee entitlements	2,700
(27,693)	Total movements in working capital	15,291
68,294	Net cash flows from operating activities	71,149

**STATEMENT OF COMMITMENTS**

As at 30 June 2017

ACTUAL 2016 \$000	ACTUAL 2017 \$000
Capital commitments	
1,653 Buildings	132
2,252 Leasehold Improvements	-
3,905 Total capital commitments	132
Non-cancellable operating lease commitments	
23,008 Not later than one year	32,496
53,167 Later than one year and not later than five years	72,753
40,981 Later than five years	42,706
117,156 Total non-cancellable operating lease commitments	147,955
121,061 Total commitments	148,087

Capital commitments

Immigration New Zealand (INZ) is leading the Mangere Refugee Resettlement Centre rebuild project after having its detailed business case approved within Budget 2013. Building commitments at 30 June 2017 relate to the remaining works that should be completed by October 2017.

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.

STATEMENT OF CONTINGENT LIABILITIES AND ASSETS

As at 30 June 2017

ACTUAL 2016 \$000	ACTUAL 2017 \$000
2,916 Legal proceedings and disputes	2,931
10 Personal grievances	-
2,926 Total quantifiable contingent liabilities	2,931

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 2017 (2016: 5 legal proceedings and disputes).

Personal grievances

Personal grievances represent amounts claimed by employees for personal grievance cases. The Ministry was defending nil claims as at 30 June 2017 (2016: 1 claim).

Unquantifiable contingent liabilities

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 the year ended 30 June 2016.

Contingent assets

The Ministry has no contingent assets as at 30 June 2017 (2016: nil).

Who we are

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

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

NOTE 1: REPORTING ENTITY

The Ministry of Business, Innovation and Employment (the Ministry) is a New Zealand government department as defined by section 2 of the Public Finance Act 1989 (the 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 ultimate parent of the Ministry is the New Zealand Crown.

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.

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

The financial statements of the Ministry are for the year ended 30 June 2017. They were authorised for issue by the Chief Executive of the Ministry on 28 September 2017.

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

Basis of Preparation

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

Statement of compliance

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

The financial statements of 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.

Comparative amounts

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

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

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

FINANCIAL INSTRUMENTS

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

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

This standard is effective for the periods beginning on or after 1 January 2021.

The timing of the Ministry's adoption of this Standard will be guided by the Treasury. The Ministry has not yet assessed the effects of the new standard.



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

IMPAIRMENT OF REVALUED ASSETS

In April 2017, the XRB issued Impairment of Revalued Assets (Amendments to PBE IPSASs 21 and 26).

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

This standard is effective for the periods beginning on or after 1 January 2019.

The timing of the Ministry's adoption of this standard will be guided by the Treasury. The Ministry has not yet assessed the effects of the new standard.

Significant Accounting Policies

The following significant accounting policies have been applied. Where an accounting policy is specific to one note, the policy is described in the note to which it relates.

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.

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.

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.

Goods and services tax (GST)

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

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

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

Income tax

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

Cost accounting policies

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.

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

- › 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 2017 and were published in the 2015/16 annual report. They were included in the Estimates of Appropriations for the Government of New Zealand for the year ending 30 June 2017, 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 2018 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 2018.

While the Ministry regularly updates its forecasts, updated forecast financial statements for the year ending 30 June 2018 will not be published.

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

Significant assumptions used in preparing the unaudited forecast financial statements

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

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

The forecast figures contained in these financial statements reflect the Ministry's purpose and activities and are based on a number of assumptions on what may occur during the 2017/18 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
- › personnel costs were based on planned full-time equivalent staff, which takes into account staff turnover
- › input costs for personnel costs and other operating expenses will be consistent with the Ministry's current cost structure
- › land and buildings are not expected to be revalued, and
- › estimated year-end information for 2016/17 was used as the opening position for the 2017/18 forecasts.

The actual financial results achieved for 30 June 2018 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 2017/18 actual financial statements include changes to the baseline budget through new initiatives, or technical adjustments.

Authorisation statement

The forecast figures reported are those for the year ending 30 June 2017 included in BEFU 2017. These were authorised for issue on 2 May 2017 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.



Revenue and Expenditure by Section

In order to illustrate how the Ministry's work integrates to deliver tangible results for New Zealand, we have organised the annual report into seven sections. Each of these seven sections show how the Ministry is contributing to growing the economy, delivering effective services and creating the right legislative and regulatory settings.

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

NOTE 3: REVENUE AND EXPENDITURE BY SECTION

	2017				
	CROWN \$000	DEPARTMENTAL \$000	OTHER REVENUE \$000	TOTAL REVENUE \$000	EXPENDITURE \$000
Working Across Government	12,499	3,758	12,980	29,237	(24,495)
Growing Science and Innovation	20,169	-	-	20,169	(19,347)
Strengthening Sectors, Regions and Businesses	9,247	340	821	10,408	(8,805)
Connecting People and Ideas	6,869	69	7,943	14,881	(13,433)
Confidence in our Markets	94,958	123	72,499	167,580	(156,799)
Fair, Safe and Productive Workplaces	150,759	3,858	211,729	366,346	(377,588)
Well-Functioning Building and Housing Markets	34,497	-	64,385	98,882	(93,026)
Revenue from administration and use appropriations	-	-	88	88	(88)
	328,998	8,148	370,445	707,591	(693,581)
Finance Income				92	-
FX Gain/(Loss)				-	(967)
Total				707,683	(694,548)

	2016				
	CROWN \$000	DEPARTMENTAL \$000	OTHER REVENUE \$000	TOTAL REVENUE \$000	EXPENDITURE \$000
Working Across Government	7,023	2,597	16,254	25,874	(19,796)
Growing Science and Innovation	19,438	-	-	19,438	(17,654)
Strengthening Sectors, Regions and Businesses	7,851	-	-	7,851	(6,474)
Connecting People and Ideas	2,426	-	7,917	10,343	(7,212)
Confidence in our Markets	91,053	422	65,976	157,451	(141,837)
Fair, Safe and Productive Workplaces	139,391	4,133	215,929	359,453	(341,446)
Well-Functioning Building and Housing Markets	35,279	234	61,940	97,453	(82,825)
Revenue from administration and use appropriations	-	-	635	635	(635)
	302,461	7,386	368,651	678,498	(617,879)
Finance Income				182	-
FX Gain/(Loss)				-	(706)
Total				678,680	(618,585)

How we were funded

The Ministry's delivery of services and functions on behalf of the Government is funded by two main revenue streams, Crown and Other revenue.

- › Crown revenue consists of amounts appropriated for departmental appropriations for the year, adjusted for any formal additions and reductions.
- › Other revenue mainly consists of fees and statutory levies. In general, fees relate to the supply of goods or services to third parties, whereas statutory levies do not necessarily have a direct link to the provision of goods or services and are collected when the obligation to pay the levy is incurred.

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

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

NOTE 4: REVENUE

Accounting policy

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 at balance date. Application fees received in advance are recognised as unearned income 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.

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

STATUTORY LEVIES

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

INTEREST – RESIDENTIAL TENANCIES TRUST ACCOUNT

Under the Residential Tenancies Act 1986, 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 4: REVENUE (CONTINUED)

	ACTUAL 2017 \$000	ACTUAL 2016 \$000
Crown	328,998	302,461
Department	8,148	7,386
Other revenue	370,445	368,651
Finance income	92	182
Total revenue	707,683	678,680



Explanation of Major Variances against Estimates

Total revenue is \$36.031m higher than Main Estimates (Budget) and \$10.994m lower than Supplementary Estimates. This was mainly due to:

- › Crown revenue was above Main Estimates (Budget) but in line with Supplementary Estimates due to the approval of additional funding for new initiatives.
- › Other revenue was above budget principally due to Statutory Information filing fees for companies and other registered entities being higher than forecast. Other revenue was lower than Supplementary Estimates principally due to fees for Immigration Services (visas) being lower than estimated. This was offset by revenues for other services being higher than estimated.

Main and Supplementary Estimates for 2017 year are disclosed in the Statement of Comprehensive Revenue and Expense on page 118.

NOTE 4: REVENUE (CONTINUED)

Other Revenue

	ACTUAL 2017 \$000	ACTUAL 2016 \$000
Other revenue associated with a memorandum account		
Visas and permits		
Immigration fees	200,486	201,556
Building controls		
Building levies	33,513	30,938
Registration and provision of statutory information		
Personal property securities register fees	11,635	11,288
Companies incorporation fees	7,984	7,543
Companies annual return fees	10,035	9,503
Other revenue and fees	2,431	2,050
	32,085	30,384
Registration and granting of intellectual property rights		
Trademark fees	15,394	14,867
Patent fees	6,098	4,878
Other fees	509	515
	22,001	20,260
Government procurement reform agenda		
Government procurement reform income	13,272	16,675
Management and enforcement of the Radiocommunications Act 1989		
Radio apparatus licence fees	4,911	4,771
Right to transmit radio waves fees	2,990	3,146
	7,901	7,917
Management of the Crown mineral estate		
Mineral permit fees	3,307	2,567
Petroleum permit fees	2,144	2,074
	5,451	4,641
Occupational licensing – building practitioners		
Licensed building practitioners levies and fees	5,064	4,878
Occupational licensing – electrical workers		
Electrical workers fees	4,095	2,091
Registration and provision of statutory information – motor vehicle traders (MVT) register		
MVT Registration fees	1,212	1,184
Policy advice and support on consumer issues – motor vehicle traders (MVT) information programme		
MVT Registration fees	216	211
Unit titles (UT) disputes		
UT application fees	137	163
National multi-use approvals		
National multi-use approval fees	72	49
Total other revenue associated with a memorandum account	325,505	320,947



NOTE 4: REVENUE (CONTINUED)

Other Revenue (continued)

	ACTUAL 2017 \$000	ACTUAL 2016 \$000
Other revenue not associated with a memorandum account		
Interest from tenancy bonds	20,629	22,695
WorkSafe shared services recovery	10,097	13,170
Sale of standards	6,018	2,286
Immigration advisers authority fees	799	880
Tenancy tribunal fees	681	719
Other fees	5,560	5,543
Other revenue	1,156	492
Petroleum fuels monitoring levy	-	1,919
Total other revenue not associated with a memorandum account	44,940	47,704
Total other revenue	370,445	368,651
Total other revenue from exchange transactions	307,154	312,482
Total other revenue from non-exchange transactions	63,291	56,169
Total other revenue	370,445	368,651

NOTE 5: MEMORANDUM ACCOUNTS

Accounting policy

Memorandum accounts

Memorandum accounts reflect the cumulative surplus or deficit of those departmental services that are intended to be fully cost recovered from third parties through fees,

levies or charges. The balance of each memorandum account is expected to trend towards zero or a repayable capital injection from the Crown over time.

Memorandum accounts

Before 1 July 2011 memorandum accounts were 'notional' accounts included for transparency around outputs that were fully cost recovered. Since that date the closing balances of all Government memorandum accounts have been recognised separately in equity.

