



# Government Response to the Small Business Development Group Report

2016



## Introduction by the Minister for Small Business

I am pleased to introduce the Government response to the Small Business Development Group's (SBDG) 2015 report. The recommendations made by the SBDG illustrate that while government supports small business in a number of ways, there is always room to do better.

As Minister for Small Business I always value the advice of the SBDG and believe the role they play in providing advice to government is an important one. Its members offer insights into how government policy affects small business. They ensure that the views of small businesses are heard and considered.

The SBDG has influenced how a number of policies were developed and implemented. Some notable examples include the introduction of the New Zealand Business Number, changes to the health and safety legislation and changes to tax policy. The extent of its influence is illustrated by the broad range of government agencies that have come together to provide a response to their report.

The SBDG also plays a key role in helping government to communicate with small businesses. Small businesses are incredibly diverse. They range from farmers and fisherman to landlords and IT professionals; from businesses run out of family homes to those in corporate office blocks; from domestic businesses supplying local communities to exporters entering international markets. This variety makes for a dynamic sector, but presents a challenge for government when it needs to engage or communicate ideas with small business.

The SBDG provides a vital testing ground for any government communication with small business. They can highlight what small businesses are interested in, where they go for information and how the information needs to be presented to be most effective.

As you will see from this response, government provides a lot of information to small businesses digitally. In particular, it has put a lot of effort into making [business.govt.nz](http://business.govt.nz) the main port for small businesses. Much of the information and many of the tools referred to in this response can be found here – it is an excellent resource for many of the questions businesses have about compliance or dealing with government.

I thank the SBDG for bringing the issues raised in this report to the Government's attention. I trust that the information provided in this government response will be useful as the SBDG embark on another term of service. I look forward to receiving further advice from them in the future.



**HON CRAIG FOSS**  
Minister for Small Business

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## Summary of the Government's Response

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Small businesses make a major contribution to economic growth through new business formation, job creation and retention, increased productivity, innovation, and links with global value chains. They play a big part in New Zealand's economy – 97 per cent of all our businesses are small businesses.<sup>1</sup> Small businesses employ 29 per cent of the workforce, with almost 600,000 people employed. We estimate they contribute around 26 per cent of New Zealand's Gross Domestic Product.<sup>2</sup>

Along with the economic benefits to New Zealand, running a small business can appeal to business owners for other reasons. Individual benefits include the ability to pursue individual interests, work flexible hours, gain economic independence and create jobs to give others the opportunity of employment. There are also social benefits for local communities – small businesses help build diverse communities and support local economics by providing a range of goods and services.

Members of the Small Business Development Group (SBDG) represent this diverse sector and provide government with insights about how they are affected by policy changes. In 2015, the Minister for Small Business invited the SBDG to write a report outlining the work it had done in the past three years of its term. The report made recommendations about how government can create an environment that makes it easier for small business to do business. The SBDG's Report includes the following key points:

- communicating clearly and effectively with small businesses is important and an area where government could do better
- technology is transforming the way businesses operate and many small businesses find it challenging to keep pace with the changes
- recommendations of things that would make it easier for small business to do business focused on:
  - clearly communicating the relevance of the Business Growth Agenda (BGA) for small business
  - fairness of employment legislation
  - considering the effect of tax timing for small business cashflow
  - clearly communicating the changes to health and safety legislation
  - helping businesses access advice and support
  - providing clarity about the Christchurch city rebuild
  - understanding the implications of small business succession
  - ensuring small businesses have the right access to technology.

This Government response addresses the issues the SBDG has raised. In summary:

- government is working to improve how it communicates information about the BGA initiatives that are most relevant to small businesses. This includes information about Result 9 - Better for Business and free trade agreements
- changes made to the tax system as part of Budget 2016 will make it easier and simpler for small businesses to comply with their tax obligations
- government continues to communicate with small businesses to ensure they understand the changes to health and safety legislation

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<sup>1</sup> Defined in New Zealand as businesses that have fewer than 20 employees.

<sup>2</sup> Small Business Factsheet 2016, MBIE, <http://www.mbie.govt.nz/info-services/business/business-growth-agenda/sectors-reports-series/the-small-business-sector-report-and-factsheet>

- programmes that support small business such as the Regional Business Partners and business.govt.nz are always looking for ways they can improve the service they provide
- progress has been made towards the rebuild of central Christchurch and government is working to improve the timeliness and usefulness of the information it can provide about the remainder of the rebuild
- government is investigating the SBDG's concerns about small business succession and exit planning to determine if there is scope for any government support
- ensuring small businesses have access to the right technology is important to government – this includes the roll out of Ultra-Fast Broadband and the Rural Broadband Initiative; promoting the smart and secure use of ICT by businesses; and supporting SMEs to build cyber security capability.

