



## COVERSHEET

<b>Minister</b>	Hon Stuart Nash	<b>Portfolio</b>	Small Business
<b>Title of Cabinet paper</b>	A Focus on Small Business	<b>Date to be published</b>	2 December 2019

### List of documents that have been proactively released

<b>Date</b>	<b>Title</b>	<b>Author</b>
23 October 2019	<i>A Focus on Small Business</i>	<i>Office of the Minister for Small Business</i>
July 2019	<i>The New Zealand Small Business Strategy</i>	<i>Small Business Council</i>
July 2019	<i>Support Structures for the Small Business Sector</i>	<i>Small Business Council</i>
July 2019	<i>Defining Small Business</i>	
23 October 2019	<i>DEV 19 MIN 0284</i>	<i>Cabinet Office</i>

### Information redacted

**YES**

Any information redacted in this document is redacted in accordance with MBIE's policy on Proactive Release and is labelled with the reason for redaction. This may include information that would be redacted if this information was requested under Official Information Act 1982. Where this is the case, the reasons for withholding information are listed below. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Some information has been withheld under free and frank opinions.

In Confidence

Office of the Minister for Small Business

Chair, Cabinet Economic Development Committee

## **A Focus on Small Business**

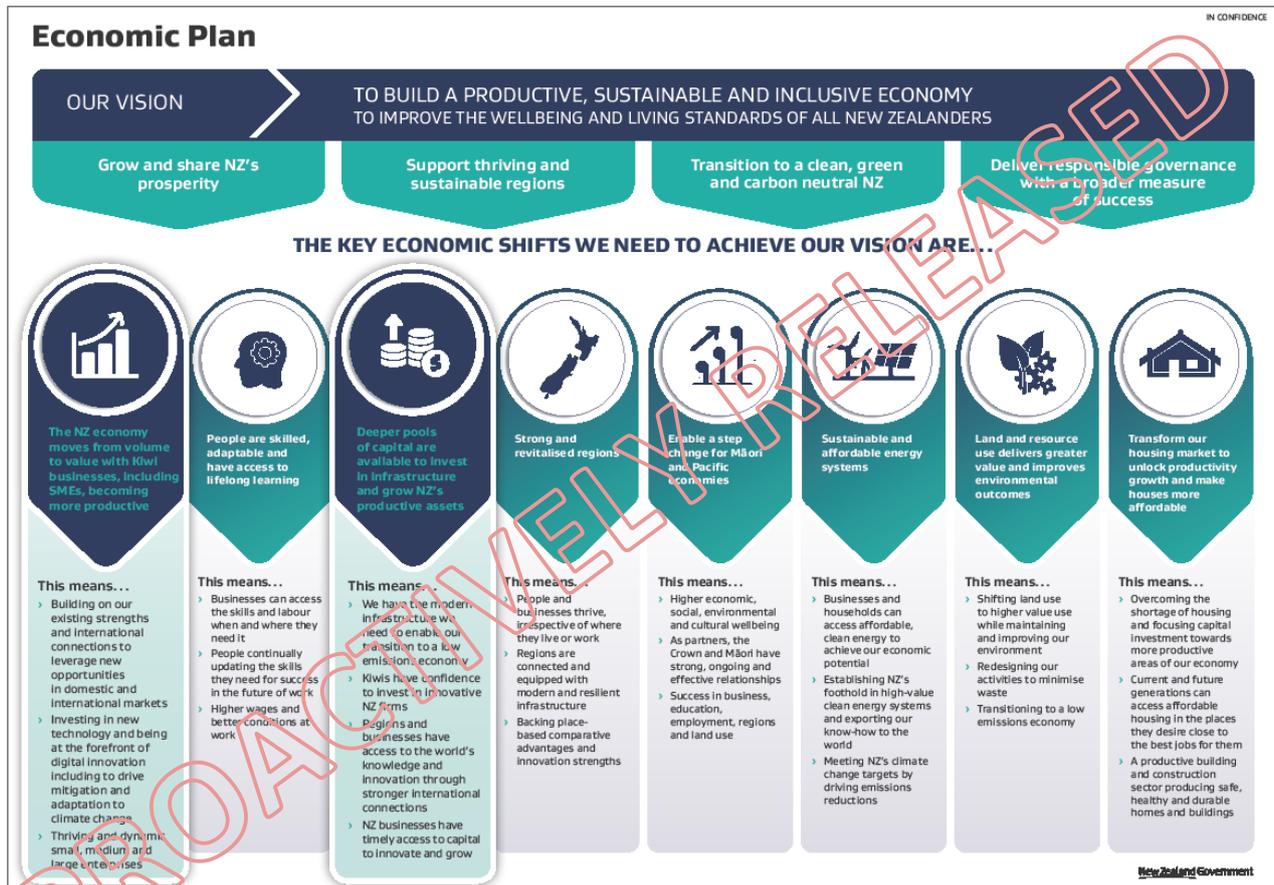
### **Proposal**

1. This paper provides an update to Cabinet on a report by the Small Business Council and proposes an initial response to the Council.