NOTE 5: MEMORANDUM ACCOUNTS (CONTINUED)

Summary

	VOTE BUILDING AND HOUSING	VOTE BUSINESS, SCIENCE AND INNOVATION	VOTE LABOUR MARKET	TOTAL
Year ended 30 June 2016				
Balance at 1 July	12,585	41,219	(14,732)	39,072
Revenue – Department	294	1,181	-	1,475
Revenue – Other	38,119	81,272	201,556	320,947
Revenue – Finance income	75	-	6	81
Expenses	(31,886)	(65,077)	(191,528)	(288,491)
Surplus/(deficit) for the year	6,602	17,376	10,034	34,012
Capital withdrawal	-	(9,500)	-	(9,500)
Balance at 30 June	19,187	49,095	(4,698)	63,584
Year ended 30 June 2017				
Revenue – Department	150	3,277	233	3,660
Revenue – Other	42,881	82,138	200,486	325,505
Revenue – Finance income	20	-	9	29
Expenses	(35,922)	(73,956)	(207,739)	(317,617)
Surplus/(deficit) for the year	7,129	11,459	(7,011)	11,577
Capital withdrawal	-	(100)	-	(100)
Capital contribution	7,675	-	-	7,675
Balance at 30 June	33,991	60,454	(11,709)	82,736

Vote Building and Housing

	BUILDING CONTROLS	OCCUPATIONAL LICENSING – BUILDING PRACTITIONERS	OCCUPATIONAL LICENSING – ELECTRICAL WORKERS	NATIONAL MULTI-USE APPROVALS	UNIT TITLES DISPUTES	TOTAL
Year ended 30 June 2016						
Balance at 1 July	16,632	(8,489)	5,474	(1,075)	43	12,585
Revenue - Department	294	-	-	-	-	294
Revenue - Other	30,938	4,878	2,091	49	163	38,119
Revenue - Finance income	-	75	-	-	-	75
Expenses	(22,576)	(4,800)	(4,115)	(262)	(133)	(31,886)
Surplus/(deficit) for the year	8,656	153	(2,024)	(213)	30	6,602
Balance at 30 June	25,288	(8,336)	3,450	(1,288)	73	19,187
Year ended 30 June 2017						
Revenue - Department	150	-	-	-	-	150
Revenue - Other	33,513	5,064	4,095	72	137	42,881
Revenue - Finance income	-	20	-	-	-	20
Expenses	(26,941)	(4,575)	(4,185)	(85)	(136)	(35,922)
Surplus/(deficit) for the year	6,722	509	(90)	(13)	1	7,129
Capital contribution	-	7,675	-	-	-	7,675
Balance at 30 June	32,010	(152)	3,360	(1,301)	74	33,991



NOTE 5: MEMORANDUM ACCOUNTS (CONTINUED)

Action taken to address surpluses/(deficits)

Building controls (Surplus)

The balance grew in prior years mainly as a result of large volumes for new building consents. The Ministry is currently undertaking a levy review. The recommended approach and changes to levy rate will be presented to the Minister in the 2017/18 financial year.

Occupational licensing – building practitioners (Deficit)

A fee review has been undertaken but it has been agreed to hold off changing fees until the options for regulation across the entire building sector are considered. A paper will be presented to the Minister during the 2017/18 financial year.

Occupational licensing – electrical workers (Surplus)

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. A paper on fees will be presented to the Minister during the 2017/18 financial year.

National multi-use approvals (Deficit)

The Ministry does not intend to increase fees. Discussions are currently underway for other possibilities to reduce the deficit.

Vote Business, Science and Innovation

	REGISTRATION AND GRANTING OF INTELLECTUAL PROPERTY RIGHTS	REGISTRATION AND PROVISION OF STATUTORY INFORMATION	REGISTRATION AND PROVISION OF STATUTORY INFORMATION – MOTOR VEHICLE TRADERS REGISTER	MANAGEMENT AND ENFORCEMENT OF THE RADIOCOMMUNICATIONS ACT 1989	MANAGEMENT OF THE CROWN MINERAL ESTATE	GOVERNMENT PROPERTY MANAGEMENT	GOVERNMENT PROCUREMENT REFORM AGENDA	POLICY ADVICE AND SUPPORT ON CONSUMER ISSUES – MOTOR VEHICLE TRADERS INFORMATION PROGRAMME	TOTAL
Year ended 30 June 2016									
Balance at 1 July	17,284	11,244	1,270	8,690	(624)	-	3,054	301	41,219
Revenue – Department	-	-	-	-	-	-	1,181	-	1,181
Revenue – Other	20,260	30,384	1,184	7,917	4,641	-	16,675	211	81,272
Revenue – Finance income	-	-	-	-	-	-	-	-	-
Expenses	(15,155)	(24,167)	(1,145)	(5,719)	(5,503)	-	(13,347)	(41)	(65,077)
Surplus/(deficit) for the year	5,105	6,217	39	2,198	(862)	-	4,509	170	17,376
Capital withdrawal	-	-	-	-	-	-	(9,500)	-	(9,500)
Balance at 30 June	22,389	17,461	1,309	10,888	(1,486)	-	(1,937)	471	49,095
Year ended 30 June 2017									
Revenue – Department	-	-	-	-	-	2,096	1,181	-	3,277
Revenue – Other	22,001	32,085	1,212	7,901	5,451	-	13,272	216	82,138
Revenue – Finance income	-	-	-	-	-	-	-	-	-
Expenses	(16,880)	(29,610)	(1,347)	(7,237)	(5,232)	(2,096)	(11,302)	(252)	(73,956)
Surplus/(deficit) for the year	5,121	2,475	(135)	664	219	-	3,151	(36)	11,459
Capital withdrawal	-	-	-	-	-	-	(100)	-	(100)
Balance at 30 June	27,510	19,936	1,174	11,552	(1,267)	-	1,114	435	60,454

Action taken to address surpluses/(deficits)

Registration and granting of intellectual property rights (Surplus)

With increased patent volumes the balance is forecast to grow in the future year. A review of fees for Trade Marks to address the memorandum account surplus is planned for the 2017/18 financial year.

Registration and provision of statutory information (Surplus)

The Companies Office reviews its fees and charges regularly,

taking into account new initiatives, volume considerations and revised pricing schedules. New fees have been in place since 1 July 2017.

Registration and provision of statutory information – motor vehicle traders register (Surplus)

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.

NOTE 5: MEMORANDUM ACCOUNTS (CONTINUED)

Management and enforcement of the Radiocommunications Act 1989 (Surplus)

Licence fees were expected to decrease after the end of analogue television licensing and the start of the “digital switch on” initiative. However, the very rapid expansion of cellular mobile services has more than replaced this lost revenue. New fees will be in place from 1 October 2017.

Government procurement reform agenda (Surplus)

The cost of administering the Government procurement reform agenda is funded through a small administrative charge on participating agencies collected by suppliers as a surcharge paid to 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.

Management of Crown mineral estate (Deficit)

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

Vote Labour Market

	VISAS AND PERMITS	TOTAL
Year ended 30 June 2016		
Balance at 1 July	(14,732)	(14,732)
Revenue – Department	-	-
Revenue – Other	201,556	201,556
Revenue – Finance income	7	7
Expenses	(191,528)	(191,528)
Surplus/(deficit) for the year	10,035	10,035
Balance at 30 June	(4,697)	(4,697)
Year ended 30 June 2017		
Revenue – Department	233	233
Revenue – Other	200,486	200,486
Revenue – Finance income	9	9
Expenses	(207,739)	(207,739)
Surplus/(deficit) for the year	(7,011)	(7,011)
Balance at 30 June	(11,708)	(11,708)

Action taken to address surpluses/(deficits)

Visa and permits (Deficit)

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 with fee review planned in the 2017/18 financial year.



The costs we incur to achieve our goals

In order to provide services to the public, the Ministry incurred various types of expenditure totalling \$694.548m (2016: \$618.585m). Personnel costs (see note 6) and other operating expenses (see note 7), such as IT costs and technical support, professional services and rental and operating lease costs, make up the majority of the Ministry's expenditure.

NOTE 6: PERSONNEL COSTS

Accounting policy

Employee benefits

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

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

Termination benefits

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

	ACTUAL 2017 \$000	ACTUAL 2016 \$000
Salaries and wages	311,604	271,764
Contractors	40,564	27,962
Employer contributions to defined contribution schemes	10,626	10,014
Training and professional development	4,804	4,435
Other personnel	5,312	6,576
Total personnel costs	372,910	320,751



Explanation of Major Variances against Estimates

Personnel costs were \$42.180m below Main Estimates and \$47.433m below Supplementary Estimates. This was mainly due to an over-estimation of the proportion of service delivery that would be met from staff resources. For Supplementary Estimates this was also coupled with under-expenditure principally arising from staff vacancies.

Main and Supplementary Estimates for the 2016/17 financial year are disclosed in the Statement of Comprehensive Revenue and Expense on page 118.

NOTE 7: OTHER OPERATING EXPENSES

Accounting policy

Other operating expense recognition

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

Leases

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

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

	ACTUAL 2017 \$000	ACTUAL 2016 \$000
IT costs and technical support	118,798	111,956
Professional services	48,080	47,169
Rental and operating lease costs	31,222	27,214
Travel – domestic and overseas	16,385	16,252
Consulting services	15,580	15,587
Supplies and services	12,704	13,280
Premises costs	8,926	6,467
Provision for impairment of debtors and other receivables	108	92
Net loss on disposal of property and equipment	1,330	2,486
Other operating costs	9,608	6,194
Auditor's remuneration		
Audit fees – annual accounts	708	675
Audit fees – Residential Tenancies Trust Account	13	14
Total Other Operating Expenses	263,462	247,386

Explanation of Major Variances against Estimates

Other operating expenses were \$59.945m above Main Estimates and \$17.676m above Supplementary Estimates. This was mainly due to an over-estimation of the proportion of service delivery that would be met from staff resources.

Main and Supplementary Estimates for the 2016/17 financial year are disclosed in the Statement of Comprehensive Revenue and Expense on page 118.

NOTE 8: 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 was 7 per cent for the six months to 31 December 2016 and 6 per cent for the six months to 30 June 2017 (2016: 8 per cent). The capital charge is recognised as an expense in the financial year to which it relates.



Our Working Capital

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

NOTE 9: DEBTORS AND OTHER RECEIVABLES

Accounting policy

Debtors and other receivables

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

Debtors and other receivables are considered to be impaired when there is evidence that the Ministry will

not be able to collect the amount due. The amount of the impairment is the difference between the carrying amount and the present value of the amount expected to be collected.

	ACTUAL 2017 \$000	ACTUAL 2016 \$000
Current		
Debtors and other receivables from exchange transactions		
Trade debtors and other receivables	13,191	9,511
Accrued revenue	4,327	5,496
Less provision for impairment	(155)	(68)
Net current debtors and other receivables from exchange transactions	17,363	14,939
Debtors and other receivables from non-exchange transactions		
Debtor Crown	46,806	91,806
Accrued revenue	2,354	2,500
Residential Tenancy Trust account interest receivable	29,931	1,770
GST receivable	600	-
Net current debtors and other receivables from non-exchange transactions	79,691	96,076
Total net current debtors and receivables	97,054	111,015
Non-current		
Debtors and other receivables from exchange transactions		
Bonds provided for offshore property leases	3,245	1,706
Net non-current debtors and other receivables from exchange transactions	3,245	1,706
Total net non-current debtor and other receivables	3,245	1,706
Total net debtors and other receivables	100,299	112,721

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

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

All debtors and other receivables greater than 30 days in age are considered to be past due. At 30 June 2017, \$1.750m of debtors and other receivables were past due (2016: \$1.267m).

The provision for impairment of debtors and other receivables consists of specific individual impairment provisions, based on a review of overdue receivables, and a collective impairment provision based on an analysis of past collection history and debt write-offs. The collective provision for impairment of \$0.155m (2016: \$0.068m) relates to debts greater than 90 days.

NOTE 9: DEBTORS AND OTHER RECEIVABLES (CONTINUED)

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

i Explanation of Major Variances against Estimates

Debtors and other receivables were above Main and Supplementary Estimates due to a change in the timing income was transferred from the Residential Tenancy Trust Account to the Ministry.

Main and Supplementary Estimates for the 2016/17 financial year are disclosed in the Statement of Financial Position on page 119.

