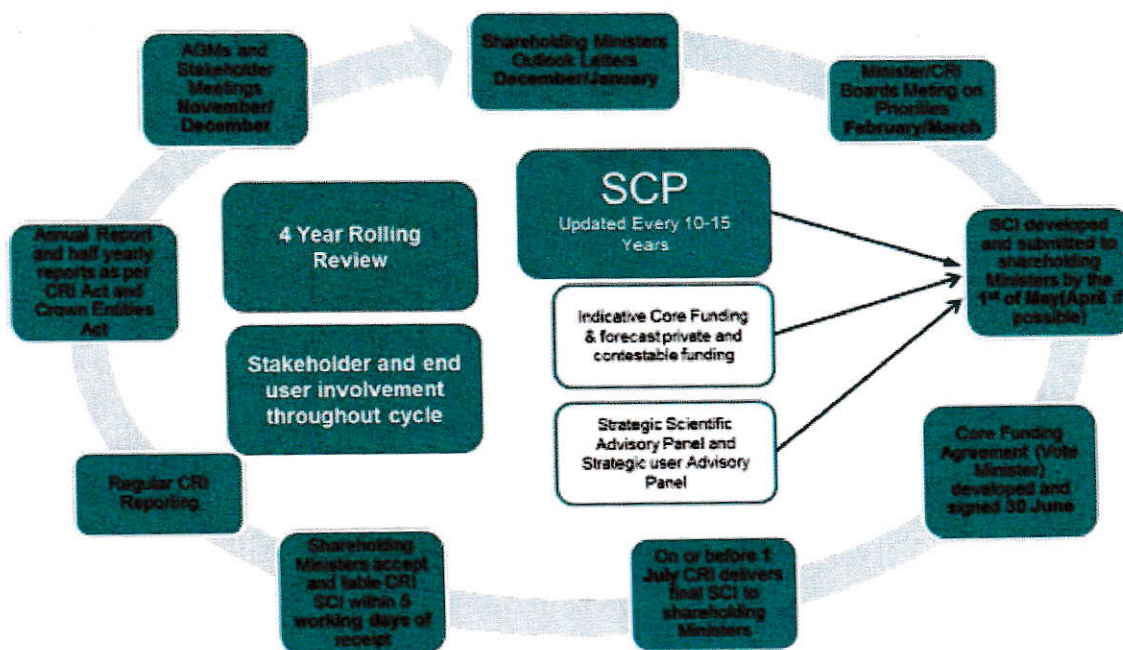


Section 2: Planning and reporting requirements

The planning and reporting cycle

This section summarises the reporting requirements under the CRI Act 1992 and outlines the shareholding Ministers' reporting expectations and how this works in practice. It also addresses CRI accountability to the House of Representatives through select committees.

The diagram below illustrates the performance reporting cycle for CRIs.



Types of planning and reporting

Planning and reporting document or discussion

Person or entity responsible

Primary purpose of document or discussion

Timeframe and lifespan

Statement of Core Purpose (SCP)

Shareholding Ministers

Identifies the Crown's reason for owning CRIs: expected outcomes, scope of operations, and operating principles.

Updated every 10-15 years

| Planning and reporting document or discussion | Person or entity responsible | Primary purpose of document or discussion | Timeframe and lifespan |
|---|---------------------------------|---|---|
| Shareholding Ministers' outlook letters | Shareholding Ministers | Outlines shareholding Ministers' information requirements, timing, and any specific issues that the CRI is expected to address during the planning round. | One year (however, will include longer-term objectives) |
| Strategic Issues Letter | CRI boards | CRI sets out key strategic issues and any significant changes to its operating environment. | Annual |
| Ministers/CRI boards meeting | Shareholding Ministers' offices | Shareholding Ministers meet with chairs and/or boards to set priorities. | Five year horizon |
| Statement of Corporate Intent (SCI) | CRI boards | This is the CRI's strategic document. It outlines how the CRI plans to contribute to outcomes in the SCP and its rationale for expenditure over the next five years. It will include information relating to the CRI's key stakeholders, its operating environment, all funding sources, and how it will measure and assess progress. | Five years (with annual updates) |
| Core Funding Agreement | Vote Minister and CRI chair | Outlines the core funding agreement between the CRI chair and Vote Minister. | Five years (with annual updates of schedules A&B) |
| CRI operational and business plans | CRI board and management | Project-level information prepared by the board & management: tasks, timeframes, and milestones. | CRI to establish timeframe |
| Regular quarterly CRI reporting | CRI board and management | Confidential reports of CRIs' financial and non-financial performance for shareholding Ministers. | Quarterly |
| Regular half-yearly CRI reporting | CRI board and management | Public document reporting financial and non-financial performance for shareholding Ministers. This is a public document, tabled in the House. | Half-yearly |
| Annual Report | CRI boards | This is the CRI's key reporting document. It outlines progress towards the outcomes in the SCP, the SCI targets, and the high-level results of CRI investments. This is a public document, tabled in the House. | Annual |



Statement of Core Purpose (SCP)

The Government has issued a clear, explicit and enduring strategic role for each CRI in a Statement of Core Purpose. The SCP for each CRI has been agreed with Cabinet, and they are expected to be relevant for 10-15 years. The SCPs:

- have been developed through high-level discussion with CRIs and their stakeholder communities, and in accordance with Government's priorities for the science system
- outline each CRI's roles and responsibilities, and how these will benefit New Zealand
- will be used to evaluate each CRI's performance on a four-year rolling basis.