### **Executive Summary**

2. Small businesses comprise 97 per cent of all businesses, employ 29 per cent of New Zealand's workforce and contribute over \$66 billion to our GDP. As such, the performance of our small businesses is a key economic foundation towards achieving our objective for a more productive, sustainable and inclusive economy.
3. The Small Business Council report is well considered and its recommendations provide the basis for a work programme that will lift small business performance.
4. The proposed response can also respond to the Prime Minister's Business Advisory Council. It covers the following:
  - 4.1. Understanding the needs and experiences of small business
  - 4.2. Access to Finance
  - 4.3. Skills and Capability
  - 4.4. Enabling regulatory environment.
5. We are already making good progress in these areas but there is still plenty of work to do to optimise the potential of this important sector of our economy. This work programme gives us the opportunity to better coordinate and align effort across government and innovate in a way that allows small business owners the chance to realise their personal and professional goals.
6. This work also supports the Government's Economic Plan to ensure that New Zealand's economy is productive, sustainable and inclusive. It contributes to two of the key economic shifts we need to achieve this economic vision – moving the New Zealand economy from volume to value with Kiwi businesses, including SMEs, becoming more productive and with deeper pools of capital available to invest in infrastructure and grow New Zealand's productive assets (highlighted below and attached as Annex One).

7. It will do this with a focus on how firms can better access finance and develop their capability, improving their productivity, which may increase the likelihood that they thrive and go on to innovate and export.
8. Māori business development and capability-building is also important to meet the Government's ambition to build for an inclusive economy that supports Māori aspirations and opportunity.



Source: Ministry of Business, Innovation and Employment

9. I propose to use this Cabinet paper and the attached Annex Two as the initial Government response to the Small Business Council report.
10. Many businesses see government as a barrier to success. The primary objective for this work is to change that perception so that government is seen as a key enabler and technology partner in helping companies achieve their goals and objectives.
11. More detailed work programmes will be developed to progress work, enable prioritisation and the allocation of resources.

### Small Business in the New Zealand Economy

12. By the numbers, small businesses comprise 97 per cent of all businesses, employ 29 per cent of New Zealand's workforce and contribute over \$66 billion to our GDP. Many small business owners see government as a barrier to success as they are required to implement regulations and rules that many perceive as inhibiting growth

and taking up valuable time. We want to change this perception so that government is seen as an enabler of future growth and success; whatever that may look like for each business.

### *Our Economic Plan*

13. The success of New Zealand's businesses is key to achieve our objective for a more productive, sustainable and inclusive economy. For small businesses, this success requires businesses to understand and adopt innovative and technology-enabled business practices. Encouraging investment into small businesses so that they can achieve these performance improvements is critical.
14. Our broad policy settings are world leading, as are many of our government services – we are currently ranked number one in the World Bank Ease of Doing Business Survey. More targeted support is available to help those small businesses that have the ambition to scale to be internationally competitive. Small businesses are the nursery for our future global entrepreneurs who are either building their business acumen or waiting for a global market opportunity to ripen.
15. However, we inherited economic settings which meant New Zealanders were having to work harder just to maintain their standards of living. New Zealand has consistently had low labour productivity growth, and recorded negative growth on average between 2013 and 2017.
16. Small business policy will help us transform the economy, as well as help business owners recognise their opportunities and realise their goals, whether this be profitability and growth or simply more time to spend with family and friends and pursuing their passions outside of work. Our key objective is to make running a small business easier so the owners and managers can focus on developing their businesses and thrive.

### *The Small Business Council report*

17. On 27 June 2018, you agreed to establish the Small Business Council to provide advice on establishing a small business strategy [APH-18-MIN-0127].
18. On 5 August 2019, I advised you that the Small Business Council had reported to me [CAB-19-MIN-0388 refers].
19. The Small Business Council report is very much focused on the future. I am pleased that the Small Business Council confirmed New Zealand's business environment compares well with other jurisdictions and that this government has a broad and extensive range of support available to help small businesses develop their performance.
20. As the Small Business Council noted, New Zealand is ranked first in the world for ease of doing business, first equal for least corrupt country, fourth for transparency and thirteenth for competitiveness, so we do some things incredibly well. There is always room for improvement and we must continuously look at how we can do things better.

