

VOTE Business Development

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OVERVIEW

Appropriations for Vote Business Development in 1999/2000 total \$15.662 million. This is to be applied as follows:

- \$1.894 million (12% of the Vote) on purchasing policy advice on business development and the management of contracts from the Ministry of Commerce.
- \$13.518 million (86% of the Vote) on purchasing services from local organisations to deliver the Government's business development programme.
- \$0.250 million (2% of the Vote) on funding residual grants to improve business management skills and capability under the old business development programme.

Details of how the appropriations are to be applied appear in Parts B1, C, D and E of this Vote. Details of Crown revenue appear in Part F.

Terms and Definitions Used

SMEs	<i>Small and medium-sized enterprises</i>
APEC	<i>Asia Pacific Economic Cooperation</i>
BIZ	<i>The business development programme established by the Government in 1998/99 to enhance the management capability, business skills, and knowledge of small and medium-sized enterprises.</i>

Footnotes

Note 1	<i>Not applicable as Crown revenue is not appropriated.</i>
Note 2	<i>Appropriations are stated GST inclusive (where applicable).</i>
Note 3	<i>The range is (1) not satisfactory, (2) fell short of expectations, (3) satisfactory, (4) met expectations, (5) fully met expectations.</i>

VOTE Business Development

VOTE MINISTER: MINISTER OF BUSINESS DEVELOPMENT

ADMINISTERING DEPARTMENT: MINISTRY OF COMMERCE

The Minister for Enterprise and Commerce is the Responsible Minister for the Ministry of Commerce

Part A - Statement of Objectives and Trends

Part A1 - Objectives for Vote Business Development

Related Government Outcomes

The services to be purchased under Vote Business Development will be directed at improving the growth prospects of small and medium-sized enterprises (SMEs) by:

- improving their management capabilities, and thereby improving their performance in an increasingly competitive business environment
- facilitating the provision of information to SMEs on how to seek business advice and assistance on business-related matters available from both government and private sources.

In addition, funding is included in this Vote to purchase outputs from third-party providers designed to improve the management capability of SMEs, and provide a national business information and referral service for SMEs.

Links Between Output Classes and Government Outcomes

The links between the Government's objective and the classes of output being purchased under Vote Business Development are:

Output Class	Related Outcomes
Policy Advice: Business Development	<p>Contributes to the Government's objective of encouraging the contestable supply of resources and services in areas of public sector responsibilities by:</p> <ul style="list-style-type: none"> • providing policy advice on factors affecting the development of SMEs • providing advice on measures to raise the capability of SMEs to achieve and sustain increased efficiency and international competitiveness • administering the Business Development Boards Act 1991

Output Class	Related Outcomes
	<ul style="list-style-type: none"> • managing contracts for the delivery of the BIZ programme • developing a framework for, and undertaking preliminary evaluation of, the effectiveness of the BIZ programme.

Part A2 - Trends in Vote Business Development

Classes of Outputs to be Supplied

The departmental output class levels reflect changes in activities and emphasis over the past five financial years. The refocusing of the business development programme in the 1995/96 financial year placed less emphasis on grant assistance and more on measures to enhance management education and training. Consistent with this, the Ministry of Commerce's policy work has focused increasingly on identifying ways to help overcome barriers to the improvement of business performance. This is in keeping with the need to ensure that New Zealand businesses are globally competitive.

During 1998/99 a revised programme was implemented, focusing on measures to enhance management skills and capability in SMEs, and the provision of information on where to seek business advice and assistance. Delivery of the programme is contracted with a range of local and national providers and replaces the grants scheme. This activity is appropriated as an output appropriation rather than an other expense as the grant scheme was.

Furthermore, an additional one-off amount of \$0.7 million was appropriated in 1998/99 to meet the costs of hosting an APEC SME Ministerial meeting and associated business forum.