NOTE 10: CREDITORS AND OTHER PAYABLES

Accounting policy

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

	ACTUAL 2017 \$000	ACTUAL 2016 \$000
Accrued expenses	34,810	31,652
Trade creditors	14,008	20,905
GST payable	-	4,156
Total creditors and other payables	48,818	56,713

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

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

NOTE 11: UNEARNED INCOME

Accounting policy

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

	ACTUAL 2017 \$000	ACTUAL 2016 \$000
Immigration – visa and other application processing	12,317	14,909
Radio operations fees	4,742	4,382
Other Revenue	508	1,114
Total unearned income	17,567	20,405

Immigration – visa and other application processing fees are requested on application by Immigration New Zealand.

Radio operations fees relate to annual licence fees invoiced at the beginning of the period to which they relate and may be recognised as unearned income where appropriate.



NOTE 12: RETURN OF OPERATING SURPLUS

Accounting policy

The Ministry's obligation to return a portion of its operating surplus in accordance with the PFA is recognised at face value as it is short-term in nature.

	ACTUAL 2017 \$000	ACTUAL 2016 \$000
Net surplus/(deficit)	13,135	60,095
Add back:		
Net operating deficit in Memorandum accounts	(11,577)	(34,012)
Unrealised net foreign exchange losses	335	913
Adjusted net surplus/(deficit)	1,893	26,996
Return of operating surplus to the Crown	1,893	26,996

NOTE 13: PROVISIONS

Accounting policy

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 and it is probable that an outflow of resources will be required to settle the obligation but the timing or the amount of obligation is uncertain.

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

Restructuring

The Ministry recognises provisions for restructuring when an approved, detailed, formal plan for a restructure has either been announced publicly

to those affected or when implementation has already commenced.

Onerous contracts

The Ministry recognises a provision for an onerous contract when the expected benefits or service potential to be derived from a contract are lower than the unavoidable costs associated with meeting the obligations of the contract. Such a provision is measured at the lower of the expected cost of terminating the contract and the net expected cost of continuing with the contract.

Payroll Remediation

The payroll remediation provision is assessed on an individual basis for each affected employee using a bespoke calculator and represents the best estimate of the remediation costs.

	2017			2016		
	CURRENT \$000	NON-CURRENT \$000	TOTAL \$000	CURRENT \$000	NON-CURRENT \$000	TOTAL \$000
Payroll Remediation	10,159	-	10,159	-	-	-
Property	480	2,276	2,756	2,005	1,497	3,502
Restructuring	1,559	-	1,559	604	98	702
ACC partnership programme	123	20	143	121	20	141
Other provisions	315	-	315	300	300	600
Total provisions	12,636	2,296	14,932	3,030	1,915	4,945

NOTE 13: PROVISIONS (CONTINUED)

	PAYROLL REMEDICATION \$000	PROPERTY \$000	RESTRUCTURING \$000	ACC PARTNERSHIP PROGRAMME \$000	OTHER PROVISIONS \$000	TOTAL \$000
Balance at 1 July 2015	-	3,582	2,395	302	-	6,279
Additional provisions made	-	618	463	101	600	1,782
Provision utilised during the year	-	(25)	(1,834)	(100)	-	(1,959)
Other movement	-	(673)	(322)	(162)	-	(1,157)
Balance at 30 June 2016	-	3,502	702	141	600	4,945
Additional provisions made	10,159	543	2,792	2	-	13,496
Provision utilised during the year	-	(1,289)	(1,715)	-	-	(3,004)
Other movement	-	-	(220)	-	(285)	(505)
Balance at 30 June 2017	10,159	2,756	1,559	143	315	14,932

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 stopped using the building, Wrights Road, Christchurch due to the move to Cashel Street, Christchurch since December 2016. The onerous lease was settled by the Ministry in April 2017.

Restructuring

The restructuring provision arises from internal restructuring programmes. The restructuring provision relates to the cost of expected redundancies when the Canterbury Earthquake Temporary Accommodation Service (CETAS) ceases and other change programmes within the Ministry. Management expects this to happen in the next 12 months.

Payroll Remediation Project

A Minimum Standards Investigation undertaken by the Labour Inspectorate highlighted instances of non-compliance with the Holidays Act 2003. An Enforceable Undertaking was subsequently entered into which outlined 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 was formed to address these issues and ensure compliance.

The provision at 30 June 2017 represents the Ministry's best estimate of remediation costs as determined by a calculator being developed by the Payroll Remediation Project team and information available at that date. The calculator remains under development and as such the quantum of the liability is inherently uncertain, and this will also be adjusted by variables as they are able to be determined, however, the Ministry believes the actual liability at 30 June 2017, once finalised, will not be materially different.

The Ministry expects to finalise the calculation and make remediation payments in the 2017/18 financial year.



Explanation of Major Variances against Estimates

The provision balance is above Main and Supplementary Estimates due to the recognition of a Payroll Remediation provision which represents the Ministry's best estimate of the liability in relation to the resolution of the Payroll Remediation Project.

Main and Supplementary Estimates for the 2016/17 financial year are disclosed in the Statement of Financial Position on page 119.



NOTE 14: EMPLOYEE ENTITLEMENTS

Accounting policy

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.

	2017			2016		
	CURRENT \$000	NON-CURRENT \$000	TOTAL \$000	CURRENT \$000	NON-CURRENT \$000	TOTAL \$000
Annual leave	19,100	-	19,100	18,002	-	18,002
Long service leave	1,340	2,477	3,817	1,369	2,530	3,899
Accrued salary	2,462	-	2,462	961	-	961
Retirement leave	784	4,212	4,996	722	4,291	5,013
Performance incentives	500	-	500	460	-	460
Sick leave	196	-	196	168	-	168
Total employee entitlements	24,382	6,689	31,071	21,682	6,821	28,503

An independent actuarial valuation was undertaken by Linda Caradus of Melville Jessup Weaver as at 30 June 2017 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 \$0.541m lower and \$0.626m higher respectively (2016: \$0.141m lower and \$0.153m higher).

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 \$0.623m higher and \$0.549m lower respectively (2016: \$0.151m higher and \$0.142m lower).

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

Long-term assets that support our operations

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

NOTE 15: PROPERTY AND EQUIPMENT

Accounting policy

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

Measurement

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

Additions

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

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

Work in progress is recognised at cost less impairment losses.

Depreciation

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

ASSET CLASS	USEFUL LIFE
Buildings	30-50 years
Computer hardware	3-6 years
Furniture and fittings	3-7 years
Leasehold improvements (shorter of lease period or estimated useful life)	2-12 years
Motor vehicles	4-6 years
Equipment	3-10 years

Revaluation

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

The useful life of an asset is reassessed following revaluation.

Impairment

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

Disposals

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

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



NOTE 15: PROPERTY AND EQUIPMENT (CONTINUED)

	LAND \$000	BUILDING \$000	EQUIPMENT \$000	LEASEHOLD IMPROVEMENTS \$000	FURNITURE & FITTINGS \$000	COMPUTER HARDWARE \$000	MOTOR VEHICLES \$000	WIP \$000	TOTAL \$000
Year ended 30 June 2016									
Cost	3,302	1,171	5,328	43,211	6,986	35,699	3,967	11,788	111,452
Accumulated depreciation	-	(991)	(4,521)	(25,781)	(1,912)	(23,446)	(2,722)	-	(59,373)
Opening net book value	3,302	180	807	17,430	5,074	12,253	1,245	11,788	52,079
Additions	-	1,346	726	657	358	201	14	19,033	22,335
Transfers from WIP	-	20,997	231	3,099	1,321	1,736	89	(27,473)	-
Revaluation	6,576	-	-	-	-	-	-	-	6,576
Disposals	-	-	(220)	(4,674)	(55)	(8,651)	(609)	-	(14,209)
Depreciation	-	(109)	(242)	(3,878)	(1,030)	(5,262)	(288)	-	(10,809)
Depreciation released on disposals	-	-	216	4,265	43	8,631	541	-	13,696
Closing net book value	9,878	22,414	1,518	16,899	5,711	8,908	992	3,348	69,668
Cost	9,878	23,514	6,065	42,293	8,610	28,985	3,461	3,348	126,154
Accumulated depreciation	-	(1,100)	(4,547)	(25,394)	(2,899)	(20,077)	(2,469)	-	(56,486)
Closing net book value	9,878	22,414	1,518	16,899	5,711	8,908	992	3,348	69,668
Year ended 30 June 2017									
Additions	-	-	-	264	454	2,258	50	27,892	30,918
Transfers from WIP	-	-	176	7,201	2,196	2,036	321	(11,930)	-
Disposals	-	(1,000)	(143)	(456)	(219)	(283)	(1,319)	-	(3,420)
Depreciation	-	(763)	(313)	(3,757)	(1,400)	(4,968)	(260)	-	(11,461)
Depreciation released on disposals	-	1,000	143	333	167	1	1,114	-	2,758
Closing net book value	9,878	21,651	1,381	20,484	6,909	7,952	898	19,310	88,463
Cost	9,878	22,514	6,098	49,302	11,041	32,996	2,513	19,310	153,652
Accumulated depreciation	-	(863)	(4,717)	(28,818)	(4,132)	(25,044)	(1,615)	-	(65,189)
Closing net book value	9,878	21,651	1,381	20,484	6,909	7,952	898	19,310	88,463

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

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

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



Explanation of Major Variances against Estimates

Please refer to the explanation of major variances against estimates in note 16.

Main and Supplementary Estimates for the 2016/17 financial year are disclosed in the Statement of Financial Position on page 119.

NOTE 16: INTANGIBLE ASSETS

Accounting policy

Measurement

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

Additions

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

Amortisation

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

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

ASSET CLASS	USEFUL LIFE
Purchased computer software	3-8 years
Internally generated computer software	4-10 years

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

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



NOTE 16: INTANGIBLE ASSETS (CONTINUED)

	2017				2016			
	PURCHASED \$000	INTERNALLY GENERATED \$000	WIP \$000	TOTAL \$000	PURCHASED \$000	INTERNALLY GENERATED \$000	WIP \$000	TOTAL \$000
Cost	137,173	132,653	26,148	295,974	127,664	71,598	58,046	257,308
Accumulated depreciation	(105,816)	(21,692)	-	(127,508)	(98,298)	(12,549)	-	(110,847)
Opening net book value	31,357	110,961	26,148	168,466	29,366	59,049	58,046	146,461
Additions	796	16,680	28,964	46,440	801	21,594	23,603	45,998
Transfers from WIP	8,361	14,899	(23,260)	-	15,720	39,781	(55,501)	-
Disposals	(13,132)	(166)	-	(13,298)	(7,012)	(320)	-	(7,332)
Amortisation	(12,946)	(16,134)	-	(29,080)	(12,635)	(9,245)	-	(21,880)
Amortisation released on disposals	12,842	166	-	13,008	5,117	102	-	5,219
Impairment	(187)	-	-	(187)	-	-	-	-
Closing net book value	27,091	126,406	31,852	185,349	31,357	110,961	26,148	168,466
Cost	133,198	164,066	31,852	329,116	137,173	132,653	26,148	295,974
Accumulated depreciation	(106,107)	(37,660)	-	(143,767)	(105,816)	(21,692)	-	(127,508)
Closing net book value	27,091	126,406	31,852	185,349	31,357	110,961	26,148	168,466

i Explanation of Major Variances against Estimates

The Ministry forecasts movements in total long term assets, the aggregate of property and equipment and intangible assets, and not by their component parts.

The actual increase in long-term assets for the year to 30 June 2017 of \$35.678m is comparable with the forecast increase of \$37.868m. However, at 30 June 2017, total long-term assets were \$42.887m less than Main Estimates and \$22.752m less than Supplementary Estimates due to the actual closing balance at 30 June 2016 being \$40.697m less than the 2016 Supplementary Estimates balance.

Main and Supplementary Estimates for the 2016/17 financial year are disclosed in the Statement of Financial Position on page 119.

Financial Risk Management

The Ministry can be exposed to various financial risks. This section discusses how financial risks can affect the Ministry's financial position and net surplus and deficit and how the Ministry manages these risks.