21. The Small Business Council identified a number of areas where government could invest to help accelerate small business performance further.
- 21.1. Understanding the needs and experiences of small business – the Small Business Council considered that better information is needed to understand the experience of small business in the economy.
- 21.2. Access to finance – the Small Business Council recommended the introduction of a credit guarantee scheme, a capital and lending marketplace, and growth funds to support small business.
- 21.3. Skills and capability – the Small Business Council emphasised further activity to promote digital skills into small businesses and a strengthened programme to lift ambition and capabilities across the sector.
- 21.4. Enabling regulatory system – the Small Business Council recommended the reduction of administrative burden for small business and for Government to lead the way in procurement and payment practices for small business.
22. The Council noted that when looking for advice and guidance, small business will often first turn to organisations they deal with regularly. These are mostly located in the private sector. They say there is no shortage of information on how to set-up and run a small business, however it can be hard to find and access or does not meet the needs of many small businesses. It is important that government works in partnership with the private sector and existing networks on potential delivery rather than assuming if there is a gap government are best placed to fill it.
23. The Small Business Council identified that much of this work sits in portfolios other than my Small Business portfolio.
24. This is a very considered report. I am pleased with the effort and approach taken by the Small Business Council and their sensible recommendations. My officials tell me there is nothing in here that is unfeasible. It is a matter of prioritisation, focus, resourcing and ambition.
25. The Small Business Council recommended that more coordination, alignment and visibility of small business is needed. I agree.
26. One of the Government's great challenges is actually communicating our suite of offerings to the wider small business audience. We need to be more effective at telling our story and communicating our strong value propositions around the tools we have developed and the work we are doing.

*The Prime Minister's Business Advisory Council*

27. The Prime Minister's Business Advisory Council has focused attention on easing the compliance burden on small and medium enterprises (SMEs). The Prime Minister's Business Advisory Council and the Small Business Council worked together on the issues and opportunities facing small businesses. The Prime Minister's Business Advisory Council broadly agrees with the recommendations of the Small Business Council.

28. The Prime Minister's Business Advisory Council also highlighted some key themes, which focused on reducing the compliance burden for SMEs. The Prime Minister's Business Advisory Council recommended that the Government should have a clear and ambitious strategy for SMEs that acts as a key pillar for its overall economic strategy.
29. The Prime Minister's Business Advisory Council also acknowledged the importance of some of the work already being led by the Ministry of Business, Innovation and Employment (MBIE), specifically referencing the agenda, data and measures of the Better for Business programme, which should be forming "a key pillar of the Government's business sector strategy".

#### *International engagement on Small Business*

30. The OECD and APEC are increasingly focused on small business. I have asked officials in my portfolio to increase their engagement with these international organisations so that we can both learn and support new and more effective ways of supporting small business ambitions. For example, I have accepted an invitation from the OECD to lead and champion their Digital for SMEs Global Initiative.
31. I expect that we will also be engaging in other international fora, whether through trade agreements or elsewhere, on our support for small business.
32. We are increasingly using the Single Economic Market agenda with Australia to promote and position small businesses to be successful in trans-Tasman activity. This has included a joint focus on e-Invoicing, business registration and payment practices.
33. Establishing small business as a key part of our economic plan can help to leverage our work across these international settings.

#### **A Small Business Work Programme**

34. There is a clear and compelling opportunity for us to focus on lifting small business performance by working in partnership with small business owners across all sectors of the economy. Our response to the Small Business Council report is an important mechanism to realise this.
35. There are no quick wins here – better supporting small businesses is an issue that governments around the world are grappling with. This means helping them access the right advice at the right time, and also making it as easy as possible for them to interact and comply with the Government. We must be bold in addressing these challenges.
36. Both the Small Business Council and the Prime Minister's Business Advisory Council focused on the increasing compliance facing already overwhelmed small businesses. Many of these compliance obligations are designed to protect our workers, food, fair markets and environment reflecting changes in society's expectations. We must make it as easy as possible for small business to not only comply with these obligations, but thrive because of them.

37. Building the capability and performance of small businesses requires collaboration and coordination across the support ecosystem, including the public, private and regional ecosystem, policy levers, macro and micro settings and regulations. The proposed Public Service Bill will champion this collaborative, cross-government approach.
38. If we are going to maintain a globally competitive environment for small businesses – and enable them to maximise their potential – we need to increase our support and investment in bold, transformative infrastructure that leverages new technology and the capability of our public and private sectors. Without this investment we will not maintain our position as the easiest place in the world to do business, and our small businesses will increasingly struggle to keep up with compliance obligations and global competition.