You can see from this response that the SBDG's perspective encourages government to carefully consider the impact policy changes have on small business. This process ensures small businesses will continue to play a key role in growing our economy. Government looks forward to engaging with small businesses in the future.

The following government agencies and Crown entities have provided content for this response:

- Christchurch Earthquake Recovery Authority
- Inland Revenue
- Local Government New Zealand
- Ministry of Business, Innovation and Employment
- Ministry of Foreign Affairs and Trade
- National Cyber Policy Office
- New Zealand Trade and Enterprise
- WorkSafe New Zealand

## The Business Growth Agenda for Small Businesses

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### Small Business Development Group Recommendation 1

That government increase the relevance of the Business Growth Agenda (BGA) for small business by:

- a. Ensuring that the needs of small business are considered when updating BGA actions;
- b. Improving the communication of success indicators to clearly illustrate the benefits small businesses gain from Free Trade Agreements (FTAs), and increase momentum in signing up to new FTAs;
- c. Prioritising better alignment of central and local government to help reduce the delays associated with regulatory compliance; for example, gaining Resource Management Act consents, or food safety regulation; and
- d. Identifying and removing bottlenecks within the compliance and regulatory system, such as police vetting.

### Government response

The Business Growth Agenda (BGA) helps shape the government's economic growth programme. Small businesses play a critical role in New Zealand's economic growth and provide valuable insights for the development of BGA actions. Continuing to gain these insights, through the SBDG and other avenues, will be an important part of achieving the goals of the BGA.

### Part A – considering the needs of small businesses

The BGA focusses on the six key inputs that businesses tell us they need to grow and succeed: export markets, investment, innovation, skills, natural resources and infrastructure. Across all this are three important cross-cutting themes: Māori economic development, regional economic development, and regulation. We agree with the SBDG that the BGA should be relevant to small businesses.

BGA officials are working to improve how they engage businesses in developing and implementing BGA actions. For example, our engagement has included workshops, outreach events, advisory groups and report launches. Small businesses participate in these events. Officials are also working to ensure that any upcoming activities, engagements or communications are tailored to small businesses.

### Part B – Free Trade Agreements

We welcome the SBDG's recommendation on Free Trade Agreements (FTAs). We are very committed to supporting small businesses in extracting full value from New Zealand's network of FTAs.

FTAs only ensure stronger trade flows, enhanced productivity, or deeper global connections when used by businesses. This requires ongoing engagement between government and businesses to promote FTAs and their benefits. This is particularly the case with small businesses, which may not have the resources to research FTA opportunities and how to take advantage of them

We know that some small businesses do not fully engage with FTAs because of:

- the uncertainty and risk associated with using an unfamiliar agreement
- new challenges arising from changes to the business/trading environment

- complexity when there are multiple agreements
- additional cross border regulatory issues such as customs, taxation, and business visas.

We are keen to work further with business, and the SBDG in particular, to provide the information and support necessary to help businesses navigate through these issues. The Ministry of Foreign Affairs and Trade (MFAT) is promoting New Zealand's network of trade agreements to raise awareness among smaller businesses about how they can capitalise on the opportunities these agreements create. A number of measures have been taken in support of this, including:

- updating, simplifying and consolidating the information on FTAs on MFAT's website
- developing a web tool ('Tariff Finder') to enable small businesses in particular to quickly and easily check the benefits of FTAs in relation to the business's goods exports, compare FTAs and markets, and learn the information and process required to take up those tariff advantages<sup>3</sup>
- developing a map ('FTA Journey') to help businesses step through the processes to use an FTA for goods exports and claim preferential tariff rates
- regular engagement by government agencies that work on FTAs (in particular, MFAT, New Zealand Customs and New Zealand Trade and Enterprise (NZTE)) with businesses through events arranged by business groups throughout the country and by specific FTA related events organised by government.

### **Part C – Central and local government alignment**

Local government plays a major role in supporting small business across New Zealand. It provides in excess of \$8.5 billion worth of expenditure per annum in critical infrastructure and services that allow business to operate and grow at the local level.

Local Government New Zealand (LGNZ) is the national association for local government representing all 78 councils across New Zealand. LGNZ manages the relationship between central and local government and plays a key role in coordinating and advocating on any proposed legislative changes proposed by central government. Over the last three years LGNZ has become more proactive at engaging with central government on local government matters and the result is more robust debate and better alignment on the issues that matter to New Zealanders.

LGNZ's is leading the Local Government Excellence Programme a new initiative to help councils demonstrate and deliver value to their customers and communities. The programme includes an independent assessment of council performance across four priority areas, one of which is communication and engagement with businesses and the public. Each participating council will be provided with a formal assessment rating, a commentary on their overall performance, and a rating under each of the four priority areas. This information will be made publicly available.