NOTE 17: FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Accounting policy

Cash and cash equivalents

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

Derivatives

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.

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.

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 is potentially exposed to credit risk for undrawn credit card facilities equal to the undrawn balance. The credit card facilities limit as at 30 June 2017 was \$6.140m.

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.



NOTE 17: FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

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

	NOTES	ACTUAL 2017 \$000	ACTUAL 2016 \$000
Loans and receivables			
Cash and cash equivalents		27,342	61,362
Debtors and other receivables	9	100,299	112,721
Total financial assets		127,641	174,083
Financial liabilities measured at amortised cost			
Creditors and other payables	10	48,818	56,713
Derivative financial instruments			
FX contracts - Advance Passenger Processing Services Agreement		111	52
Total financial liabilities		48,929	56,765

The notional principal amount of outstanding forward exchange contracts at 30 June 2017 was AUD 4.909m, EUR 0.112m and USD 3.196m (2016: AUD 4.164m).

Sensitivity Analysis

Impact of a 5 per cent movement, both up and down, in the New Zealand dollar against various other currencies held by the Ministry in its foreign currency account with all other variables held constant at 30 June 2017 is not material for the Ministry's net surplus (2016: not material).

Other disclosures

NOTE 18: EQUITY

Accounting policy

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.

Revaluation reserves

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

Memorandum accounts	NOTES	ACTUAL 2017 \$000	ACTUAL 2016 \$000
Balance at 1 July		63,584	39,072
Net memorandum accounts surplus/(deficit) for the year	5	11,577	34,012
Capital contribution	5	7,675	-
Capital withdrawal	5	(100)	(9,500)
Balance at 30 June		82,736	63,584

Taxpayers' funds		ACTUAL 2017 \$000	ACTUAL 2016 \$000
Balance at 1 July		205,769	197,182
Surplus		13,135	60,095
Capital contributions		7,030	9,500
Capital withdrawal		(14,515)	-
Transfer from revaluation reserve		1,303	-
Transfer of net memorandum account accumulated (surpluses)/deficits for the year		(11,577)	(34,012)
Return of operating surplus to the Crown		(1,893)	(26,996)
Balance at 30 June		199,252	205,769

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

Revaluation reserves

	ACTUAL 2017 \$000	ACTUAL 2016 \$000
Balance at 1 July	11,156	4,580
Revaluation reserve transferred to taxpayer's funds on disposal of assets	(1,303)	-
Revaluation gains/(losses)	-	6,576
Balance at 30 June	9,853	11,156

NOTE 19: CAPITAL MANAGEMENT

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.



NOTE 19: CAPITAL MANAGEMENT (CONTINUED)

Statement of Departmental Capital Injections

	ACTUAL 2017 \$000	ACTUAL 2016 \$000	APPROPRIATION VOTED 2017 \$000
Vote Business, Science and Innovation			
Ministry of Business, Innovation and Employment – Capital injection	7,030	9,500	66,137

i Explanation of Major Variances against Estimates

Capital injections were \$59.107 million below Main Estimates as a result of transfers from 2016/17 to 2017/18 for the following initiatives: \$28.414 million for Vision 2015, \$19.600 million for the replacement of the Refugee Resettlement Centre, \$13.278 million for the Immigration Global Management System. These decreases were partially offset by an increase of \$2.187 million for the establishment of a National Computer Emergency Response Team.

NOTE 20: 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: Simon Bridges, Amy Adams, Paula Bennett, Judith Collins, Jacqui Dean, Paul Goldsmith, Dr Nick Smith and Michael Woodhouse have certified that there have been no related party transactions for the year ended 30 June 2017.

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 2017 \$000	ACTUAL 2016 \$000
Leadership Team, including the Chief Executive		
Remuneration	3,335	3,238
Full-time equivalent staff	8	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 21: EVENTS AFTER BALANCE DATE

The Ministry has released a consultation document outlining a proposal for changes to the Visa Services operating model within Immigration New Zealand (INZ). The changes outlined in the proposal include consolidation of visa decision-making into a smaller number of sites over

a three year period. It is anticipated that, if confirmed, the revised operating model will realise a range of benefits for INZ, its customers and New Zealand. There were no other events after balance date that required adjustment or disclosure in the financial statements.

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Non-departmental statements and schedules

Why do we include non-departmental statements and schedules

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

We include the non-departmental statements and schedules in our annual report to provide information on the financial extent of these activities and to provide context for, and supporting information regarding, departmental outputs.

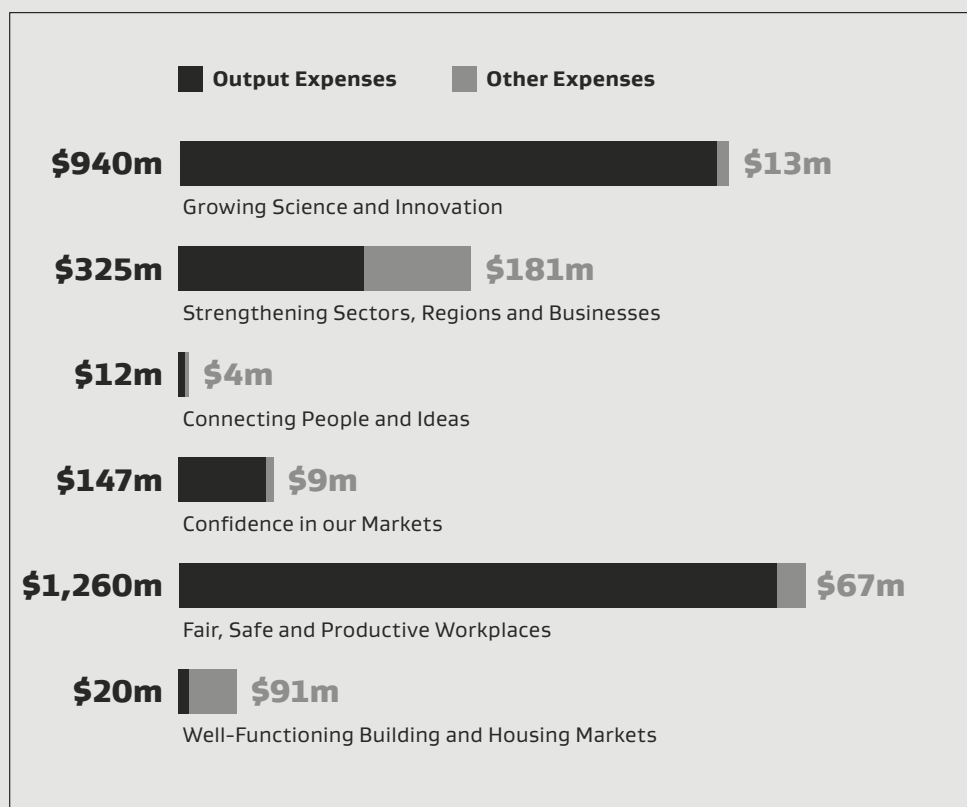
What are non-departmental statements and schedules

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

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

What principles apply for non-departmental statements and schedules

The measurement and recognition rules applied to the non-departmental statements and schedules are consistent with New Zealand generally accepted accounting practice (NZ GAAP).



SCHEDULE OF NON-DEPARTMENTAL REVENUE

For the year ended 30 June 2017

ACTUAL 2016 \$000		NOTES	ACTUAL 2017 \$000	UNAUDITED MAIN ESTIMATES 2017 \$000
Non-departmental Revenue				
543,294	Non-tax	3	574,467	527,808
36,552	Sale of radio spectrum		37,076	35,767
28,130	Tax		24,082	30,860
8,676	Crown entities return of capital		7,079	-
616,652	Total non-departmental revenue	4	642,704	594,435

SCHEDULE OF NON-DEPARTMENTAL EXPENDITURE

For the year ended 30 June 2017

ACTUAL 2016 \$000		NOTES	ACTUAL 2017 \$000	UNAUDITED MAIN ESTIMATES 2017 \$000
Non-departmental Expenditure				
2,291,320	Output expenses – annual appropriations		2,462,917	2,501,864
191,932	Output expenses – multi-year appropriations		240,852	305,791
169,877	Other expenses – annual appropriations		86,863	136,074
158,821	Other expenses – multi-year appropriations		140,161	69,785
105,504	Benefits and other unrequited expenses		136,417	146,708
2,366	Depreciation	6	2,058	2,000
152	Doubtful debts		(2,262)	145
394,806	GST Expense		422,218	468,599
(26,751)	Remeasurement of provision for Financial Assistance Package		46,477	-
273	Other		356	-
3,288,300	Total non-departmental expenditure	4	3,536,057	3,630,966

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 2017.

The accompanying notes form part of these Non-Departmental Statements and Schedules.



SCHEDULE OF NON-DEPARTMENTAL ASSETS

As at 30 June 2017

ACTUAL 2016 \$000		NOTES	ACTUAL 2017 \$000	UNAUDITED MAIN ESTIMATES 2017 \$000
Non-departmental Assets				
Current assets				
425,136	Cash and cash equivalents	11	309,116	496,402
109,662	Debtors and other receivables	5,11	106,290	191,764
50,380	Assets held for sale	7	16,710	17,482
2,673	Prepayments		1,340	2,607
1,547	Loans	11	1,631	4,635
589,398	Total current assets		435,087	712,890
Non-current assets				
20,512	Debtors and other receivables	5,11	20,512	3,031
14,182	Property and equipment	6	39,814	131,289
3,431	Loans	11	3,102	-
38,125	Total non-current assets		63,428	134,320
627,523	Total non-departmental assets		498,515	847,210

SCHEDULE OF NON-DEPARTMENTAL LIABILITIES

As at 30 June 2017

ACTUAL 2016 \$000		NOTES	ACTUAL 2017 \$000	UNAUDITED MAIN ESTIMATES 2017 \$000
Non-departmental Liabilities				
Current liabilities				
155,821	Creditors and other payables	8,11	157,816	168,817
135,395	Provisions	10	197,796	41,751
38,531	Unearned income	9	38,954	28,347
192	Employee entitlements		259	165
20	Derivative liabilities	11	133	(124)
329,959	Total current liabilities		394,958	238,956
Non-current liabilities				
435,311	Unearned income	9	399,654	403,837
60,921	Provisions	10	52,195	93,600
-	Employee entitlements		10	82
496,232	Total non-current liabilities		451,859	497,519
826,191	Total non-departmental liabilities		846,817	736,475

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 2017.

The accompanying notes form part of these Non-Departmental Statements and Schedules.

SCHEDULE OF NON-DEPARTMENTAL CONTINGENT LIABILITIES AND CONTINGENT ASSETS

As at 30 June 2017

ACTUAL 2016 \$000	ACTUAL 2017 \$000
Quantifiable contingent liabilities	
349 Guarantees and indemnities	249
349 Total quantifiable contingent liabilities	249

Quantifiable contingent liabilities

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 2015/16.

Unquantifiable contingent liabilities

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

The following contingent liabilities in relation to indemnities are unquantifiable:

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

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

There is 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.

Contingent assets

The Ministry on behalf of the Crown has no non-departmental contingent assets (2016: nil).

SCHEDULE OF NON-DEPARTMENTAL COMMITMENTS

As at 30 June 2017

The Ministry on behalf of the Crown has no non-departmental commitments at balance date (2016: nil).



NOTE 1: 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 2017. For a full understanding of the Crown's financial position, results of operations and cash flows for the year, reference should be made to the Financial Statements of the Government.

NOTE 2: BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of Preparation

The non-departmental statements and schedules have been prepared in accordance with 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.

Significant Accounting Policies

The following significant accounting policies have been applied. Where an accounting policy is specific to one note, the policy is described in the note to which it relates.

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

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

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

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.