39. Free and frank opinions



40. I think we can focus work across four main areas. We are already doing a lot in many of these areas.

*Understanding the needs and experience of small businesses*

41. The Small Business Council recommended that we improve the collection and collation of data to provide a comprehensive understanding of the experience of being a small business in New Zealand. They noted that we need to adopt a flexible approach on how businesses are defined across government in a manner that is appropriate to the issue that is being addressed and consider how the context may change over time.
42. Categorising businesses as small, medium and large based on numbers of employees makes sense from a statistical perspective but is less helpful from a policy perspective. Irrespective of size, some firms cope easily with change while other firms struggle. We need to better understand how businesses operate to improve the engagement with them.
43. We already have valuable insights into businesses' experience of engaging with government and how government can engage with the variety of different businesses, including Māori businesses, through the 'Better for Business' programme and business.govt.nz. However, I agree with the Small Business Council that we need to have a more comprehensive understanding of the experience of being a small business owner, but also being a Māori small business as they will all have different characteristics and challenges.
44. I have asked MBIE to undertake a review of business research and statistics, in both the public and private sectors, to see how data can be better used in improving our understanding of and engagement with New Zealand businesses. Also, in November

2019, I will be launching the pilot of a new Business.govt.nz initiative, the Kiwi Business Boost, to reach, understand and better support every business in New Zealand.

#### *Access to finance*

45. The Small Business Council highlighted that access to finance is limiting businesses ability to grow. Options for finance are limited and the assessment and decision processes for finance options are resource intensive and lengthy. The Small Business Council indicated there is no single solution and so recommended a package of proposals to address the situation. These recommendations include a Credit Guarantee Scheme, a lending and capital market place, a Small Business Growth Fund to provide long term and patient funding, and a business grant scheme for new businesses in priority areas.
46. I agree with the Small Business Council that easier access to appropriate finance options is a key issue for businesses, specifically Māori businesses. For example, Māori find it harder to access finance as they often lack comparable asset backing as security as individuals or within broader whānau resources – they often do not own homes, or they have collective assets which cannot be used as collateral.
47. The Small Business Council's recommendations should be considered as part of an overall framework to change New Zealand's investment patterns. A co-ordinated strategy is required to align the various policy settings and ensure investment capital flows to the most productive areas of the economy while recognising the importance of alternative strategies to improving access to finance is relevant to ensuring equitable opportunity for Māori small business.
48. Changing investment patterns is partly about changing direct incentives and rules, but it is also about ensuring the enabling environment and regulatory settings are efficient and create confidence and certainty.
49. We need to consider the priority of this overall framework, noting that a number of work streams are already underway (eg. Venture Capital Fund Bill, financial market regulation amendments, and amendments to tax rules).
50. I propose that this work be a high priority. The Minister for Economic Development and I will report back to Cabinet **Free and frank** on a work programme to improve access to appropriate finance options for businesses.

#### *Skills and capability*

51. The Small Business Council indicated that for a business to reach its full potential, business owners need to have the right capabilities and competencies. A big challenge for small business owners and managers is finding the time to invest in the developing their own capability.
52. The Small Business Council found that just over half of the small businesses that employ staff struggle to recruit people with the right skills. In addition, driven by a wave of rapid technological change, the Small Business Council noted that the whole way of doing business is changing and small businesses need to be able to keep up.

53. The Small Business Council recommended a range of proposals to address these issues, including reviewing the Regional Business Partners network to identify opportunities to extend services to small businesses. The Small Business Council also recommended that Government fund a Small Business Capability and Ambition programme, introduce a technology credit to enable small businesses to purchase business tools, establish a Small Business Transition Fund to support businesses through major changes, and establish digital forums linked into regional business support systems.
54. Government support for business has focused on making information more readily available, and providing support for innovating and exporting firms. The Small Business Council was “surprised ...and impressed” with the breadth and quality of Government’s support for small business, but were disappointed that many of these initiatives are not widely known and used. Māori also find it harder to connect effectively with the existing business ecosystem because of lack of cultural alignment, remoteness and lack of connectivity.
55. In an environment where there are wide differences between high productivity ‘frontier firms’ and the long-tail of other firms (the OECD call it “the Best and the Rest” and the “winner takes all”) there is a need to focus on how firms develop their capability, recognising that skills training and other upskilling will need to be tailored to the needs of all small business, which will improve their productivity, and may increase the likelihood that they innovate and export.
56. Lifting the productivity of our small businesses is a major focus for this government. The Small Business Council noted that this depends, to a large extent, on the management capability of our small businesses and the willingness of their owners to embrace change and take advantage of upskilling opportunities. Last year I launched the New Zealand Business Performance Panel, a group of global experts who work with business.govt.nz to create free resources to help small businesses lift their capability and productivity.
57. We certainly want businesses to grow, however most business owners I meet are passionate about what they produce and are mainly interested in making a living for themselves and their families. Encouraging these businesses to improve productivity, innovate, or export to grow does not necessarily resonate for them.
58. What motivates these business owners is improved wellbeing (eg. less stress, more time for family and activities, supporting their employees) rather than increasing revenue or employing more people. We need to think about how our wider business system is set up to support the wellbeing of these business owners and their employees rather than solely focus on growth.
59. A review of the Regional Business Partners network is being conducted as a first step for considering the wider business support system. I think the Small Business Council’s recommendations should feed into considering the wider business support system and I propose that, with the Minister for Economic Development, I report back to Cabinet on a possible work programme Free and frank .