In 2014, LGNZ launched the Business Friendly Councils Guidelines in partnership with the Ministry of Business, Innovation and Employment (MBIE). The guidelines are designed to help improve the councils' business relationships. The objective is to guide the development and resourcing of business friendly policies in councils. Business friendly policies that are properly resourced will improve councils' engagement with local businesses particularly with the quality and efficiency of councils' service delivery.

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<sup>3</sup> <https://tariff-finder.fta.govt.nz/>

In the next 12 months LGNZ intends to develop a proactive agenda of regulatory reform on legislation affecting local government which imposes high and unnecessary costs on communities. LGNZ continues to work closely with central government around legislative and regulatory changes including implementation of the Food Act 2014 and other initiatives such as actions arising from the Rules Reductions Taskforce.

LGZ released its paper "[A blue skies discussion about New Zealand's resource management system](#)" in December 2015. Following feedback on the paper it has now established a project to look more closely at what a fit for purpose resource management system should look like.

## **Part D – Reducing compliance**

The Result 9 - Better for Business programme is a partnership of government agencies working to make it easier and more efficient for business customers to deal with government. It supports the implementation of the BGA by helping to build a more competitive and productive economy.

Through research and consultation, we look for the pain points businesses face and make changes to make it easier for business. For example, one initiative this programme has developed is the New Zealand Business Number (NZBN). The NZBN is a unique identifier for New Zealand businesses to use in their dealings with government agencies. It will mean businesses will not have to update their details multiple times across many agencies.

The list below provides a snapshot of other improvements made by Result 9 - Better for Business agencies for business customers.

- Inland Revenue's MyIR Mobile Application is a free mobile app that enables registered customers to file GST 101 returns, pay tax by credit card, update personal details and get due date alerts.
- The Employer Registration service allows new companies to register as an employer with Inland Revenue at the same time they are incorporating their business, using the Companies Office website.
- Statistics New Zealand has reduced the need for businesses to fill in survey forms. Some business customers are taking part in a trial to see whether financial accounting information can be provided electronically from accounting software providers like Xero. The trial aims to improve the quality, range and timing of economic statistics while saving businesses time.
- Immigration New Zealand has made it easier for businesses to interact with them by enabling more visa applications to be completed online. The 'Apply on Behalf' functionality enables employers to submit applications online for their employees.
- The Ministry for Primary Industry's new online tool, 'Where do I fit'<sup>4</sup>, makes it easy for food businesses, and anyone involved in selling food, to find out what rules they need to follow under the new Food Act 2014.

We are continually working with government agencies to reduce compliance for business. Updates on our progress can be found on the Result 9 - Better for Business webpage:

<http://www.mbie.govt.nz/info-services/business/better-for-business>

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<sup>4</sup> <https://www.mpi.govt.nz/food-safety/food-act-2014/where-do-i-fit/>

## Employment Legislation

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### Small Business Development Group Recommendation 2

That government review employment legislation with the view to creating greater balance in representing the rights of both parties – employees and employers. In particular:

- a. Evaluating the 90 day trial with a view to extending the length of the trial period; and
- b. Introducing more water-tight, risk free processes that are more equitable to limit personal grievances.

### Government response

New Zealand's suite of employment legislation is aimed to be flexible and fair for both employers and employees.

#### Part A – the 90 day trial

The government considers the trial period provision in the Employment Relations Act 2000 is working effectively to give businesses the confidence to take on new employees. We have received generally positive feedback from employers since the introduction of trial periods.

The government is pleased that small businesses are finding the 90 day trial useful. The 2013/14 National Survey of Employers shows that 63 per cent of employers who had taken on one or more new employees in the previous 12 months had used a trial period, and 20 per cent of employers who had used a trial period had dismissed at least one employee during or at the end of a trial period.

A relatively large proportion of employers are using trial periods and there is evidence that this is because it lowers the costs and risks when hiring. It appears that trial periods, when implemented correctly, have reduced dismissal costs for employers and supported faster and more efficient dismissal processes.

While a useful mechanism, the evidence has not indicated a need to extend the length of the trial period. Based on this, government is not considering extending the length of trial periods but will continue to monitor the impact of this policy.

#### Part B – Equitable processes

The government considers that the personal grievance provisions provide a fair process for employees who have genuine grievances, while ensuring that employers have enough certainty about the process. For example, the 90 day time limit for raising a personal grievance gives an employee enough time to consider whether to make a grievance. It also means that an employer is aware within a reasonable timeframe whether an employee will lodge a personal grievance against them.

The Employment Relations Act 2000 also provides guidance on what is considered within scope for making a personal grievance, and states the expectations that an employer must meet when dismissing an employee, otherwise known as the test of justification.