Commitments

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

Goods and services tax (GST)

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

Budget figures

The 2017 budget figures are for the year ending 30 June 2017, which are consistent with the best estimate financial information submitted to Treasury for the BEFU for the year ending 30 June 2017.

NOTE 3: REVENUE

Accounting policy

Revenue - Exchange transactions

Dividends

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

Crown Mineral Royalties

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

Revenue - Non-exchange transactions

Levies

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

Sale of Radio Spectrum

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

	ACTUAL 2017 \$000	ACTUAL 2016 \$000
Crown mineral royalties	176,613	193,428
Health and safety in employment levy	93,199	55,312
Electricity Authority levy	84,530	87,538
Proceeds of crime	57,467	14,035
Telecommunications development levy	50,000	50,000
Commerce Commission levy	27,182	8,941
Immigration levy	26,148	15,446
Financial Markets Authority levy	18,995	19,944
Energy safety levies	18,418	6,239
External Reporting Board levy	5,842	5,575
Telecommunications regulation levy	5,499	1,197
Migrant levy	1,211	10,113
Immigration Advisers Authority levy	998	1,076
Rental income	771	1,501
Remuneration Authority levy	307	322
Residential Tenancy Trust Account unclaimed money	-	32,430
Dividend from Housing New Zealand Corporation	-	30,000
Other revenue	3,233	3,763
Other dividends	2,594	-
Other penalties	1,460	6,434
Total non-tax revenue	574,467	543,294
Total revenue from exchange transactions	181,693	227,003
Total revenue from non-exchange transactions	392,774	316,291
Total non-tax revenue	574,467	543,294



NOTE 4: REVENUE AND EXPENDITURE BY SECTION

	2017		2016	
	REVENUE \$000	EXPENDITURE \$000	REVENUE \$000	EXPENDITURE \$000
Growing Science and Innovation	84,530	953,336	87,831	882,289
Strengthening Sectors, Regions and Businesses	771	506,388	1,505	507,124
Connecting People and Ideas	94,565	15,502	89,802	50,454
Confidence in our Markets	328,877	156,347	281,881	155,892
Fair, Safe and Productive Workplaces	126,666	1,326,678	84,517	1,185,487
Well-Functioning Building and Housing Markets	216	111,031	62,531	138,726
Total Revenue/Expenditure by Section	635,625	3,069,282	608,067	2,919,972
Other Revenue				
Return of surplus from Crown entities	7,079	-	8,676	-
Other	-	-	(91)	-
Other Expenses				
GST Expense	-	422,218	-	394,806
Foreign exchange Loss	-	443	-	208
Other	-	(2,363)	-	65
Remeasurement of provision				
Remeasurement of provision for Financial Assistance Package	-	46,477	-	(26,751)
Total Other Revenue/Expenditure	7,079	466,775	8,585	368,328
Total	642,704	3,536,057	616,652	3,288,300

NOTE 5: DEBTORS AND OTHER RECEIVABLES

Accounting policy

Refer to Note 9 to the departmental financial statements for accounting policies relevant to Debtors and Other receivables. Below are policies specific to the non-departmental statements.

Spectrum rights

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

	ACTUAL 2017 \$000	ACTUAL 2016 \$000
Overclaimed income related rent subsidy		
Overclaimed income related rent subsidy	24,151	14,772
Less provision for impairment	(22,760)	(14,488)
Net overclaimed income related rent subsidy	1,391	284
Receivables from exchange transactions		
Other receivables	70,861	71,167
Net receivables from exchange transactions	70,861	71,167
Receivables from non-exchange transactions		
Fine, levy and penalties receivables	54,627	58,791
Less provision for impairment	(77)	(68)
Net receivables from non-exchange transactions	54,550	58,723
Total debtors and other receivables	126,802	130,174

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

As at 30 June 2017, debtors and other receivables of \$125.411m were not past due (2016: \$129.746m). All debtors and other receivables greater than 30 days in age are considered to be past due.

The provision for impairment of debtors and other receivables consists of specific individual impairment

provisions based on a review of overdue receivables, and a collective impairment provision based on an analysis of past collection history and debt write-offs. The collective provision for impairment of \$22.760m (2016: \$14.488m) and the individual provision for impairment of \$0.077m (2016: \$0.068m) relates to debts between 61 to 90 days.

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

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

	ACTUAL 2017 \$000	ACTUAL 2016 \$000
Balance at 1 July	14,556	51,805
Increase in the provision made during the year	9,109	99
Provision reversed during the year	(760)	-
Receivables written off during the year	(68)	(37,348)
Balance at 30 June	22,837	14,556

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 AND EQUIPMENT

Accounting policy

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

Measurement

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

Additions

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

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

Depreciation

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

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

Revaluation

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

Impairment

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

Disposals

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

NOTE 6: PROPERTY AND EQUIPMENT (CONTINUED)

	CANTERBURY EARTHQUAKE BUILDING AND GROUND						
	WORK \$000	INFRASTRUCTURE \$000	TEXTPHONE \$000	LAND \$000	BUILDINGS \$000	TOTAL \$000	
Year ended 30 June 2016							
Cost	13,678	20,000	1,734	6,570	18,135	60,117	
Accumulated Depreciation	(10,874)	(10,000)	(1,626)	-	(10,044)	(32,544)	
Opening net book value	2,804	10,000	108	6,570	8,091	27,573	
Additions	-	-	-	-	-	-	
Disposals	(1,237)	-	-	(793)	(591)	(2,621)	
Other adjustment (Cost)	-	-	-	(1,774)	(7,744)	(9,518)	
Depreciation	(307)	(2,000)	(58)	-	-	(2,365)	
Depreciation released on disposals	866	-	-	-	244	1,110	
Other adjustment (Depreciation)	-	-	3	-	-	3	
Closing net book value	2,126	8,000	53	4,003	-	14,182	
Cost	12,441	20,000	1,734	4,003	9,800	47,978	
Accumulated Depreciation	(10,315)	(12,000)	(1,681)	-	(9,800)	(33,796)	
Closing net book value	2,126	8,000	53	4,003	-	14,182	
Year ended 30 June 2017							
Additions	-	-	-	-	-	-	
Disposals	(11,112)	-	-	(4,003)	-	(15,115)	
Other transfers	-	-	-	33,755	-	33,755	
Depreciation	(6)	(2,000)	(52)	-	-	(2,058)	
Depreciation released on disposals	9,050	-	-	-	-	9,050	
Closing net book value	58	6,000	1	33,755	-	39,814	
Cost	1,329	20,000	1,734	33,755	9,800	66,618	
Accumulated Depreciation	(1,271)	(14,000)	(1,733)	-	(9,800)	(26,804)	
Closing net book value	58	6,000	1	33,755	-	39,814	

NOTE 7: ASSETS HELD FOR SALE

Accounting policy

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.

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.

Assets held for sale consist of parcels of land held in association with the Crown Land Development Programme.

Where the disposal of a parcel of land is expected to occur within one year of balance date it is transferred to assets held for sale.



NOTE 8: CREDITORS AND OTHER PAYABLES

	ACTUAL 2017 \$000	ACTUAL 2016 \$000
Current		
Accrued expenses	130,383	131,296
New Zealand Trade and Enterprises grant payable	11,894	14,441
GST Payable	4,421	5,231
Trade creditors	9,896	4,435
Levies refundable	1,222	418
Total creditors and other payables	157,816	155,821

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 9: UNEARNED INCOME

	ACTUAL 2017 \$000	ACTUAL 2016 \$000
Radio spectrum sales - non-current unearned income	396,824	435,311
Radio spectrum sales - current unearned income	38,954	38,531
Corwn Land Development	2,830	-
Total unearned income	438,608	473,842

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 10: PROVISIONS

Accounting policy

Refer to Note 13 of the departmental financial statements for accounting policies relevant to Provisions.

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

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

Provision for weathertight services financial assistance package (FAP)

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

New Zealand Screen Production Grant provision

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

NOTE 10: PROVISIONS (CONTINUED)

	ACTUAL 2017 \$000	ACTUAL 2016 \$000
Current provisions are represented by:		
New Zealand Screen Production Grant	167,496	118,877
Weathertight services financial assistance package	28,628	13,800
Make-good	1,672	2,718
Total current	197,796	135,395
Non-current provisions are represented by:		
Weathertight services financial assistance package	52,195	50,921
New Zealand Screen Production Grant	-	10,000
Total non-current	52,195	60,921
Total provisions	249,991	196,316

	WEATHERTIGHT SERVICES: FINANCIAL ASSISTANCE PACKAGE \$000	NEW ZEALAND SCREEN PRODUCTION GRANT \$000	MINE REHABILITATION PROPERTY \$000	TOTAL \$000
Balance at 1 July 2015	104,268	64,070	74,200	242,538
Additional provisions made	-	97,819	-	100,537
Provision utilised during the year	(15,316)	(33,012)	-	(48,328)
Unutilised provision reversed	(24,252)	-	(74,200)	(98,452)
Unwind of discount rate and effect of the changes in discount rate	21	-	-	21
Balance at 30 June 2016	64,721	128,877	-	196,316
Additional provisions made	46,477	134,671	-	181,148
Provision utilised during the year	(31,475)	(83,291)	-	(115,812)
Unutilised provision reversed	-	(12,761)	-	(12,761)
Unwind of discount rate and effect of the changes in discount rate	1,100	-	-	1,100
Balance at 30 June 2017	80,823	167,496	-	249,991

**Provision for weathertight services:
financial assistance package (FAP)**

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

Description of weathertight services FAP

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

The scheme became available to homeowners on 29 July 2011 and eligible homeowners were required to lodge claims with 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 remediation cost estimate, the discount rate, and the discontinuance transition rate.

Uncertainties

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

- › the ultimate cost 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.



NOTE 10: PROVISIONS (CONTINUED)

Sensitivity Analysis

If the remediation cost estimate were to increase/decrease by 10 per cent compared to the Ministry's estimates, with all other factors held constant, the estimate would be \$0.940m higher and \$0.940m lower respectively.

If the discount rate were to increase/decrease by 2 per cent compared to the Ministry's estimates, with all other factors held constant, the estimate would be \$6.093m higher and \$5.307m lower respectively.

If the discontinuance transition rate, the rate at which applicants cease to progress their application, were to double/halve compared to the Ministry's estimates, with all other factors held constant, the estimate would be \$7.560m higher and \$9.710m lower respectively.

New Zealand Screen Production Grant

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 rebate and the expenditure patterns of the individual productions. It is only once applications have been received and verified that the exact expenditure can be confirmed.

NOTE 11: FINANCIAL INSTRUMENTS

Accounting policy

Cash and cash equivalents

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

Categories of financial instruments

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

	ACTUAL 2017 \$000	ACTUAL 2016 \$000
Loans and receivables		
Cash and cash equivalents	309,116	425,136
Debtors and other receivables	126,802	130,174
Loans	4,733	4,978
Total financial assets	440,651	560,288
Financial liabilities measured at amortised cost		
Creditors and other payables	157,816	155,821
Derivative Financial Instruments		
Foreign exchange contracts – oil contracts	133	20
Total financial liabilities	157,949	155,841

The Ministry's activities expose it to a variety of financial instrument risks, including market risk, currency 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.

NOTE 11: FINANCIAL INSTRUMENTS (CONTINUED)

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.