Outlook Letters

CRI Boards will receive an Outlook Letter from shareholding Ministers each year. The letters outline Ministers' expectations for the coming year and may include longer-term objectives.

In response to the Outlook Letter, the Board may send a strategic issues letter to the shareholding Ministers outlining major issues the company expects to address during the business planning round.

Subject to commercial sensitivities, the outlook letters may be released under the Official Information Act.



Strategic Issues Letter

Each February, CRIs Boards will write to shareholding Ministers and set out key strategic issues and any significant changes to its operating environment.



Meeting with shareholding Ministers

Shareholding Ministers will likely meet with CRI Chairs and/or their Boards in or around February/March to discuss the strategy and priorities that CRIs expect to present in their Statement of Corporate Intent (SCI). These discussions will be driven by the contents of the Strategic Issues letter.



Statement of Corporate Intent (SCI)

An SCI should outline a CRI's five-year strategy, including the nature and scope of its activities and its performance targets in relation to its objectives. Specific detail should be included around the CRI's:

- plans to contribute to the outcomes described in the SCP
- rationale for planned expenditure on all major outputs and activities, and the expected impact of those outputs
- key stakeholders, its operating environment, and all funding sources
- intentions to measure and report progress against objectives and targets.

The Crown requires CRIs to operate as a successful business, to be as profitable and efficient as comparable businesses not owned by the Crown, to be a good employer, and to exhibit a sense of social responsibility.

The performance indicators must be:

- meaningful to the CRI's business and the CRI Act 1992
- specific and measurable without ambiguity

- timely and capable of being audited if required
- within the CRI's responsibility or power to control
- consistent with and influence the CRIs purpose and principles of operation or business
- respectful of commercial sensitivity, where appropriate.

Performance indicators must also reflect and encourage best practise and ensure employee participation in and ownership of these indicators.

All CRIs should include a glossary of terms used for financial performance indicators.



Statement of Intent: Future Requirements

In 2013, Parliament approved a number of amendments to the Crown Entities Act, State Services Act and Public Finance Act.

The 2013 amendments to the Crown Entities Act provide for a Crown entity's statement of intent (SOI) to last up to three years. To give effect to this change, the information a Crown entity needs to provide to Parliament on an annual basis was removed from the SOI. This annual information is now in a document called a "statement of performance expectations" or an SPE. The information is:

- the statement of performance expectations (previously known as the statement of forecast service performance), and
- the annual forecast financial statements.

The changes are summarised in [guidance published by The Treasury](#).

Because the CRI planning and reporting requirements are defined by the CRI Act, not the Crown Entities Act, the CRIs have been exempt from these changes. However, it is not in the interests of the CRIs to be operating in a planning and reporting environment that is different to the rest of the Crown Entities.

During 2014, MBIE will be working with the CRIs to determine how CRIs can comply with the CRI Act and be consistent with the Crown Entities Act. It is expected that these changes will be first enacted with the SCI published in June 2015.



The draft SCI: Submission and review

CRIs are encouraged to discuss their draft SCI with MBIE's Institutional Performance team in early March.

As part of this process, MBIE's Institutional Performance team will engage with each CRI to clarify any questions arising out of the draft SCI or request additional information. Supplementary guidance documents may also be provided.

Shareholding Ministers expect that CRIs will follow the timetables set out in the Crown Entities Act rather than the CRI Act 1992, with a draft submitted to shareholding Ministers by 1 May. MBIE's Institutional Performance team will discuss the content of the SCI in the preceding months.

MBIE's Institutional Performance team will consult with The Treasury and prepare a report for shareholding Ministers that outlines whether the SCI appropriately captures expectations.

CRIs are required to consider any comments that are provided on the draft SCI no later than 14 days before the start of the financial year and to deliver their final SCI to shareholding Ministers on or before the start of the financial year or such later date that they have determined.

Under the CRI Act, shareholding Ministers may request further information or clarification about the SCI, either by letter or in person. Ministers may also extend the deadline for the final SCI.



The final SCI: Tabling and release

The responsible Minister is required to table the final SCI in the House of Representatives within five working days of its receipt. The SCI should be made publicly available only once this has occurred.