The personal grievance system was reviewed in 2010/11. This review indicated that major changes to the personal grievance system were not required. However, the review did lead to changes to help make the personal grievance provisions clearer, such as codifying the minimum requirements of a fair and reasonable process (test of justification) and including a provision that takes into account an employer's resources when dealing with a personal grievance claim. The government considers the level of prescription for the process is acceptable and equitable for both employers and employees.

## The impact of tax

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### Small Business Development Group Recommendation 3

That government consider the effects of: provisional tax timing and penalties on small business cash-flow and business cycles; and the cumulative burden of compliance costs.

#### Response

Compliance costs can be significant relative to the size of the business. Tax has been consistently ranked by businesses as their highest compliance priority, and it often contributes the most to their overall compliance burden. Compliance costs are also higher for smaller businesses compared with larger businesses which tend to have better tax understanding, financial systems and business processes.

Government recognises that meeting tax obligations can be a particular challenge for small businesses. Through Inland Revenue's Business Transformation programme, and as part of Budget 2016, we are making changes that will modernise the revenue system. This will ensure it is easier for small businesses to comply with their tax obligations, reduce their compliance costs and improve overall levels of compliance.

New technology provides an opportunity to modernise the way businesses calculate and pay tax. The focus in the future will be on providing relevant and timely information as a by-product of a business's normal processes.

Better business tax will make it easier for small businesses to comply with their tax obligations through:

- simplifying provisional tax by changing some of the rules to increase certainty
- introducing a new calculation method for provisional tax based on more real-time information so that payments better reflect cash flows
- modernising and extending the withholding rules to reflect the way people work and do business
- reducing the impact of late payment penalties to focus more on recognising that businesses are attempting to comply
- sharing more information about those who do not meet their obligations to better protect New Zealand businesses
- simplifying rules to making it easier to calculate tax and correct errors.

Unless indicated, these changes will take effect from 1 April 2017.

#### *Changes to provisional tax to increase certainty*

Businesses want simplicity and certainty when dealing with tax, particularly provisional tax. The changes being made will remove a significant source of stress for businesses, and reduce the time and effort they spend on meeting their provisional tax obligations. The changes are:

- increasing the residual income tax limit before use of money interest is imposed (commonly known as the “safe harbour”) from \$50,000 to \$60,000, and extending it to non-individual taxpayers
- removing use of money interest for the first two provisional tax instalments for all taxpayers who use the standard method to calculate and pay provisional tax (commonly referred to as the “uplift method”).

These changes will mean fewer businesses will be exposed to use of money interest. 67,000 taxpayers will have no use of money interest on provisional tax and a further 19,000 will only be liable for use of money interest from their last instalment date.

#### *More accurate and timely payment of provisional tax*

Provisional tax starts with the presumption that income is earned evenly over the year; a presumption that does not work well for businesses with seasonal or volatile incomes. The changes being made will make it easier for taxpayers who earn income unevenly during the year to pay their tax when income is earned. The changes are:

- introducing a new provisional tax method for taxpayers with a turnover of \$5 million or less that uses accounting results to determine payments (to be known as the “Accounting Income Method” or AIM)
- allowing a closely held entity to pay provisional tax as agent of the shareholders, and potentially removing them from provisional tax. This could benefit the shareholder-employees of 300,000 companies.

These changes will take effect from 1 April 2018 and will mean businesses will be better able to match their tax payments to when their income is earned and fewer business owners will have to pay provisional tax.

#### *Modernising and extending the withholding rules*

Withholding tax rules have not changed for many years, although the labour market has undergone significant shifts. More self-employed people are working in industries not covered by the withholding tax rules, and contractors are increasingly working through company structures. The changes being made will ensure the withholding system accommodates the way people now work and do business. The changes are:

- allowing contractors to select their own withholding rate
- extending the withholding rules to cover labour-hire firms
- enabling contractors to opt in to voluntary withholding agreements.

These changes will provide the 130,000 businesses subject to withholding and more than 4,000 labour-hire contractors with better self-management options. Businesses that select a withholding rate that matches their full year tax liability will no longer have to pay provisional tax.

#### *Making the system fairer by reducing the impact of late payment penalties*

Late payment penalties compound quickly and can result in taxpayers feeling overwhelmed and unable to see a way to resolve their tax debt. The change being made will help to ensure that penalties and interest do not act as a disincentive to compliance. We are:

- removing the one per cent monthly incremental late payment penalty from new GST, income tax, and Working for Families debt.

This change will reduce stress on businesses and families, and will benefit approximately 65,000 taxpayers with income tax debt, 67,000 taxpayers with GST debt and 23,000 families with Working for Families tax credit debt.