### *Enabling regulatory environment*

60. According to the Council, small businesses reported that complying with regulations can be onerous and often the value of the regulation is not well understood. There is a lack of consistency and co-ordination between agencies and across regions. Compliance obligations and the costs of meeting those requirements are the same regardless of the size of the business. They can therefore have a disproportionate impact on small businesses as they do not have the scale to dedicate specific resources to completing these processes.
61. The Small Business Council considered putting businesses at the centre of the regulatory system and having that system directed towards enabling business owners to meet their obligations as more likely to be successful than simply forcing compliance without explaining the rationale behind those regulations.
62. The Prime Minister's Business Advisory Council echoed the Small Business Council's concerns about the effectiveness of our regulatory regimes. The Prime Minister's Business Advisory Council suggests the purpose of regulation is often clouded, that requirements are often not actually needed, that there are inefficient and unworkable processes, with duplication and overlap and that user interfaces are unnecessarily complex. The Prime Minister's Business Advisory Council suggests that Government needs a strategy to enable focus on 'making it easy' for business by reducing the compliance burden faced by businesses.
63. The Small Business Council made a number of recommendations, including the establishment of a 'Burden Hunter' unit to identify and mitigate administrative burdens, costs and other compliance impacts for small businesses. The Small Business Council also suggested that Government adopt a positive, early intervention approach to non-compliance.
64. The Small Business Council also recognised the increasing diversity of New Zealand, which is reflected in small business ownership. Regulatory systems and government initiatives directed towards small business owners need to be accessible to, and inclusive of, people of all cultures and languages. As a first step, the Small Business Council recommended that government reach out to business owners whose first language is not English.
65. I agree with the Small Business Council that the regulations Government expects small businesses to implement should be designed considering small businesses' capability and capacity (and subsequently could be adapted for large businesses, if necessary).
66. The cross-agency 'Better for Business' programme has evidence and insights into businesses' experience of engaging with government agencies, including identifying business pain-points and opportunities to make improvements. Potentially this role could be enhanced to provide agencies with insights into the capabilities of the businesses they are working to help with the design of regulations for small businesses. MBIE's stock-take of business research and statistics will also contribute to developing a better understanding of small businesses.

67. As part of its report, the Small Business Council considered support structures for the small business sector and recommended a cross-agency unit to co-ordinate small business focused work across government. This is similar to the existing 'Better for Business' model, the programme office for which is housed in MBIE. MBIE is supportive of work to expand on this approach while noting this may have resourcing implications.
68. Partly in response to the recommendations of the Small Business Council, MBIE has initiated a review of its small business policy and operational functions, with a view to how they can best be organised internally to make a difference to the business community. This includes consideration of how these functions might relate to the cross-agency unit.

### **Responding to the Small Business Council report**

69. I have attached an initial Government response for small business to this paper. The initial Government response provides a detailed response to the 20 main recommendations from the Small Business Council report. The Government response, along with this paper, provides direction for a future small business work programme.
70. I want your support to develop this initial Government response further, so that I can come back to Cabinet with detailed work programmes. Work is needed to focus our effort, to effectively prioritise effort, to identify the costs involved, and to effectively signal and message this initial Government response to small businesses and the community.
71. I will work broadly across portfolios to develop this high level work programme. Like Inland Revenue, once this 18-month work programme has been scoped, I will seek stakeholder and Ministerial feedback. Once confirmed, I propose to publicly release the work programme in order to provide a high level of transparency and certainty – and help communicate our value proposition to a much wider audience.
72. I propose to release this Cabinet paper with the attached table as the initial Government response to the Small Business Council report. I propose to release the Small Business Council report at the same time.
73. Further work is needed to develop detailed work programmes, including prioritisation and resourcing for subsequent work.