Contractual maturity analysis of financial liabilities, excluding derivatives

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

Credit risk

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

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

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

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

NOTE 12: EVENTS AFTER BALANCE DATE

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



Multi-year appropriations

VOTE BUSINESS, SCIENCE AND INNOVATION

ACTUAL 2016 \$000	DETAILS OF MULTI-YEAR APPROPRIATIONS	ACTUAL 2017 \$000	MAIN ESTIMATES 2017 \$000
Economic Regulation of Electricity Line Services (2014-2019)			
28,311	Original appropriation	28,311	28,311
782	Cumulative adjustments	782	782
29,093	Total adjusted appropriation	29,093	29,093
7,244	Cumulative expenditure 1 July	11,501	11,501
4,257	Current year expenditure	4,585	5,161
11,501	Cumulative expenditure 30 June	16,086	16,662
17,592	Appropriation remaining 30 June	13,007	12,431
Economic Regulation of Gas Pipeline Services (2014-2019)			
9,684	Original appropriation	9,684	9,684
182	Cumulative adjustments	182	182
9,866	Total adjusted appropriation	9,866	9,866
1,580	Cumulative expenditure 1 July	3,545	3,545
1,965	Current year expenditure	3,120	3,484
3,545	Cumulative expenditure 30 June	6,665	7,029
6,321	Appropriation remaining 30 June	3,201	2,837
Economic Regulation of Specified Airport Services (2014-2019)			
2,763	Original appropriation	2,763	2,763
127	Cumulative adjustments	127	127
2,890	Total adjusted appropriation	2,890	2,890
597	Cumulative expenditure 1 July	1,012	1,012
415	Current year expenditure	263	545
1,012	Cumulative expenditure 30 June	1,275	1,557
1,878	Appropriation remaining 30 June	1,615	1,333
National Science Challenges (2013-2018)			
252,722	Original appropriation	252,722	252,722
6,520	Cumulative adjustments	6,520	6,520
259,242	Total adjusted appropriation	259,242	259,242
5,796	Cumulative expenditure 1 July	46,107	46,107
40,311	Current year expenditure	72,578	102,401
46,107	Cumulative expenditure 30 June	118,685	148,508
213,135	Appropriation remaining 30 June	140,557	110,734
Research and Development Growth Grants (2013-2017)			
393,000	Original appropriation	393,000	393,000
8,221	Cumulative adjustments	8,221	8,221
401,221	Total adjusted appropriation	401,221	401,221
141,221	Cumulative expenditure 1 July	260,882	260,882
119,661	Current year expenditure	134,550	144,200
260,882	Cumulative expenditure 30 June	395,432	405,082
140,339	Appropriation remaining 30 June	5,789	(3,861)

VOTE BUSINESS, SCIENCE AND INNOVATION (CONTINUED)

ACTUAL 2016 \$000	DETAILS OF MULTI-YEAR APPROPRIATIONS	ACTUAL 2017 \$000	MAIN ESTIMATES 2017 \$000
Resource Data Acquisition and Management (2014-2018) ¹			
8,000	Original appropriation	-	-
(7,700)	Cumulative adjustments	-	-
300	Total adjusted appropriation	-	-
200	Cumulative expenditure 1 July	-	-
100	Current year expenditure	-	-
300	Cumulative expenditure 30 June	-	-
-	Appropriation remaining 30 June	-	-
Resource Data Acquisition and Management (2015-2018) ¹			
7,700	Original appropriation	7,700	7,700
-	Cumulative adjustments	-	-
7,700	Total adjusted appropriation	7,700	7,700
-	Cumulative expenditure 1 July	2,419	2,419
2,419	Current year expenditure	2,395	4,000
2,419	Cumulative expenditure 30 June	4,814	6,419
5,281	Appropriation remaining 30 June	2,886	1,281
Security Management (2012-2017)			
6,000	Original appropriation	6,000	6,000
-	Cumulative adjustments	-	-
6,000	Total adjusted appropriation	6,000	6,000
-	Cumulative expenditure 1 July	-	-
-	Current year expenditure	-	6,000
-	Cumulative expenditure 30 June	-	6,000
6,000	Appropriation remaining 30 June	6,000	-
Targeted Business Research and Development Funding (2013-2017)			
173,000	Original appropriation	173,000	173,000
(35,417)	Cumulative adjustments	(35,417)	(35,417)
137,583	Total adjusted appropriation	137,583	137,583
67,583	Cumulative expenditure 1 July	90,387	90,387
22,804	Current year expenditure	23,361	40,000
90,387	Cumulative expenditure 30 June	113,748	130,387
47,196	Appropriation remaining 30 June	23,835	7,196
Contestable Fund for Deployment of Marine Energy Devices (2011-2016) ²			
4,949	Original appropriation	-	-
(4,949)	Cumulative adjustments	-	-
-	Total adjusted appropriation	-	-
-	Cumulative expenditure 1 July	-	-
-	Current year expenditure	-	-
-	Cumulative expenditure 30 June	-	-
-	Appropriation remaining 30 June	-	-

1. This MYA was disestablished in October 2015 with the remaining funding in the 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 at 30 June 2016.



VOTE BUSINESS, SCIENCE AND INNOVATION (CONTINUED)

ACTUAL 2016 \$000	DETAILS OF MULTI-YEAR APPROPRIATIONS	ACTUAL 2017 \$000	MAIN ESTIMATES 2017 \$000
	Home Insulation (2013-2016) ¹		
93,000	Original appropriation	-	-
-	Cumulative adjustments	-	-
93,000	Total adjusted appropriation	-	-
70,431	Cumulative expenditure 1 July	-	-
22,391	Current year expenditure	-	-
92,822	Cumulative expenditure 30 June	-	-
178	Appropriation remaining 30 June	-	-
	New Zealand Screen Production Grant – International (2014-2019)		
252,780	Original appropriation	252,780	252,780
517	Cumulative adjustments	107,389	517
253,297	Total adjusted appropriation	360,169	253,297
109,762	Cumulative expenditure 1 July	228,236	228,236
118,474	Current year expenditure	126,963	31,535
228,236	Cumulative expenditure 30 June	355,199	259,771
25,061	Appropriation remaining 30 June	4,970	(6,474)
	Broadband Investment (2013-2016) ¹		
408,000	Original appropriation	-	-
357,000	Cumulative adjustments	-	-
765,000	Total adjusted appropriation	-	-
575,000	Cumulative expenditure 1 July	-	-
190,000	Current year expenditure	-	-
765,000	Cumulative expenditure 30 June	-	-
-	Appropriation remaining 30 June	-	-
	Venture Investment Fund (2014-2018)		
37,453	Original appropriation	37,453	37,453
(12,000)	Cumulative adjustments	-	(12,000)
25,453	Total adjusted appropriation	37,453	25,453
5,000	Cumulative expenditure 1 July	15,000	15,000
10,000	Current year expenditure	-	2,278
15,000	Cumulative expenditure 30 June	15,000	17,278
10,453	Appropriation remaining 30 June	22,453	8,175
	Economic Development: Regional Growth Initiatives (2016-2021)		
-	Original appropriation	44,000	44,000
-	Cumulative adjustments	11,000	-
-	Total adjusted appropriation	55,000	44,000
-	Cumulative expenditure 1 July	-	-
-	Current year expenditure	822	11,000
-	Cumulative expenditure 30 June	822	11,000
-	Appropriation remaining 30 June	54,178	33,000

¹ This MYA expired at 30 June 2016.

VOTE BUSINESS, SCIENCE AND INNOVATION (CONTINUED)

ACTUAL 2016 \$000	DETAILS OF MULTI-YEAR APPROPRIATIONS	ACTUAL 2017 \$000	MAIN ESTIMATES 2017 \$000
Energy and Resources: Home Insulation (2016-2018)			
-	Original appropriation	16,500	16,500
-	Cumulative adjustments	178	-
-	Total adjusted appropriation	16,678	16,500
-	Cumulative expenditure 1 July	-	-
-	Current year expenditure	2,728	11,000
-	Cumulative expenditure 30 June	2,728	11,000
-	Appropriation remaining 30 June	13,950	5,500
Broadband Investment (2016-2021)			
-	Original appropriation	210,000	210,000
-	Cumulative adjustments	-	-
-	Total adjusted appropriation	210,000	210,000
-	Cumulative expenditure 1 July	-	-
-	Current year expenditure	-	42,000
-	Cumulative expenditure 30 June	-	42,000
-	Appropriation remaining 30 June	210,000	168,000
Communications: Broadband Investment (2016-2021)			
-	Original appropriation	417,500	417,500
-	Cumulative adjustments	-	-
-	Total adjusted appropriation	417,500	417,500
-	Cumulative expenditure 1 July	-	-
-	Current year expenditure	-	150,000
-	Cumulative expenditure 30 June	-	150,000
-	Appropriation remaining 30 June	417,500	267,500



VOTE BUILDING AND HOUSING

ACTUAL 2016 \$000	DETAILS OF MULTI-YEAR APPROPRIATIONS	ACTUAL 2017 \$000	MAIN ESTIMATES 2017 \$000
Tenant Health and Safety Information (2015-2020)			
	- Original appropriation	2,740	2,740
	- Cumulative adjustments	56	-
	- Total adjusted appropriation	2,796	2,740
	- Cumulative expenditure 1 July	-	-
	- Current year expenditure	-	830
	- Cumulative expenditure 30 June	-	830
	- Appropriation remaining 30 June	2,796	1,910
Social Housing Fund (2015-2017)			
29,142	Original appropriation	29,142	29,142
8,708	Cumulative adjustments	5,708	8,708
37,850	Total adjusted appropriation	34,850	37,850
	- Cumulative expenditure 1 July	-	-
	- Current year expenditure	9,648	16,250
	- Cumulative expenditure 30 June	9,648	16,250
37,850	Appropriation remaining 30 June	25,202	21,600
Auckland Vacant or Underutilised Crown Land Programme (2016-2021)			
	- Original appropriation	100,000	100,000
	- Cumulative adjustments	(45,000)	-
	- Total adjusted appropriation	55,000	100,000
	- Cumulative expenditure 1 July	-	-
	- Current year expenditure	3,950	100,000
	- Cumulative expenditure 30 June	3,950	100,000
	- Appropriation remaining 30 June	51,050	-

Statement of expenses and capital expenditure incurred without, or in excess of, appropriation or other authority

For the year ended 30 June 2017

	APPROPRIATION		
	ACTUAL	VOTED	UNAPPROPRIATED
	2017	2017	2017
	\$000	\$000	\$000
VOTE BUILDING AND HOUSING			
Departmental output expense			
Residential Tenancy and Unit Title Services	27,993	27,396	597
Non-departmental output expense			
Canterbury Earthquakes: Emergency and Temporary Accommodation	283	1,150	245
VOTE LABOUR MARKET			
Non-departmental output expense			
Workplace Relations and Safety – Employment Relations Education Contestable Fund	823	825	223

Residential Tenancy and Unit Title Services

The Ministry's Contingent Liability and Assets Register for 30 June 2016 contained a departmental unquantifiable contingent liability related to Payroll Remediation activities.

The Ministry recorded a provision, a high level accounting adjustment, in relation to this liability at 30 June 2017. The provision represents the Ministry's best estimate of the eventual liability as at 30 June 2017 and resulted in unappropriated expenditure in the *Residential Tenancy and Unit Title Services* appropriation.

As at 30 June 2017 unappropriated expenses against the appropriation were \$0.597m.

Canterbury Earthquakes: Emergency and Temporary Accommodation

In 2015/16 the Ministry requested an in-principle expense transfer from 2015/16 to 2016/17 for the *Canterbury Earthquakes: Emergency and Temporary Accommodation* appropriation within Vote Building and Housing. At that time there was no appropriation for 2016/17.

The Ministry then continued to spend against this appropriation in 2016/17 before the expense transfer was confirmed (the in-principle expenses transfer was confirmed as part of the 2016 October Baseline Update) and as a result the Ministry has incurred expenditure outside authority.

Unappropriated spending against the appropriation was \$0.245m.

Workplace Relations and Safety – Employment Relations Education Contestable Fund

In 2016/17 the Ministry had an initial appropriation of \$0.500m for the *Employment Relations Education Contestable Fund* appropriation. The Ministry proposed a fiscally neutral adjustment transferring \$0.325m to this appropriation. However, the Ministry continued to spend against this appropriation in 2016/17 and incurred expenses totalling \$0.723m (\$0.223m in excess of the original appropriation) before the transfer was approved as part of the 2017 March Baseline Update.