*Sharing more information about those who do not meet their obligations*

The need to keep tax information confidential must be balanced against the administration of the tax system, economic efficiency and growth, and wider government outcomes. Two new measures will better protect the New Zealand business community. They are:

- disclosure of significant tax debt to credit reporting agencies, subject to certain criteria being met
- sharing information regarding serious offences (those punishable by 4 years or more imprisonment) with the Registrar of Companies, subject to certain criteria being met.

These changes will help prevent harm to other businesses and promote public confidence in the integrity of New Zealand's business environment.

*Making it easier to calculate tax, correct errors, and reduce paperwork*

Other new measures are being introduced to simplify tax rules for businesses. They are:

- simplifying fringe benefit tax (FBT) for closely held companies
- increasing the threshold for self-correction of minor errors
- simplifying the calculation of deductions for vehicles and premises
- removing the requirement to renew resident withholding tax exemption certificates annually
- increasing the threshold for annual FBT returns from \$500,000 to \$1 million of pay-as-you-earn (PAYE)/employer superannuation contribution tax (ESCT)
- modifying the 63 day rule on employee remuneration.

These changes will enable businesses to spend more time running their business and less time on tax compliance.

## Changes to health and safety legislation

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### Small Business Development Group Recommendation 4

That government provide plain English communications about the changes to health and safety legislation through mainstream media and invest in communicating more effectively to small business in high risk industries.

### Government response

The Health and Safety at Work Act (HSWA) 2015 came into force on 4 April 2016. The SBDG recommendation reflects concerns from small business owners about what the changes in the legislation mean for them. Government recognises this and are working to mitigate their concerns.

WorkSafe New Zealand has an extensive programme of communications, marketing and face-to-face engagement underway to help New Zealand businesses understand:

- their obligations under HSWA and related regulations
- what they need to do to comply with these, and, most importantly
- why New Zealand needs to think about work health and safety differently.

This means going beyond concerns about 'tick box' compliance, to focus on the risks inherent in different work activities and work places. Businesses need to take proportionate steps ('as far as reasonably practicable') to either eliminate or manage those risks. The HSWA is about recognising that work health and safety is an important contributor to the overall health and performance of a business.

WorkSafe is using a range of media outlets, from traditional mainstream media such as television and radio through to digital approaches such as webpages and social media, to ensure key health and safety messages are reaching the right people. These messages set out the reasons for changing the way we think about work health and safety; correct misreporting, myths and inaccurate information; and provide plain English HSWA-related articles targeted at a range of different audiences.

WorkSafe has also enlisted business champions who provide real life examples of health and safety thinking at the heart of good business management across a range of industries.

To develop its resources for business, WorkSafe has engaged directly with a wide range of sectors and businesses throughout New Zealand, including the SBDG. This consultation has fed into the development of the wealth of information available on the Worksafe website<sup>5</sup> about the HSWA, and what it means for small business. This includes regularly updated FAQs and myth-busters. Businesses can also find a wide range of tools and resources to help them understand their obligations and apply the legal concepts practically in their own business environment. Some examples include:

- a risk management framework, sector specific scenarios and other resources to help businesses take a tailored and proportionate approach to managing their risks
- advice about how to engage and interact with workers in health and safety to overcome barriers to engagement, with case studies to further illustrate some of these techniques
- dedicated questions and answers on a broad range of issues including, for example, how the changes affect volunteers or on Directors' duties.

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<sup>5</sup> <http://www.business.govt.nz/worksafe/hswa>

WorkSafe and business.govt.nz have collaborated to produce complementary online materials for different audiences. Business.govt.nz has been working closely with WorkSafe and ACC to ensure plain English communications are developed. The result of this is that for over a year business.govt.nz has published an article each month in its e-newsletter which addresses a key area of concern for small businesses. These articles have been read in excess of 100,000 times, and been quoted in mainstream media. Business.govt.nz has also released a new section on Health and Safety<sup>6</sup>, including new supporting visualisations called 'How to keep people healthy and safe' and 'Tips for great health and safety talks'.

WorkSafe monitors calls to its call centre, website analytics and email feedback, to help it understand the demand for information and resources. Using this information, WorkSafe develops additional information and resources that are relevant to business needs.

WorkSafe continues to work with the SBDG to ensure that information about HWSA is clear, relevant and accessible for small business.

#### *Small Business and the Injury Prevention Action Plan*

ACC and WorkSafe are developing an Injury Prevention Action Plan (the plan). A joint approach will reduce duplication in activities, making the most of the government's and levy payers' investment in injury prevention. It will also ensure businesses get consistent and clear messages from these two agencies about how to prevent injuries and harm.

The plan will include a focus on small businesses. This work is in the beginning stages and insights and ideas will be tested with the SBDG as the work progresses.