Other Expenses

Following a further review of the business development programme in 1997/98, the Government decided to reshape the programme to enhance its effectiveness. It terminated the business development grants schemes (appropriated as other expenses). The Business Development Boards were disestablished on 31 December 1998, and most grants expired during 1998/99. As noted above, the old grants programme was largely wound up during 1998/99. A small number of grants remain live at 1 July 1999, and provision has been made in the 1999/2000 other expense appropriations to cover expected claims.

Crown Revenue and Receipts

Total Crown revenue and receipts in 1998/99 reflect a one-off increase in capital revenue following the disestablishment of the Business Development Boards and equity being returned to the Crown.

Trends in Vote Business Development - Summary of Appropriations and Crown Revenue

	1994/95	1995/96	1996/97	1997/98	1998/99		1999/00 Appropriations to be Used				
	Actual \$000	Actual \$000	Actual \$000	Actual \$000	Budget \$000	Estimated Actual \$000	By the Department Administering the Vote		For Non-Departmental Transactions		Total \$000
Types of Appropriation							Annual \$000	Other \$000	Annual \$000	Other \$000	
Operating Flows											
Classes of Outputs to be Supplied	7,094	6,965	6,550	6,975	15,554	15,454	1,894	-	13,518	-	15,412
Benefits and Other Unrequited Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-
Borrowing Expenses	-	-	-	-	-	-	N/A	N/A	-	-	-
Other Expenses	15,040	15,587	11,703	10,085	4,950	4,950	-	-	250	-	250
Capital Flows											
Capital Contributions	-	-	-	-	-	-	-	-	-	-	-
Purchase or Development of Capital Assets	-	-	-	-	-	-	N/A	N/A	-	-	-
Repayment of Debt	-	-	-	-	-	-	N/A	N/A	-	-	-
Total Appropriations	22,134	22,552	18,253	17,060	20,504	20,404	1,894	-	13,768	-	15,662
Total Crown Revenue and Receipts (see note 1)	2	2	2	-	606	583	N/A	N/A	N/A	N/A	-

Part B - Statement of Appropriations

Part B1 - Details of 1999/2000 Appropriations (see note 2)

Appropriations	1998/99				1999/00		Description of 1999/00 Appropriations
	Vote		Estimated Actual		Vote		
	Annual \$000	Other \$000	Annual \$000	Other \$000	Annual \$000	Other \$000	
Departmental Output Classes (Mode B Gross)							
D1 Policy Advice: Business Development	3,450	-	3,350	-	1,894	-	Providing policy advice on business development and contract management for the BIZ programme.
Total Appropriations for Departmental Output Classes (Mode B Gross)	3,450	-	3,350	-	1,894	-	Refer to Part C1 for a full description.
Non-Departmental Output Classes							
O1 Delivery of Business Development Programmes	12,104	-	12,104	-	13,518	-	Purchase of BIZ services through contracted providers.
Total Appropriations for Non-Departmental Output Classes	12,104	-	12,104	-	13,518	-	Refer to Part C2 for a full description.

Other Expenses to be Incurred by the Crown							
Business Capability Improvement Grants	4,950	-	4,950	-	250	-	Residual payments arising from the wind-down of the old business development programme for assistance to foster the development of internationally competitive businesses and to enhance business management skills and capability. This includes payments on grants that may have been approved by the Business Development Boards in breach of the criteria in the Code of Business Development Boards 1995 up to 26 November 1997.
Total Appropriations for Other Expenses to be Incurred by the Crown	4,950	-	4,950	-	250	-	Refer to Part D3 for a full description.
Total Appropriations	20,504	-	20,404	-	15,662	-	

Part C - Explanation of Appropriations for Output Classes

Part C1 - Departmental Output Classes

Output Class D1 - Policy Advice: Business Development

Description

The Minister of Business Development will purchase advice on issues arising under the Government's business development programme, in particular on factors influencing the development of SMEs. This includes measures to promote effective business management practices and to foster the development of internationally competitive businesses. The output class also involves the management of contracts between the Crown and third-party providers for the delivery of the BIZ programme, and evaluating the effectiveness of the programme.