The confidential business plan annex is not a public document and is not tabled.

If the Board of a CRI wishes to amend its SCI after it has been tabled, it must advise the shareholding Ministers and consider any comments the shareholding Ministers may have on the proposed modification(s). The CRI Act sets out the process for making amendments to an SCI during the year.



The SCI process: Summary of key dates

22 May Ministerial letters of acceptance sent to CRIs. Boards must consider any Ministerial comments on the draft SCI if provided within 15 working days of submission (Crown Entities Act). 22 May Ministerial letters of acceptance sent to CRIs. Boards must consider any Ministerial comments on the draft SCI if provided within 15 working days of submission (Crown Entities Act). 22 May Ministerial letters of acceptance sent to CRIs. Boards must consider any Ministerial comments on the draft SCI if provided within 15 working days of submission (Crown Entities Act).

| Date | Action |
|-------------------------------|---|
| Late January - Early February | Outlook letter from shareholding Ministers sent to CRIs. |
| February | MBIE visits CRIs to discuss strategy development, SCIs and Quarter Two progress |
| 28 February | CRI Boards send Strategic Issues Letter to Ministers; this will signal any requirement for a tailored rate of return on equity. |
| March | MBIE briefs Ministers on Strategic Issues Letter. |
| March - April | Ministerial Engagement window. |
| March - April | CRIs Boards (and management) consult with MBIE on their draft SCI. |
| 1 April | Boards submit early draft SCI to MBIE. |
| 18 April | MBIE provide general feedback to CRIs on their draft SCI. (noting that financial forecasts will not yet be finalised). |
| 1 May | Boards submit their draft SCI and confidential business plan/case to shareholding Ministers (request based on CE Act timing) |
| 8 May | MBIE provides its briefing to the shareholding Ministers. |
| 22 May | Ministerial letters of acceptance sent to CRIs. Boards must consider any Ministerial comments on the draft SCI if provided within 15 working days of submission (Crown Entities Act). |

| Date | Action |
|---|---|
| Late June | Core Funding Agreement variations sent to CRIs for signing. Required to be returned to MBIE by 30 June. |
| 30 June | Boards deliver their final SCI to shareholding Ministers on or before the commencement of the financial year. |
| Within five working days of SCI receipt | The responsible Minister tables the SCI in the House of Representatives. |



Core Funding Agreement

In 2010 Cabinet endorsed the CRI Taskforce's recommendation that the Government provide each CRI with Core Funding to deliver outcomes for the benefit of New Zealand.

The purpose of Core Funding is to assist the CRI to contribute to the outcomes in its Statement of Core Purpose (SCP), so that the CRI will deliver on the strategy described in its Statement of Corporate Intent (SCI) in the most efficient and effective way.

The way in which the CRI plans to spend its Core Funding is outlined by the CRI in their SCI and accepted by shareholding Ministers on an annual basis.

Each CRI and the Vote Minister have entered into a five year Core Funding Agreement which is administered by MBIE. The Agreement sets out the amount of Core Funding that is provided to the CRI and the expectations of the CRI and the Vote Minister in respect of Core Funding.



Quarterly Reports

Quarterly reports are an effective mechanism of a Board to communicate with the shareholding Ministers on their CRI's performance.

Ministers expect each CRI to provide quarterly reports to the shareholding Ministers no later than the end of the month following each quarter. Quarterly reports are confidential to the shareholding Ministers and officials, and are not made public.

Shareholding Ministers expect the quarterly reports to fully and accurately summarise the CRI's performance against plan, identify the cause of major variances, signal any potential developing issues, highlight major achievements during the quarter and a forward view of key results.

Quarterly information should be provided on a current quarter and a year-to-date basis, with a comparison against budget for each. Comparative trends information against the relevant period in the previous year may also be included to give a fuller picture of long-term progress.

As part of the quarterly reporting process, CRIs need to upload their financial information to the Crown Financial Information System (CFISnet). Additionally, CRIs need to provide the quarterly report to MBIE's Institutional Performance team.



Half-Yearly Reports

CRIs are required to deliver their half-yearly reports to the shareholding Ministers within two months of the end of the first half of each financial year (i.e. by the end of February).

The Minister for Science and Innovation is required to present each half-yearly report in Parliament within five working days of receipt. Half-yearly reports should be made publicly available only once this has occurred. However, CRIs can release financial information from their half-yearly report before the tabling, so long as it complies with the “no surprises” policy.



Annual Reports

Each CRI is required to deliver its annual report to the shareholding Ministers within three months of the end of each financial year (although the shareholding Ministers prefer that a draft version will be provided to them before this is finalised). The required content is outlined in section 211 of the Companies Act. The annual report should:

- contain information necessary to enable readers to make an informed assessment of the nature and scope of the CRI's operations
- provide a comparison between the planned financial and non-financial performance set out in the SCI and the CRI's actual performance
- explain why any targets were not met, or why actual performance varied significantly from the targets (where applicable), and
- strive to meet current best-practice disclosure guidelines including those relating to governance practice.