Appendix 1: Statement of Trust Monies

For the year ended 30 June 2017

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. In addition to funds held in trust accounts operated by the Ministry, the Official Assignee holds a significant number and value of assets in relation to the administration of bankruptcies, liquidations and assets restrained or forfeited under criminal proceeds legislation. Movements in these accounts during the year ended 30 June 2017 were as follows:

	OPENING BALANCE 1 JULY 2016 \$000	CAPITAL INCREASE \$000	DISTRIBUTIONS MADE \$000	RECEIPTS \$000	EXPENDITURE \$000	CLOSING BALANCE 30 JUNE 2017 \$000
Coal and Minerals Deposits Trust	62	286	(25)	-	(32)	291
Criminal Assets Management and Enforcement Regulators Association Trust	21	1	-	-	(6)	16
Employment Relations Act Security of Costs Trust	46	63	(65)	-	(40)	4
Employment Relations Service Trust	322	611	(372)	7	(112)	456
New Zealand Immigration Trust	1,252	118	(303)	22	-	1,089
Official Assignee's Office Trust	23,253	28,659	(16,771)	689	(11,147)	24,683
Patent Co-operation Treaty Fees Trust	121	921	(894)	-	(41)	107
Petroleum Deposits Trust	81	15	-	-	-	96
Criminal Proceeds (Recovery) Trust	64,317	137,904	(57,467)	1,696	(11,147)	135,303
Radio Frequencies Tender Trust	219	-	-	68	(287)	-
Residential Tenancies Trust	467,666	239,931	(198,500)	20,629	(20,629)	509,097
Weathertight Financial Assistance Package	-	7,884	(7,884)	-	-	-

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 licenses 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

The 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

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.

Criminal Proceeds (Recovery) Trust

This trust account has been established to manage the financial arrangements of restraining and forfeiture orders made by the Courts under the Criminal Proceeds (Recovery) Act 2009. Under the Act, the Court has the power to order the seizure of assets of individuals and companies that have been derived directly or indirectly from criminal offending, and place the assets into the custody and control of the Official Assignee. These assets can then be ordered to be sold or disposed of by the Official Assignee and the resulting monies transferred to approved other parties and 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 2.

Weathertight Financial Assistance Package

This Trust account is used to temporarily hold the building consent authorities' 25 per cent share of repair costs claimed by eligible leaky home owners under the Government's Weathertight Financial Assistance Package, once approved, but prior to payment to the eligible home owners.



Appendix 2: Residential Tenancies Trust Account

About the Residential Tenancies Trust

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. Residential Tenancies Trust account was established to hold bonds lodged under the Residential Tenancies Act 1986.

What principles apply for RTTA financial statements

A full set of audited financial statements for the Residential Tenancies Trust Account is prepared on an accrual accounting basis. The measurement and recognition rules applied to these financial statements are consistent with NZ GAAP.

Key Operating Statistics

\$509m

bonds managed at 30 June 2017

\$21m

interest earned

4%

average yield in the 2016/17
financial year

Independent Auditor's Report

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

To the readers of the
Residential Tenancies Trust Account's financial statements
for the year ended 30 June 2017

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 his behalf.

OPINION

We have audited the financial statements of the Trust on pages 175 to 179, that comprise the statement of financial position as at 30 June 2017, 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 on pages 175 to 179:

- › present fairly, in all material respects:
 - its financial position as at 30 June 2017, 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 28 September 2017. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Chief Executive of the Ministry of Business, Innovation and Employment and our responsibilities, we comment on other information, and explain our independence.

BASIS FOR OPINION

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

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

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

RESPONSIBILITIES OF THE CHIEF EXECUTIVE OF THE MINISTRY OF BUSINESS, INNOVATION AND EMPLOYMENT FOR THE FINANCIAL STATEMENTS

The Chief Executive is responsible on behalf of the Trust for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand.

The Chief Executive is responsible for such internal control as they determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Executive is responsible on behalf of the Trust for assessing the Trust's ability to continue as a going concern. The Chief Executive is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Chief Executive intends to wind-up the Trust, or to cease operations, or have no realistic alternative but to do so.

RESPONSIBILITIES OF THE AUDITOR FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with



Appendix 2: Residential Tenancies Trust Account

the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements.

We did not evaluate the security and controls over the electronic publication of the financial statements.

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

- › we identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- › we obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control
 - we evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive
 - we conclude on the appropriateness of the use of the going concern basis of accounting by the Chief Executive and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust's to cease to continue as a going concern
 - we evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

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

Our responsibilities arise from the Public Audit Act 2001.

OTHER INFORMATION

The Chief Executive is responsible for the other information. The other information comprises the information included on page 172, but does not include the financial statements, and our auditor's report thereon.

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

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

INDEPENDENCE

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

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

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

Financial Statements

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the year ended 30 June 2017

	ACTUAL 2017 \$000	ACTUAL 2016 \$000
Revenue		
Interest earned from bank deposits	20,629	22,694
Expenditure		
Interest to Ministry of Business, Innovation and Employment	20,629	22,694
Operating surplus	-	-
Other comprehensive revenue and expenses	-	-
Total comprehensive revenue and expenses	-	-

STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	NOTES	ACTUAL 2017 \$000	ACTUAL 2016 \$000
Current Assets			
Cash and cash equivalents		11,965	11,386
Investments	4	157,500	167,000
Interest receivable		27,259	33,326
Total current assets		196,724	211,712
Non-current assets			
Investments	4	342,500	258,000
Total non-current assets		342,500	258,000
Total assets		539,224	469,712
Current liabilities			
Interest payable to the Ministry of Business, Innovation and Employment		29,931	1,770
Other current liabilities		196	276
Total current liabilities		30,127	2,046
Total liabilities		30,127	2,046
Net assets		509,097	467,666
Bondholders' funds			
Opening balance		467,666	457,536
Net increase		41,431	10,130
Total bondholders' funds		509,097	467,666



RECONCILIATION OF MOVEMENTS IN BONDHOLDERS' FUNDS

For the year ended 30 June 2017

	ACTUAL 2017 \$000	ACTUAL 2016 \$000
Bondholders' funds at 1 July	467,666	457,536
Bonds lodged	239,931	230,953
Bonds refunded	(198,500)	(188,393)
Unclaimed bonds paid to The Treasury	-	(32,430)
Bondholders' funds at 30 June	509,097	467,666

STATEMENT OF CASH FLOWS

For the year ended 30 June 2017

	ACTUAL 2017 \$000	ACTUAL 2016 \$000
Cash flows from operating activities		
Cash was provided from:		
Interest received	26,696	21,012
Cash was disbursed to:		
Interest payments to Ministry of Business, Innovation and Employment	7,532	(64,303)
Net cash flows from operating activities	34,228	(43,291)
Cash flows from investing activities		
Cash was provided from:		
Proceeds from maturity of investments	180,500	203,444
Cash was disbursed to:		
Purchase of investments	(255,500)	(168,156)
Net cash flows from investing activities	(75,000)	35,288
Cash flows from financing activities		
Cash was provided from:		
Lodgement bonds	239,931	230,953
Cash was disbursed to:		
Refund of bonds	(198,500)	(188,393)
Unclaimed bonds paid to The Treasury	-	(32,430)
Provision for incorrect forfeiture	(80)	242
Net cash flows from financing activities	41,351	10,372
Net increase in cash held	579	2,369
Cash at the beginning of the year	11,386	9,017
Cash at the end of the year	11,965	11,386

RECONCILIATION OF OPERATING SURPLUS TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	ACTUAL 2017 \$000	ACTUAL 2016 \$000
Operating surplus	-	-
Add/(less) movements in working capital		
Decrease/(increase) in interest receivable	6,067	(1,682)
Increase/(decrease) in interest payable	28,161	(41,609)
Net cash flows from operating activities	34,228	(43,291)

NOTE 1: 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 (PFA) and the Residential Tenancies Act 1986.

The financial statements of the RTTA are for the year ended 30 June 2017 and were authorised for issue by the Chief Executive of the Ministry on 28 September 2017.

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

Basis of Preparation

Statement of compliance

The financial statements of the RTTA have been prepared in accordance with the requirements of the Residential Tenancies Act 1986 and the PFA, which include the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP).

The financial statements have been prepared in accordance with, and comply with, Tier 2 PBE accounting standards on the basis that expenditure exceeds \$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.

Changes in accounting policies

There have been no changes in accounting policies. All policies have been applied on a basis consistent with the previous year.

Significant Accounting Policies

The following significant accounting policies have been applied consistently to all periods presented in these financial statements. Where an accounting policy is specific to a note, the policy is described in the note to which it relates.

Revenue – exchange transactions

The RTTA derives revenue from interest on investments. Interest on investments is accrued on a monthly basis.

Taxation

The RTTA is exempt from income tax in terms of the Income Tax Act 2007.

NOTE 3: FINANCIAL INSTRUMENTS

Accounting policy

Financial instruments

The RTTA is party to financial instruments as part of its normal operations. These financial instruments include accounts payable and receivable, cash and cash equivalents and investments. Revenue and expenditure in relation to all financial instruments is recognised in the Statement of Comprehensive Revenue and Expense.

All financial instruments are shown at estimated fair value except for those items covered by a separate accounting policy.

Cash

Cash is defined as coins, notes and demand deposits in the RTTA bank accounts and other deposits held on call with maturities less than three months.

Receivables

Receivables are stated at estimated realisable value.

**NOTE 3: FINANCIAL INSTRUMENTS (CONTINUED)****Credit risk**

Financial instruments that are potentially subject to credit risk principally consist of cash and cash equivalents, accounts receivable and investments.

Credit risk is the risk that a third party will default on its obligations. The maximum exposures to credit risk at balance date were:

	ACTUAL 2017 \$000	ACTUAL 2016 \$000
Cash held	11,965	11,386
Accounts receivable	27,259	33,326
Investments	500,000	425,000
Total financial assets	539,224	469,712

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 Residential Tenancies Trust Account 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**Accounting policy****Investments**

Investments are not generally traded and are held to maturity. Investments in bank deposits are initially measured at fair value plus transaction costs (if any).

After initial recognition, investments in bank deposits are measured at amortised cost using the effective interest rate, less any provision for impairment.

Book value of investments

	ACTUAL 2017 \$000	ACTUAL 2016 \$000
Bank deposit	500,000	425,000
Total book value of investments	500,000	425,000

NOTE 4: INVESTMENTS (CONTINUED)

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 2017 \$000	ACTUAL 2016 \$000
Current		
ANZ	25,000	27,500
ASB	59,000	94,000
BNZ	40,500	5,000
Kiwi	16,000	-
Westpac	17,000	40,500
Total current	157,500	167,000
Non-current		
ANZ	105,500	35,000
ASB	31,500	78,500
BNZ	76,000	75,500
Kiwi	34,000	7,000
Westpac	95,500	62,000
Total non-current	342,500	258,000
Total investments by counterparty	500,000	425,000
Weighted average interest rates:		
Short-term deposits	4.80%	5.27%
Long-term deposits	3.75%	4.30%

NOTE 5: CAPITAL MANAGEMENT

The RTTA's capital is its bondholders' funds and is represented by net assets.

NOTE 6: AUDIT FEES

Audit fees are paid by the Ministry (refer to note 7 in the Ministry's Financial Statements).

NOTE 7: COMMITMENTS AND CONTINGENT LIABILITIES

There were no commitments or contingent liabilities as at 30 June 2017 (2016: nil).

NOTE 8: EVENTS AFTER THE BALANCE DATE

No events have occurred between the balance date and date of signing these financial statements that materially affect the financial statements.