### **Consultation**

74. The following departments have been consulted: The Treasury, Ministry of Education, StatisticsNZ, Inland Revenue, Ministry of Primary Industries, NZ Trade and Enterprise, and the Ministry of Foreign Affairs.

### **Financial Implications**

75. This paper has no financial implications. Detailed work programmes will be developed Free and frank opinions

## Legislative Implications

76. This paper has no legislative implications.

## Publicity

77. I have already acknowledged that I have received the report from the Small Business Council.

78. I am proposing to release this Cabinet paper, including the attached initial Government response, and the Small Business Council report following our consideration. This will serve as Government's response to the Small Business Council report.

79. I propose that any communications regarding Government's response to the Small Business Council report be coordinated by my office.

## Proactive Release

80. I intend to proactively release this paper along with the Small Business Council report.

## Recommendations

The Minister for Small Business recommends that the Committee:

1. **Note** the importance of small businesses, as highlighted in the Government's Economic Plan.
2. **Note** that the Small Business Council has provided a considered, positive and strategic report.
3. **Agree** that the Government's response to the report is a clear and compelling opportunity to build on the Economic Plan's focus on improving the productivity of small businesses.
4. **Note** that the Small Business Council report suggests further work in areas such as understanding the needs and experience of small business, access to finance, skills and capability development, and an enabling regulatory system.
5. **Note** the initial Government response [attached at Annex Two], which proposes to:
  - 5.1. Improve data collection to enable better understanding of the needs and experience of small businesses.
  - 5.2. Develop a detailed work programme to improve access to appropriate finance options for businesses.
  - 5.3. Develop a detailed work programme to feed in the Small Business Council's recommendations into a consideration of the wider business support system.

- 5.4. Use the 'Better for Business' programme as a foundation to improve understanding of key business painpoints and help with the design of regulations and cross agency services for small businesses.
6. **Note** further work is needed to develop this initial Government response so that we can effectively prioritise effort, identify the costs involved, and to effectively signal and message this work to small businesses and the community.
7. **Note** this is a compelling opportunity for us to focus on lifting small business performance by working in partnership with small business owners and Māori across all sectors of the economy.
8. **Invite** the Minister for Small Business and the Minister for Economic Development to report back to Cabinet on detailed work programmes in these four areas, [REDACTED]  
Free and frank opinions [REDACTED]
9. Free and frank opinions [REDACTED]
10. Free and frank opinions [REDACTED]
11. **Agree** that this Cabinet Paper and Annex Two serve as Government's initial response to the Small Business Council report.
12. **Authorise** the Minister for Small Business to release the Government response to the Small Business Council report.
13. **Authorise** the Minister for Small Business to make any minor changes necessary prior to release, consistent with the direction in this Cabinet paper.

Authorised for lodgement

Hon Stuart Nash

Minister for Small Business

## Annex Two: Initial Government response to the Small Business Council's recommendations

### Key

Endorse	The recommendation is agreed to.
Consider as a high priority for inclusion in work programmes	The recommendation will be considered as a high priority for inclusion in current work programmes.
Consider for future work programme	The recommendation will be considered for inclusion in future work programmes.
Note work already under way	Work that is in progress.
Agree no further work	No further work considered necessary.

PROACTIVELY RELEASED

Theme	Small Business Council recommendations	Initial Government response
<b>Theme 1 - Understanding the needs of small business</b>	1. Improve data collection to ensure it is representative of the small business sector and provides a comprehensive understanding of the experience of being a small business in NZ.	<p>MBIE has started work on a review of existing business research and statistics in the public and private sectors, and developing a plan for making better use of business insights.</p> <p>The Better For Business (B4B) programme also has established a six-monthly monitor of 2000 businesses, representative of New Zealand businesses, their characteristics, needs and dealings with government which has been running since 2013. An opportunity also exists to explore increased sharing of appropriate business characteristics and behavioural data between agencies to allow increased consistency and coordination of service across the system. This will be scoped for consideration as part of this process.</p> <p>The business.govt.nz initiative the Kiwi Business Boost aims to connect with and understand small business in New Zealand, and with permission linking this understanding with central and local agencies (e.g. through Business Connect) and with local regional business support.</p> <p>The Boost has been funded entirely out of business.govt.nz existing funding and partner support.</p>
	2. Review the Regional Business Partner (RBP) programme to identify opportunities to extend its services to small businesses.	<p>MBIE is currently reviewing the Regional Business Partners (RBP) network and will include identifying opportunities for extending the services.</p>