CRIs are encouraged to include comparative trend information for the relevant period in the previous year(s) to give a fuller picture of long-term progress.

MBIE requires a near complete draft to be submitted for consultation within two months of year-end.

The Minister of Science and Innovation is required to present each annual report in Parliament within five working days of receipt.

Annual Reports should not be made public until after the report has been tabled in the House of Representatives. However, CRIs can release financial information from their Annual report as soon as the information has been signed off by their auditors, before the report is tabled, so long as the CRI complies with the “no surprises” policy before making the information public.

Please refer to the Annual reporting guidelines

- [2014-15 Annual Reporting Guidelines \[PDF 2.7MB\]](#)
- [2014-15 VMCF Annual Reporting Guidelines \[PDF 1.5MB\]](#)



Regular CRI reporting and MBIE monitoring

CRI performance will be measured against the delivery of outcomes for New Zealand.

This includes use of non-financial performance measures and a holistic set of financial indicators targeting financial viability (including a tailored return on equity) rather than profit maximisation for the CRI.

Monitoring in this way requires a longer-term approach than a concentration on financial performance.

The CRI Act 1992 requires CRIs to report against their SCI in a Half Yearly Report, to be delivered to shareholding Ministers within two months of the end of the first half of the year, and an Annual Report, to be delivered within three months of the end of the year. Under the Act, these are tabled in the House of Representatives by the responsible Minister and are therefore available to the public.

MBIE's Institutional Performance team also requires CRIs to deliver four quarterly reports within one month of the end of the quarter. This information is not made public.

It is expected that the financial information and commentary in each CRI's quarterly report will summarise fully and accurately the company's performance against budget and identifies the cause of major variances. This will provide shareholding Ministers (and MBIE Institutional Performance) with key non-public performance information at the end of each quarter. CRIs must include a summary of any emerging legal and/or commercial issues in the report.

For the half- and full-year reports, non-financial performance against the CRI's SCI must also be included. Given the longer timeframe of the outcomes expected from the SCI, full monitoring every quarter against non-financial indicators is not useful.

| Report | Content | Due date |
|---|---|--|
| Confidential Q1 report | CRI financial performance CRI non-financial performance Emerging legal and/or commercial risks and issues | One month following end of first quarter |
| Confidential Q2 report | CRI financial performance CRI non-financial performance Emerging legal and/or commercial risks and issues | One month following end of second quarter |
| Public half-yearly report | As per CRI Act 1992 requirements and Crown company financial performance Non-financial performance against the SCI | Two months following end of second quarter |
| Confidential Q3 report | CRI financial performance CRI non-financial performance Emerging legal and/or commercial risks and issues | One month following end of third quarter |
| Confidential Q4 report | CRI financial performance CRI non-financial performance Emerging legal and/or commercial risks and issues | One month following end of fourth quarter |
| Public annual report (to be tabled in Parliament) | As per CRI Act 1992 requirements and Crown company financial performance Non-financial performance against SCI | Three months following end of year. Final draft to be provided to MBIE once approved by the Board. |



Annual General Meetings (AGMs)

With the implementation of the Taskforce reforms, the Government requires CRIs to meet the same level of disclosure standards expected of public companies. CRIs are therefore expected to hold an Annual General Meeting at which they describe and account for their activities over the previous year to shareholders.

The AGMs are held in October to December and are generally attended by the Minister of Science and Innovation.

The MBIE Institutional Performance team works with CRIs and the Ministers' offices to arrange the dates and times for the AGMs. The CRI team also provides support to the CRIs in arranging for proxy letters to be signed and for the distribution of papers to the Ministers' offices in advance of the AGM (including the agenda, any resolutions, minutes of the previous AGM and the annual report).

Format Guidelines

The Minister expects the discussion at the AGM to be with the Board, and that the Chief Executive and Finance Manager attend to provide additional information as required.

- AGM duration – 90 minutes
- AGM - Agenda
- Introductions
- Formal proceedings

Confirm acceptance of the minutes from the previous AGM

Consideration of the Annual Report and Financial Statements

Dividend provision (if applicable)

Appointment and remuneration of Auditors

This is followed by:

- Presentation from the Board to the Minister
- Discussion

Key areas to be covered in the presentation should include:

- Performance information – overall industry co-funding – commercial income – technology adoption rates and knowledge transfer - (and for subsidiaries)
- Any deviation from strategic plan or changes from business plan
- Challenges / opportunities under active management by the Board – including new partnerships
- Impact on the sector / delivery to end users
- Significant organisational change and good employer initiatives.

The Board may wish to invite stakeholders to be present during parts of the Board meeting or as a separate presentation.