Appendix 3: Employee Information

The table below presents information on the gender, age and remuneration banding (in \$10,000 bands) of all permanent and fixed term staff, employed under New Zealand terms and conditions, at 30 June 2017. The allocation of a remuneration band is based on employees' base salary only (and is not FTE adjusted); it does not include allowances or employer superannuation contributions.

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	M	
SALARY BAND											
\$30,000 - 39,999	60	21	26	4	20	3	18	1	-	-	153
\$40,000 - 49,999	185	77	106	39	59	24	69	23	5	1	588
\$50,000 - 59,999	113	56	76	33	59	34	68	21	4	1	465
\$60,000 - 69,999	70	50	90	61	60	37	80	48	8	-	504
\$70,000 - 79,999	30	18	66	51	62	47	56	46	2	-	378
\$80,000 - 89,999	7	8	71	41	44	26	40	34	1	1	273
\$90,000 - 99,999	8	5	49	35	51	28	29	44	2	-	251
\$100,000 - 109,999	2	3	39	16	42	28	34	36	4	-	204
\$110,000 - 119,999	3	-	18	15	25	23	16	22	2	1	125
\$120,000 - 129,999	1	-	14	13	26	16	15	19	-	1	105
\$130,000 - 139,999	-	-	10	9	21	12	11	24	-	-	87
\$140,000 - 149,999	-	-	7	5	15	15	15	22	-	-	79
\$150,000 - 159,999	-	-	6	2	7	22	8	16	-	1	62
\$160,000 - 169,999	-	-	3	4	10	13	4	8	-	-	42
\$170,000 - 179,999	-	-	1	4	10	8	7	12	1	-	43
\$180,000 - 189,999	-	-	2	1	6	5	1	11	-	-	26
\$190,000 - 199,999	-	-	-	2	2	3	-	7	-	-	14
\$200,000 - 209,999	-	-	-	-	2	2	2	5	-	-	11
\$210,000 - 219,999	-	-	-	-	1	1	-	3	-	-	5
\$220,000 - 229,999	-	-	-	-	1	3	2	1	-	-	7
\$230,000 - 239,999	-	-	-	-	1	1	-	1	-	-	3
\$240,000 - 249,999	-	-	-	-	1	1	1	4	-	-	7
\$250,000 - 259,999	-	-	-	-	-	-	-	2	-	-	2
\$260,000 - 269,999	-	-	-	1	2	2	1	-	-	-	6
\$270,000 - 279,999	-	-	-	-	-	-	-	1	-	-	1
\$280,000 - 289,999	-	-	-	-	-	-	1	2	-	-	3
\$300,000 - 399,999	-	-	-	-	1	4	-	2	-	-	7
Total	479	238	584	336	528	358	478	415	29	6	3,451

Appendix 4: Immigration and Migrant Levies

For the year ended 30 June 2017

Allocation of Immigration Levies

VOTE	PROGRAMME	ACTUAL	ACTUAL	ACTUAL	ACTUAL	FORECAST
		2014 \$000	2015 \$000	2016 \$000	2017 \$000	2018 \$000
Labour Market	Immigration Research Programme, including evaluation	-	-	1,283	1,200	2,200
Labour Market	Settlement services	-	-	1,038	1,780	-
Labour Market	Levy administration	-	-	181	310	-
Labour Market	Border security	-	-	2,628	4,625	4,505
Labour Market	Immigration Compliance	-	-	2,694	4,998	4,868
Labour Market	Marketing and Attraction	-	-	3,481	6,768	6,768
Labour Market	Global Impact Visas	-	-	-	2,024	854
Internal Affairs	Language Line	-	-	486	833	-
Education	ESOL for adults (home and community based)	-	-	249	426	426
Education	ESOL in the compulsory school sector	-	-	1,435	2,460	2,460
Education	ESOL in schools (material for parents and professional development)	-	-	130	222	-
Education	ESOL resources	-	-	103	177	-
Social Development	Migrant employment assistance	-	-	456	782	-
Labour Market	Regional Skills matching and job assistance services	-	-	-	-	1,227
Labour Market	Multi-lingual Settlement Information Programmes	-	-	-	-	650
Labour Market	National level support for organisations that facilitate Migrant participation in host communities	-	-	-	-	100
Education	Migrant futures – Work Connect Programme	-	-	-	-	1,613
Education	Bilingual Support Workers	-	-	-	-	514
Total Migrant Levy allocation		-	-	14,164	26,605	26,185

Memorandum Account – Immigration Levy

	ACTUAL	ACTUAL	ACTUAL	ACTUAL	FORECAST
	2014 \$000	2015 \$000	2016 \$000	2017 \$000	2018 \$000
Balance at 1 July	-	-	-	1,282	825
Revenue	-	-	15,446	26,148	27,453
Allocations	-	-	(14,164)	(26,605)	(26,185)
Balance at 30 June	-	-	1,282	825	2,093

The Immigration Levy replaced the Migrant Levy in December 2015.

The Immigration Levy funds migrant settlement and migration research. It also contributes to Immigration New Zealand functions including marketing and attraction, border and compliance functions. It is charged to principal

applicants on temporary (including visitor, student and work) and residence (including skilled migrant, family and some international/humanitarian) visa applications. Levy rates are differentiated based on the immigration functions each broad visa category generates the need for or benefits from.



Appendix 4: Immigration and Migrant Levies

Allocation of Migrant Levies

VOTE	PROGRAMME	ACTUAL	ACTUAL	ACTUAL	ACTUAL	FORECAST
		2014 \$000	2015 \$000	2016 \$000	2017 \$000	2018 \$000
Labour Market	Immigration Research Programme, including evaluation	2,200	2,200	917	-	-
Labour Market	Settlement services	1,780	1,780	742	-	-
Labour Market	Levy administration	310	310	129	-	-
Labour Market	Immigration Research Programme: Longitudinal Survey of Immigrants to New Zealand	-	-	-	-	-
Internal Affairs	Language Line	833	833	347	-	-
Education	ESOL for adults (home and community based)	426	426	178	-	-
Education	ESOL in the compulsory school sector	2,460	2,460	1,025	-	-
Education	ESOL in schools (material for parents and professional development)	222	222	93	-	-
Education	ESOL resources	177	177	74	-	-
Social Development	Migrant employment assistance	782	782	326	-	-
Sub-total Migrant Levy allocation		9,190	9,190	3,831	-	-
Labour Market	ESOL information tool	-	-	-	35	-
Justice	Tackling Casual Racism	-	-	100	100	300
Education	Migrant Futures (Careers NZ)	-	-	209	381	-
Labour Market	Cross-Government Cultural Capability	-	-	-	-	300
Labour Market	Welcoming Communities pilot	-	-	-	-	500
Labour Market	Language Assistance Project	-	-	-	200	848
Health	Stocktake of Migrant Health Information	-	-	-	-	48
Police	District Safety Patrols	-	-	-	210	301
Total Migrant Levy allocation		9,190	9,190	4,140	926	2,297

Memorandum Account – Migrant Levy

	ACTUAL	ACTUAL	ACTUAL	ACTUAL	FORECAST
	2014 \$000	2015 \$000	2016 \$000	2017 \$000	2018 \$000
Balance at 1 July	582	1,407	2,196	8,169	8,454
Revenue	10,015	9,979	10,113	1,211	-
Allocations	(9,190)	(9,190)	(4,140)	(926)	(2,297)
Balance at 30 June	1,407	2,196	8,169	8,454	6,157

Residual amounts of Migrant Levy revenue were received in 2016/17 (while visa applications made under the Migrant Levy continued to be processed) and funds are held in a tagged account.

These funds are used to fund innovative one-off and small-scale settlement initiatives and enable an evidence base to be built to inform potential longer term funding allocations.

Appendix 5: Building Advisory Panel

The Building Advisory Panel (BAP) is a statutory body that provides independent strategic advice to the Chief Executive. The BAP is focused on strategic issues facing the construction sector and will provide guidance, advice and direction on the ways the Ministry can support an innovative and high-performing sector.

In March 2017 MBIE refreshed the BAP. Current members are:

- › Dr Helen Anderson (Chair)
- › Richard Aitken
- › Connal Townsend
- › David Kelly
- › Pamela Bell
- › Steve Evans
- › Geoff Hunt
- › Andrew Reding
- › Peter Fehl
- › Dean Kimpton
- › Janine Stewart

The Panel met once in the 2016/17 financial year on 19 May 2017 where it established its priorities and work programme. Key themes that emerged from the first meeting included:

- › a focus on procurement and contracting models that smooth the cycle, based on a clearer pipeline of construction work
- › strong support for a cross-MBIE focus on skills and training in the construction sector, including attracting, upskilling and retaining the right people.

The BAP will meet on a quarterly basis.

Payment made to BAP members

The BAP is a statutory board for the purposes of the Fees and Travelling Allowances Act 1951. BAP members will be paid: remuneration in fees, salaries or allowances; and travelling allowances and expenses, in accordance with the Fees and Travelling Allowances Act 1951.

In the 2016/17 year, the following payments were made to BAP members:

Travel costs

- › Dean Kimpton-\$434.11
- › Andrew Reding-\$384.11
- › Geoff Hunt-\$384.11
- › Steven Evans-\$403.91
- › Richard Aitken-\$374.22

Board Fees

- › Helen Anderson-\$1,620.00 plus GST
- › Andrew Reding-\$774.75 plus GST



Appendix 6: Other Disclosures

Immigration Act 2009

Under the Immigration Act 2009 from May 2016, immigration officers have certain powers to search employers' premises or employees who are not entitled to work in New Zealand or are in breach of their visas. There have been no instances this year where immigration officers have needed to exercise these new provisions.

Victims' Rights 2002

The Ministry is a member of the Victims of Crime interagency 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. The Ministry stays on plan to meet delivery timeframes.

CROWN ENTITIES WE PARTNER WITH



GLOSSARY OF TERMS

Outcome

The outcome describes what we are trying to achieve and what this looks like.

Intermediate outcome

The intermediate outcome describes the outcome in more detail.

Gross Domestic Product (GDP)

The total value of goods produced and services provided in a country during one year.

Performance Improvement Framework (PIF)

The PIF is a high-level independent review of an agency's performance undertaken on behalf of the State Services Commission.

Departmental expenses

Expenses incurred by the Ministry in delivering services and functions on behalf of the Government.

Non-departmental expenses

Expenses incurred by entities other than the Ministry in delivering services and functions on behalf of the Government.

Types of expenses:

Output

A term for goods, services or functions purchased by the Government. Outputs include policy advice, administration of contracts, and the provision of specific services.

Other expense

A term for operating expenses that are not outputs such as interest expenses and grants.

Appropriation

An appropriation is a sum of money allocated for a particular use and includes a description of what is being purchased, why it is being purchased and how performance will be assessed. It authorises Ministers to consume public resources, and ensures that Parliament knows how money will be spent and that Government is held accountable for the spending.

Types of Appropriations

Annual appropriation

This is the most common type of appropriation and is limited to one financial year, consistent with the annual Budget cycle.

MCA – Multi-Category Appropriation

Multi-category appropriations consist of two or more categories of spending within a single appropriation that contribute to the same overarching purpose.

MYA – Multi-Year Appropriation

Multi-Year Appropriations allow expenses or capital expenditure to be incurred during a specified period no more than five financial years. MYAs are generally used where uncertainties or dependencies are likely to affect when costs are incurred e.g. milestone payments for a multi-year project.

PLA – Permanent Legislative Authority

Permanent appropriations are authorised by legislation other than an Appropriation Act and continue in effect for an indefinite period. Generally the authorising legislation will impose limits on the scope of the appropriation and not its amount.

Main estimates

The Main Estimates is the Government's approved set of appropriations for a year. It is approved and published before the start of the financial year to which it relates.

Supplementary estimates

The Supplementary Estimates is the Government's approved changes to appropriations within a financial year and supersedes the information in the Main Estimates for that year.



New Zealand Government