Specific outputs include:

Policy Advice - Business Development

- Providing policy advice on the factors affecting the development of SMEs.
- Providing advice on measures to raise the capability of SMEs to achieve and sustain increased efficiency and international competitiveness.
- Chairing the Business Development Board of New Zealand.
- Administering the Business Development Boards Act 1991.
- Evaluation of the BIZ programme.

Contract Management - Business Development

- Managing contracts for the delivery of the BIZ programme.

Quantity, quality, timeliness and cost

Performance Measures	1999/2000 Performance Standards
<p><i>Policy advice</i></p> <p>Quantity</p> <p><i>Work programme</i></p> <p>Policy advice will be delivered in accordance with the prioritised requirements of a work programme negotiated annually with the Minister.</p>	<p>Delivery of policy advice projects in accordance with the terms of the work programme agreed with the Minister.</p>

Performance Measures	1999/2000 Performance Standards
<p>Key deliverables in the work programme during 1999/2000 include:</p> <ul style="list-style-type: none"> • developing a framework for preliminary evaluation of the effectiveness of the BIZ programme • completing a first review of the BIZ programme with a view to identifying strengths and weaknesses and promoting more creative delivery and outcomes. 	<p>By 1 October 1999.</p> <p>By 30 June 2000.</p>
<p><i>Coverage</i></p> <p>Provision of a comprehensive service to the Minister which has the capacity:</p> <ul style="list-style-type: none"> • to react promptly • to offer timely and relevant briefings on significant issues • to give ministerial services and support as required. 	<p>The Minister's feedback (see note 3) is within the range (4) "met expectations" to (5) "fully met expectations" in the quarterly review of the Ministry's performance.</p>
<p><u>Quality</u></p> <p>The Ministry's policy framework provides advice that has the following quality characteristics:</p> <ul style="list-style-type: none"> • Purpose - the aim of the advice is clearly stated and it answers the questions set. • Logic - the assumptions behind the advice are explicit and the argument is logical and supported by the facts. • Accuracy - the facts in the papers are accurate and all material facts are included. • Options - an adequate range of options is presented and the benefits, costs and consequences of each option to the Government and the community are assessed. • Consultation - the Ministry has consulted with other government agencies and other affected parties and possible objections to proposals are identified. 	<p>The Minister's feedback (see note 3) is within the range (4) "met expectations" to (5) "fully met expectations" in the quarterly review of the Ministry's performance.</p>

Performance Measures	1999/2000 Performance Standards
<ul style="list-style-type: none"> • Practicality - the problems of implementation, technical feasibility, timing and consistency with other policies have been considered. • Presentation - the format meets Cabinet Office requirements; and the material is effectively, concisely and clearly presented, has short sentences in plain English and is free of spelling or grammatical errors. 	
Ministerial servicing in the form of letters and parliamentary questions is undertaken as required by the Minister.	An acceptance rate of 100% is achieved in respect of first drafts.
<p><u>Timeliness</u></p> <p>All reports and verbal advice to the Minister are delivered within the timeframes required by, and agreed with, the Minister.</p>	100%
Draft ministerial correspondence is submitted to the Minister within 10 working days of receipt in the Ministry.	100%
Where only an interim reply is possible a final reply shall be provided within the following timeframes.	<ul style="list-style-type: none"> • 90% within 20 working days of the original receipt in the Ministry. • 100% within 30 days of the original receipt in the Ministry.
Provision of reports to the Minister on the performance of programme delivery organisations within 20 working days of receipt of the entities' reports to the Minister.	100%
Process statutory appointments to the Business Development Board of New Zealand.	100% within agreed timeframes.
<p><i>Contract Management</i></p> <p><u>Quantity</u></p> <p>Contracts with third-party providers to be managed during the period.</p>	47 contracts.
<p><u>Quality</u></p> <p>Client satisfaction with services delivered.</p>	Provider feedback is within the range (3) "satisfactory" to (5) "fully met expectations" (see note 3) as evidenced by a client satisfaction survey.

Performance Measures	1999/2000 Performance Standards
<u>Timeliness</u>	
Contract variations completed.	100% within 20 working days of parties agreeing to the variations.