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<sup>6</sup> <http://www.business.govt.nz/laws-and-regulations/health-safety>

## Making it easier for small businesses to do business

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### Small Business Development Group Recommendation 5

That government continue to make it easier to do business and access information and advice easily by:

- a. Upskilling advisory services within the Regional Business Partner Network, ensuring consistent delivery across regions and assessing which regions have a greater demand for services;
- b. Continuing with the 'Better for Business' (Result 9) programme that aims to reduce compliance costs for businesses and ensuring the SBDG's views inform how initiatives are developed and implemented;
- c. Improving the responsiveness of government agencies to assist complex start-ups through, for example, key account management; and
- d. Providing further support for developing business.govt.nz to become the main channel for small business and government to interact.

### Government response

Small businesses are fundamental to the New Zealand economy. They employ almost a third of all employees in New Zealand and produce an estimated 27 per cent of New Zealand's Gross Domestic Product. Making it easier for them to do what they do is good for business, and good for New Zealand. Our policy settings are amongst the best in the world – we are ranked second overall for the ease of doing business in the World Bank Group's report, *Doing Business 2016: Measuring Regulatory Quality and Efficiency*<sup>7</sup> and ranked first for ease of starting a business. But we can always do better.

### Part A – Regional Business Partners

The Regional Business Partner Network (RBP) is jointly funded by NZTE and Callaghan Innovation to support any business owner seeking to innovate and grow their business.

Government agrees with the SBDG that one of the challenges in the past has been ensuring that businesses have access to a consistent level of service across all regions. The RBP programme is implementing a number of changes to help achieve this.

1. New contracts with RBP organisations require that staff employed as RBP business advisors dedicate at least 80 per cent of their time to the role. This ensures that delivery of the RBP services is their core focus, which was not always the case in the past.
2. NZTE and Callaghan Innovation are providing additional training to all the business advisors they are funding to ensure everyone is delivering a customer-centric service when delivering RBP services. These events also provide business advisors with opportunities to discuss their roles and compare how they do things with business advisors from other regions.
3. The RBP network is rebranding with a new look due to launch in August 2016. The rebrand aims to reduce confusion amongst businesses as to the differing roles of NZTE, Callaghan Innovation and the RBP. It will also ensure a more consistent feel for how the programme is delivered throughout the country. The new brand focuses on the customer experience and feedback collected from businesses has been used to develop this.

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<sup>7</sup> <http://www.doingbusiness.org/reports/global-reports/doing-business-2016>

## **Part B – Result 9 - Better for Business continues to engage small business**

The Result 9 - Better for Business programme enjoys a positive, working relationship with the SBDG. As a group the SBDG has provided invaluable input for the formation of key programme initiatives such as the New Zealand Business Number and R9 Accelerator. The programme looks forward to continuing this relationship and will look to engage and take the views of the SBDG into account as it strives towards delivering on its vision of 'business gains value from easy and seamless dealings with government'.

## **Part C – Improving Government responsiveness**

The goal of the Result 9 - Better for Business work programme is to make it easier for business to deal with government. Part of this involves looking at ways of making government more responsive to business. Some of the initiatives underway to do this are:

### *Making it easier to deal with multiple government agencies*

Government agencies have looked at each of the business services they offer and are working together to connect these where relevant. The Employer Registration Service, mentioned earlier, is an example of this.

Result 9 - Better for Business is also working on is making it simpler for those business customers which need to work across more than one government agency to complete a single activity. The initial results of this work are expected in early 2017.

### *R9 Accelerator process*

The R9 Accelerator trials the private sector accelerator process within government. It partners private sector entrepreneurs, developers and mentors with public sector staff on projects to rapidly develop government products and services that could solve major pain points for New Zealand businesses. The second accelerator pilot is underway with ten government agency opportunities being explored by ten teams.

### *Business transformation programme*

Further improvements are also expected as agencies continue to deliver on their major transformation programmes and existing partner agency initiatives. The Inland Revenue tax changes as part of Budget 2016 is one example of how businesses can expect to see ongoing changes and improvements from government.

## **Part D – business.govt.nz**

MBIE recognises business.govt.nz as a key channel for making it easier for small business to access government information and advice. Tools and resources it has introduced include:

- Compliance Matters – features information from 13 government agencies about what businesses need to do to be compliant. This online tool gives business an easy way to identify and action their compliance requirements
- the Employee Cost Calculator which gives small business an estimate of upfront and ongoing costs of hiring a new staff member. It's complemented with its 'Staff & HR' section which covers a variety of employment topics

- ONECheck – enabling business owners to do a company name, domain and trademark search, all in one place. This tool has been used more than 800,000 times since its launch in 2012
- the Employment Agreement Builder enables small businesses to easily create relevant, legally compliant agreements for their staff, from any device. It is a simple, easy to use and intuitive tool tailored to the needs of small business. As of 15 April, since its launch on 4 April, 5,500 people have accessed the tool, completing more than 1,700 employment agreements. The average user score for the tool is 4.6 stars out of 5.