Theme	Small Business Council recommendations	Initial Government response
<b>Theme 2 - Easier Access to Finance</b>	3. Government introduce a Credit Guarantee scheme for small business.	<p>The Small Business Council's recommendations should be considered as part of an overall framework to change New Zealand's investment patterns. A co-ordinated strategy is required to align the various policy settings and ensure investment capital flows to the most productive areas of the economy.</p> <p>The Ministers for Small Business and Economic Development will report back to Cabinet on how this recommendation can be considered in the wider Access to Finance and business development policy work. <b>Free and frank opinions</b></p>
	4. Government facilitate the establishment of a private sector led digital marketplace to match small businesses with lenders.	<p>Business.govt.nz is working with lenders to create two new tools to help businesses choose the financing that is right for them and make their case to these lenders.</p> <p>Subject to further analysis, these tools could also create a foundation for the private sector-led market place recommended, when combined with the mandate for banks to refer declined businesses to other lenders set out in recommendation 5.</p>
	5. Government require lenders who decline businesses to refer them to the digital marketplace.	<p>Depending on the outcome of work in response to Recommendation 4, this could be considered as part of the follow-on work programme.</p>
	6. Government facilitate the establishment of a private sector led Small Business Growth Fund for long-term funding.	<p>The Ministers for Small Business and Economic Development will report back to Cabinet on how this recommendation can be considered in the wider Access to Finance and business development policy work.</p>
	7. Government establish a Small Business Start-up grant scheme targeted to priority groups.	<p>The Ministers for Small Business and Economic Development will report back to Cabinet on how this recommendation can be considered in the wider Access to Finance and business development policy work.</p>

Theme	Small Business Council recommendations	Initial Government response
	8. Government adopt Tax Working Group to relax the tax loss continuity rules.	<p>Cabinet has agreed that this be considered as a high priority for the Tax Policy Work Programme.</p> <p>As part of the release of the Government's Economic Plan on 23 September 2019, the Minister of Revenue indicated that engagement with stakeholders on options to relax the loss continuity rules will commence shortly with the intention that a public discussion document be released early next year.</p>
<b>Theme 3 - Building capability and skills</b>	9. Government fund a Small Business Capability and Ambition programme for small business owners and managers.	The Ministers for Small Business and Economic Development will report back to Cabinet on how this recommendation can be considered in the wider Access to Finance and business development policy work.
	10. The education sector establish ongoing engagement process for small business to have a meaningful input into workforce development.	<p>The Education (Vocational Education and Training Reform) Amendment Bill aims to create a unified and cohesive vocational education and training system and help New Zealanders prepare for the future of work. It is intended to strengthen the voice of industry in the vocational education system as a whole, while improving the coherence of vocational education delivery. We need to ensure that the voice of small business is heard through the new workforce development councils (WDCs) and regional skills leadership groups (RSLGs).</p> <p>Cabinet has agreed to establish up to 15 Regional Skills Leadership Groups (RSLGs) and MBIE is working with the Ministry of Education and Ministry of Social Development on implementation. Processes for meaningful businesses input will be a core part of this work.</p> <p>In addition, business.govt.nz is partnering with the Tertiary Education Commission through the Kiwi Business Boost to test new ways of engaging with small businesses to support training.</p>
	11. Government introduce technology credits for small businesses' to purchase digital tools and software.	The Ministers for Small Business and Economic Development will report back to Cabinet on how this recommendation can be considered in the wider Access to Finance and business development policy work.

Theme	Small Business Council recommendations	Initial Government response
	12. Government facilitate the delivery of a series of regional digital 'train the trainer' sessions for business associations.	MBIE is considering facilitating a series of regional digital 'train the trainer' sessions following trials in Darfield, by business.govt.nz partnering with MBIE's Digital Economy team and Farmlands
	13. Government establish a Small Business Transition Fund to support small businesses to sustain their businesses through major change.	The Ministers for Small Business and Economic Development will report back to Cabinet on how this recommendation can be considered in the wider Access to Finance and business development policy work.
	14. Establish digital forums and link into existing regional infrastructure to facilitate connects between local businesses.	The Kiwi Business Boost, launching a pilot in November, will link businesses with regional business support online and offline and with local peers for face-to-face connections.
<b>Theme 4 - Shifting from compliance to enablement</b>	15. Establish a 'Burden Hunter' unit tasked with identifying and mitigating administrative burdens.	<p>Departmental regulatory stewardship work developed by the Best Practice Regulation, this should create opportunities to make improvements in this space.</p> <p>This Burden Hunter role is similar to the work of Better for Business, the programme office for which is housed in MBIE. An enhanced version of Better for Business could fulfill role. MBIE is currently reviewing support structures for small business policy and will include consideration of how to best identify and address businesses' concerns about regulations. MBIE is supportive of work to further expand on this approach, Free and frank opinions [REDACTED].</p> <p>MBIE will also work with Treasury's Regulatory Quality Team to look for opportunities to improve the government's existing administrative processes and practices for the development and review of regulations significantly impacting on small businesses.</p>