Cost

This output class will be provided within the appropriated sum of \$1.894 million (inclusive of GST).

Year	Cost GST incl \$000	Cost GST excl \$000	Total Revenue GST excl \$000	Revenue Crown GST excl \$000	Revenue Other GST excl \$000
1999/00	1,894	1,683	1,684	1,634	50
1998/99	3,450	3,067	3,067	2,696	371

Part C2 - Non-Departmental Output Classes***Output Class 01 - Delivery of Business Development Programmes****Description*

The Minister of Business Development will purchase the provision of business development programme services designed to improve the management capability of SMEs and provide a national business information and referral service. Services will be delivered through contracts awarded to third-party providers on a competitive tendering basis.

The Minister will also purchase services from the Business Development Board of New Zealand to enable it to advise the Minister of Business Development on business development grants which were closed to new applicants in 1998.

Performance measures and performance standards

Contracts with providers for the delivery of the business development programme services will specify the services to be delivered and the milestones/performance standards to be met. Providers will report on the delivery of services to be provided on a regular basis as set out in their contracts. The range of business development services to be delivered will vary from contract to contract depending on the needs of local communities.

As required by the Business Development Boards Act 1991, the Business Development Board of New Zealand will prepare an annual statement comprising: a statement of objectives; a list of performance indicators; and a budget for the financial year. The Board will report on its performance in its annual report to Parliament.

Quantity, quality and timeliness

Performance Measures	1999/2000 Performance Standards
<u>Quality</u>	
Client satisfaction with services delivered.	Provider feedback is within the range (3) “satisfactory” to (5) “fully met expectations” (see note 3) as measured by a client satisfaction survey.
<u>Quantity</u>	
Number of contracts entered into for the programme delivery of various comprehensive management training seminars and follow-up mentoring.	47 contracts managed.

Cost

1999/00	Total output class to be provided within (GST inclusive)	\$13,518,000
1998/99	Total output class to be provided within (GST inclusive)	\$12,104,000

Providers

A range of local and national delivery organisations and the Business Development Board of New Zealand, including NBIZ Ltd, which is the contracted provider of the BIZ information service.

Part D - Explanation of Appropriations for Other Operating Flows

Part D1 - Benefits and Other Unrequited Expenses

There is no appropriation for Part D1.

Part D2 - Borrowing Expenses

There is no appropriation for Part D2.

Part D3 - Other Expenses

This covers assistance for measures to improve business management skills and capability.

These include:

- residual payments for grants approved under the business development programme introduced in the 1995/96 financial year. This includes payments on grants that may have been approved by the Business Development Boards in breach of the criteria in the Code for Business Development Boards 1995, up to 26 November 1997
- funds contributed by the Minister, in partnership with the private sector and/or territorial authorities, to specific educational or promotional activities designed to:
 - improve SME awareness of avenues and techniques for raising management capability
 - restore business confidence in localities adversely affected by events such as the Mt Ruapehu eruptions.

Part E - Explanation of Appropriations for Capital Flows

Part E1 - Capital Contributions

There is no appropriation for Part E1.

Net Worth of Entities Owned

Statement of Estimated and Forecast Net Worth

	Balance Date	Estimated Net Worth 1999 \$ million	Forecast Net Worth 2000 \$ million
Crown Entities:			
Business Development Board of New Zealand	30 June	0	0

Part E2 - Purchase or Development of Capital Assets by the Crown

There is no appropriation for Part E2.

Part E3 - Repayment of Debt

There is no appropriation for Part E3.

Part F - Crown Revenue and Receipts

Part F1 - Current and Capital Revenue and Receipts

	1998/99		1999/00	Description of 1999/00 Crown Revenue
	Budgeted \$000	Estimated Actual \$000	Budget \$000	
Capital Receipts				
Disestablishment of Business Development Boards	606	583	-	No revenue is forecast for 1999/00.
Total Capital Receipts	606	583	-	
Total Crown Revenue and Receipts	606	583	-	