Increased funding in 2015/16 has ensured the ongoing enhancement of business.govt.nz. This funding has enabled an acceleration of business.govt.nz's work programme, with the goal of providing increased value to significantly increased numbers of small businesses. Some of the examples of this additional work include:

- new Tax and Finance, and Health and Safety sections
- new business plan templates
- additional resource focus on the newsletter, now distributed to 170,000 small businesses
- development of a research group of over 100 small businesses to test ideas more frequently.

This additional support has helped increase visits to the business.govt.nz site by 55 per cent in the last 12 months.

## Canterbury Earthquake Recovery

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### Small Business Development Group Recommendation 6

That government provides greater clarity about anchor projects in Christchurch's central business district to provide certainty and confidence for business planning.

#### **Government Response:**

Since the devastating Canterbury earthquakes in 2010 and 2011, Government has been supporting the region to rebuild. Progress has been made but there is still a long way to go. Businesses want to re-establish themselves in the region and in the city and need to be confident that infrastructure, anchor projects and customers will be there. Government is supporting them to gain the certainty and confidence they need to do this.

Planning for a well-functioning Christchurch central city, restoring the confidence of the business sector to enable economic recovery and growth, and facilitating the recovery and development of the Central Business District are all part of the overarching economic goals set out in the Christchurch Economic Recovery Programme.

Christchurch will recover from the earthquakes and is already well on the way to being an exciting and vibrant city and region once again, leading New Zealand's business and innovation. Some delays for the anchor projects over the past 18 months may have caused a sense of frustration, particularly for business owners. We should note, that progress is being made, for example:

- Hagley Oval was re-opened by the Prime Minister in September 2014. The Oval hosted 20,000 spectators during the 2015 Cricket World Cup
- the Bus Interchange building was officially opened on 29 October 2015
- construction of Te Papa Ōtākaro/Avon River Precinct is well advanced on the section of The Terraces between Cashel and Hereford streets
  - the Margaret Mahy Family Playground was officially opened on 22 December 2015
  - the Victoria Square Restoration Plan has been released, completing a six-month community participation process. Construction is expected to commence in May 2016
- several major projects in the Retail Precinct are scheduled to be completed by late 2016, including BNZ Cashel Square, The Crossing car park, the ANZ Triangle Centre and The Terraces Stages 1 and 2
- the Innovation Precinct is operating with a number of key businesses, including GreenHouse, EPIC, Kathmandu and Vodafone occupying the space.

When completed, the anchor projects will add enormously to the success of the city.

Government is working to improve the timeliness of information about the rebuild and to make it more useful for investors, business and the wider community. MBIE plans to make quarterly reports available to the public to provide transparency to the market and help businesses plan. Further information about accessing these reports will be available by August 2016.

## Succession planning

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### Small Business Development Group Recommendation 7

That research is carried out into the implications of significant numbers of small business owners retiring without sound succession and exit plans.

### Government Response

Succession and exit planning has always been something that businesses have had to consider. It may be that the business owner set out from the beginning to on-sell the business or the business has been passed down through the family for generations. We know that succession planning is not always a strength of small businesses. The results of ill-planned successions can have adverse effects on business owners and their families, struggling to reap the rewards of years of hard work. Other businesses are affected too through interruptions to supply chains, and local communities when goods and services are no longer available.

It is likely that the market will respond to individual or small scale instances of these events. With the baby boomer generation reaching retirement age, the SBDG is concerned about the impact of large numbers of businesses no longer operating because they did not have sound succession plans in place.

There is some information about succession planning available to small businesses through [business.govt.nz](http://business.govt.nz) and through business advisors in the RBP network. Government is considering the advice and support it provides to family businesses, and succession has been a key component of this work. It is also proposing to complete an initial piece of research to determine whether a lack of succession planning will have an impact on the wider New Zealand economy due to our aging population.

## Access to technology through ultra-fast broadband

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### Small Business Development Group Recommendation 8

That government ensure small businesses have the right access to technology through access to ultra-fast broadband, both in urban and rural areas.

### Government Response

We agree that government has a role in facilitating access to the right technology for small businesses. Digital technology is now an essential business tool to compete on the global stage. With the speed of digital change happening so fast, standing still in this space can mean falling further behind. Government recognises this and is committed to providing a strong connectivity infrastructure in which businesses can thrive. Government also wants to see businesses making better use of ICT that builds in cyber security capability, as outlined in the Government's 2015 Cyber Security Strategy.