Theme	Small Business Council recommendations	Initial Government response
	16. Establish a Tax Advocacy Service to assist small businesses.	The joint Treasury and Inland Revenue tax policy work programme includes an item on “disputes for small taxpayers”. This follows a recommendation from the Tax Working Group that the Government consider establishing an independent taxpayer advocate to assist small-to-medium sized taxpayers (SMEs) resolve disputes with Inland Revenue. Officials intend to report to the Ministers of Finance and Revenue prior to Christmas.
	17. Government lead the way in embracing diversity in small business sector.	<p>This is an area we are focused on improving. New Zealand Food Safety has already done a lot of work in this area, making food safety guidance available in a wide variety of languages to improve relevance to small business owners.</p> <p>Better for Business is developing insights into the experience of businesses engaging with government agencies, and will share these with government agencies.</p> <p>Business.govt.nz, Consumer Protection and Tenancy Services, in partnership with Victoria University are testing how delivery of guidance material in other languages impacts engagement.</p> <p>The Pacific Business Trust is developing a modular and mobile digital business support platform. Modules of this platform are being developed following detailed engagements and user requirements work with Pacific business owners across different sectors.</p>
	18. Government lead the way in improving payment practices.	The Minister for Small Business is leading work on improving payment practice, including by implementing e-Invoicing facilitated through our investment in the New Zealand Business Number.

Theme	Small Business Council recommendations	Initial Government response
	<p>19. Government adopt an early-intervention approach to non-compliance by small businesses.</p>	<p>Inland Revenue's new technology, its new business model and also the "Right From The Start" thinking from the OECD all allow for, and support, earlier intervention.</p> <p>The Tax Working Group director liability recommendation which the Government has indicated that it be considered as a high priority for inclusion on the Tax Policy Work programme, will help to reduce the impact of failing businesses on others.</p> <p>Government agencies do have mechanisms for identifying non-compliance and addressing those issues with the businesses concerned.</p>
	<p>20. Government use procurement processes that encourage participation of small businesses.</p>	<p>The Minister for Economic Development is leading a programme of work on improving procurement to encourage the participation of New Zealand businesses.</p> <p>This programme includes updated Government Procurement Rules, guidance to implement the new rules, a range of procurement capability development initiatives and the establishment of a framework to collect and report information on government procurement activity, including access by New Zealand business. Once data is available, it will be possible to measure and monitor the success of interventions and to re-calibrate as necessary.</p>
<p><b>Theme 5 - Defining an SME</b></p>	<p>21. Adopt a flexible approach to how the small business sector is defined segment business population in a manner appropriate to purpose.</p>	<p>This Recommendation will feed into the work to make better use of business information, in response to Recommendation 1, and the Better for Business (B4B) business insights work.</p>
	<p>22. Aim to be inclusive in ways of segmenting.</p>	<p>This Recommendation will feed into the work to make better use of business information, in response to Recommendation 1, and the Better for Business (B4B) business insights work.</p>
	<p>23. Consider the present and future state of the business environment with particular regard to the future of work.</p>	<p>This Recommendation will feed into the work to make better use of business information, in response to Recommendation 1, and the Better for Business (B4B) business insights work.</p>

Theme	Small Business Council recommendations	Initial Government response
<b>Theme 6 - Support structure for the small business sector</b>	24. Do not re-establish the Small Business Council.	Endorse. No further work required
	25. Establish a cross-agency unit to co-ordinate SB focused work.	<p>This is similar to the existing 'Better for Business' model, the programme office for which is housed in MBIE. MBIE is supportive of work to further expand on this approach, Free and frank opinions [REDACTED].</p> <p>Partly in response to the recommendations of the Small Business Council, MBIE has initiated a review of its small business policy and operational functions, with a view to how they can best be organised internally to make a difference to the business community. This includes consideration of how these functions might relate to the cross-agency unit.</p>
	26. Assemble small business representation to participate in governance of the cross agency co-ordination work.	This will be considered as part of the response to Recommendation 25.
	27. Conduct independent review of unit after two years	This will be considered by MBIE two years after the decision in response to Recommendation 25 regarding cross-agency co-ordinating mechanism.

PROACTIVELY RELEASED