The first phase of Ultra Fast Broadband (UFB) is being rolled out to New Zealand's largest cities and towns, where the greatest population density means the greatest number of people will benefit.

- The first phase of the UFB programme will enable 75 per cent of New Zealanders to access fibre to the premises by the end of 2019.
- In March 2015, government confirmed that the UFB programme will be extended to reach at least 80 per cent of New Zealanders.
- A list of additional towns to receive fibre to the premises will be announced once contracts have been finalised with suppliers.
- We are also investing \$450 million in the Rural Broadband Initiative (RBI) and Mobile Black Spot Fund to bring faster broadband and extended mobile coverage to rural and remote areas. The first phase of the RBI will see 90 per cent of homes and businesses outside UFB areas able to connect to broadband by the end of 2017.
- The uptake of UFB services in New Zealand is at over 20 per cent of those able to connect. Small business uptake has not risen as quickly as personal uptake. Personal use is being driven by an increase in video on demand streaming services like Netflix, and slower business uptake may be because there is not an equivalent transformative technology that is driving uptake.

We want to support business uptake of fibre and help SMEs see the benefits and potential to transform their business practices to become more efficient and productive. Below are some of the ways government is promoting the smart use of technology by businesses.

#### *Digital Journeys*

Government supports the Digital Journey tool – an online assessment that helps firms assess their digital maturity against similar firms, and creates a personalised action plan for the next steps for a business. This tool is used to provide a map of digital capabilities across sectors and regions, and to build digital capabilities amongst users.

#### *NZTE Better by Digital*

To help New Zealand businesses lift their digital capability NZTE launched Better by Digital in December 2015.

Better by Digital is a programme designed to help firms maximise return on investment from digital technologies. While the focus is on providing services to NZTE's F700 customers, some of the resources on digital fundamentals are available to everyone through NZTE's website.<sup>8</sup>

The part of the programme available to all businesses is Digital Kickstart – an online digital toolkit that builds customers' digital knowledge and understanding. This includes the Digital Business Academy, a free series of online courses that teach the digital business skills needed to bring your existing business online, or to start a new business online. These include learning how to start and finance a digital business, how to develop digital products, and how to develop digital marketing campaigns.

### *Connect Smart and Improving the Cyber Security Capability of SMEs*

A key part of Government's role in ensuring small businesses have the right access to technology, is ensuring they access this technology securely and effectively. Cyber crime is growing and small and medium businesses are increasingly becoming the targets.<sup>9</sup>

In response to the growing risk and potential for losses from cyber crime and other malicious cyber attacks across the economy, the government launched the Cyber Security Strategy in December 2015. The overarching goal of the strategy is to create a secure, resilient and prosperous online New Zealand. Improving the cyber security capability of small and medium enterprises is part of the strategy.

A key action in the strategy is establishing a new service called a CERT.<sup>10</sup> Government has provided \$22.2m over four years as part of Budget 2016 to set up CERT New Zealand. The CERT will provide up-to-date advice and information for New Zealand business, including small businesses, on cyber security. It will assist small business by providing a trusted place to go to report attacks or breaches, to find out about threats, and to receive advice and information on preventing attacks, or responding to incidents if they do occur. Over time, the CERT will publish information and advice specially formulated for small business.

A CERT is an internationally recognised organisation that will contribute to our country's overall cyber security, and build international links to respond to what is often a cross border issue, as many attacks originate off shore.

One of the key actions in the strategy for SMEs is the development of a "cyber credentials" scheme. The scheme will help SMEs demonstrate that they are cyber secure to their customers and suppliers. It will promote the key actions needed to make a big difference to a business' cyber security. A dedicated workshop on *'Making a difference to the Cyber Security of Small Business'* was part of the Government's Cyber Security Summit in Auckland on 5 May 2016. Strong cyber security is a key platform for thriving in a digitally connected world.

The Connect Smart website and brand were set up to help build cyber security capability across the economy, including for small businesses. Information, advice and tools are made available to business through Connect Smart website.<sup>11</sup> The website includes an online questionnaire and a "SME Cyber Security Toolkit". Businesses also have the opportunity to partner with government and other businesses in an ongoing campaign to build cyber security capability.

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<sup>8</sup> <https://www.nzte.govt.nz/en/how-nzte-can-help/getting-help-to-grow-internationally/our-programmes-and-services/better-by-digital/>

<sup>9</sup> Ponemon Institute Research Report: 2015 Cost of Cyber Crime Study: Global

<sup>10</sup> CERT was once an acronym for a "Computer Emergency Response Team". Since 1997, CERT has been a registered trade mark of the Carnegie Mellon University

<sup>11</sup> <https://www.connectsmart.govt.nz>