

Treasury Report: New Zealand Productivity Commission Letter of Expectations

Date:	29 March 2011	Report No:	T2011/611
--------------	---------------	-------------------	-----------

Action Sought

	Action Sought	Deadline
Minister of Finance (Hon Bill English)	Sign the enclosed letter	Wednesday 30 March 2011
Associate Minister of Finance (Hon Simon Power)	Note the contents of this report	Wednesday 30 March 2011
Associate Minister of Finance (Hon Steven Joyce)	Note the contents of this report	Wednesday 30 March 2011

Contact for Telephone Discussion (if required)

Name	Position	Telephone	1st Contact
[Withheld under s.9(2)(a)]			
James Beard	Manager, Economic Performance Overview & Coordination	[Withheld under s.9(2)(a)]	

Minister of Finance's Office Actions (if required)

Arrange for Minister to sign enclosed letter and send to the Productivity Commission
--

Enclosure: Yes (attached)

[NZPC Letter of Expectations March 2011 \(Treasury:2029579v2\)](#)

Treasury Report: New Zealand Productivity Commission Letter of Expectations

Executive Summary

The New Zealand Productivity Commission (the 'Commission') will commence operations this Friday, 1 April 2011. A 'Letter of expectations' to Murray Sherwin, Chair of the Commission, is enclosed for your signature. The letter provides you with an opportunity to influence the direction of the Commission and the content of its Statement of Intent (SOI). The letter outlines:

- your specific expectations for the Commission, especially in its first year;
- SOI requirements, and in particular that you do not require the Commission to produce a separate SOI for the period 1 April to 30 June 2011, in accordance with the Crown Entities Act 2004;
- general expectations for the Commission as a Crown Entity, as outlined in your "Enduring letter of expectations" of 22 December 2008 to all Crown entity Chairs; and
- an exemption from the requirement for the Commission to provide an Annual Report for 2010/2011 Financial Year, in accordance with section 45(l) of the Public Finance Act.

Recommended Action

We recommend that you **sign** the enclosed letter.

James Beard
**Manager, Economic Performance Overview & Coordination
for Secretary to the Treasury**

Hon Bill English
Minister of Finance

Mr Murray Sherwin
Chair
New Zealand Productivity Commission
PO Box 8036
The Terrace
WELLINGTON 6143

Dear Mr Sherwin

NEW ZEALAND PRODUCTIVITY COMMISSION LETTER OF EXPECTATIONS

I am writing to formally welcome you into your role as Chair of the New Zealand Productivity Commission and to outline my expectations for the Commission in its first 15 months of operations, beginning 1 April 2011. As responsible Minister I am accountable to the House of Representatives for your performance. This letter is intended to aid the Commission's direction, and is an integral part of the accountability framework as prescribed by the Crown Entities Act 2004 (the Act).

A primary goal of the Government is to increase the New Zealand economy's rate of growth in order to deliver greater prosperity, security, and opportunities for all New Zealanders. In line with this overarching goal, the Government expects the Commission to contribute to improving productivity in both the public and private sectors in a way that is directed to supporting the overall well-being of New Zealanders, having regard to a wide range of communities of interest and population groups in New Zealand society.

The key focus of the Commission in its first 15 months of operations should be to complete two high quality and credible inquiries, consistent with the terms of references that I have referred to you separately. My specific expectations, which should be incorporated in the Commission's first Statement of Intent (SOI) (as discussed further below), are for the Commission to:

1. initiate the first inquiry referred to the Commission by Ministers within the Commission's first month of establishment, deliver high quality final reports for the first two inquiries referred within the timeframes specified in their respective terms of references, and complete at least two inquiries each year thereafter;
2. ensure that the Commission has in place the people, processes and methodologies to enable it to undertake initial inquiries;
3. build a relationship with the Australian Productivity Commission;
4. build relationships across a wide range of stakeholder groups;
5. progressively build institutional capability in productivity-related matters; and

6. comply with all statutory requirements, including the timely production of a SOI, as outlined below.

The Commission's First Statement of Intent

As a Crown entity, the Commission is required by the Act to produce an SOI, at or before the start of each financial year, for that financial year and at least the 2 following financial years. The Act requires newly established Crown entities to produce an SOI as soon as practicable after establishment. The Commission's first SOI should cover the period from 1 April 2011 to 30 June 2012 as its first financial year, and it should be produced by 30 June 2011. To allow for consultation, the Commission should provide me with a draft of the SOI by no later than 1 June 2011. Other details relating to the obligation of Crown entities to produce an SOI and the particular requirements for newly established Crown entities are outlined in sections 139 and 140 of the Act.

General requirements for the content of SOIs are outlined in sections 141 and 142 of the Act. These requirements include the provision of information on the impacts, outcomes, or objectives that the entity seeks to achieve. I encourage the Commission to be as specific as possible in this regard and to provide measurable indicators or targets that will help in the assessment of the Commission's performance.

General Expectations for Crown Entities

In addition to the timely preparation of an SOI, there are a number of general expectations that I have for Crown Entities, which have been previously sent to the Chairs of boards of Crown entities and Crown companies in an "enduring letter of expectations". I have summarised these below.

Ensuring value for money for New Zealanders

A more focused, efficient and productive state sector that delivers services differently and more cost effectively will require all of the state services to focus on improving the performance of every taxpayer's dollar spent.

I expect that each Crown entity board will:

- keep under review the Crown entity's expenditure;
- identify particular expenditure or programmes that are not effective or providing good value for money; and
- act on those findings.

Demonstrating performance

Informative and accurate financial and non-financial performance information will enable Crown entities to demonstrate value for money. High quality performance information also enables Ministers to make more informed decisions.

I expect that Crown entities will have a performance measurement framework that is reviewed and updated regularly. For further information refer to <http://www.ssc.govt.nz/performance-measurement>.

Engagement with Ministers and monitoring Departments

Crown entities are expected to work with their Ministers on a “no surprises” basis, so that Ministers are informed at the earliest possible stage of major strategic initiatives, and of any matters that may be controversial, cause public comment, and/or have implications for elsewhere in government.

Crown entities and monitoring departments are expected to work together professionally and constructively, and to share information in a timely manner. This will be particularly important as we will be seeking ongoing assurance from both Crown entities and monitoring departments about what each Crown entity is doing about ensuring value for money

Further expectations

I expect that Crown entities will:

- provide the Treasury and monitoring departments with accurate financial and non-financial performance information on a quarterly basis;
- maintain standards of integrity and conduct as set out in the code of conduct for the state services www.ssc.govt.nz/code-guidance-stateservants;
- contribute to achieving a world class professional State services through the development goals framework; <http://www.ssc.govt.nz/development-goals>; and
- comply with the equal employment opportunities provisions as set out in the Crown Entities Act.

Exemption from Requirement to provide an Annual Report for 2010/2011 Financial Year

Finally, as requested in your letter to me dated 17 March 2011, I exempt the Commission from the obligation to produce an annual report for the 2010/2011 financial year given the Commission was effectively established within 4 months of the end of that year, in accordance with section 45(l) of the Public Finance Act. Instead, the Commission should produce a combined annual report for the 2010/2011 and 2011/2012 financial years (i.e. the period 1 April 2011 to 30 June 2012).

I wish you every success in the launch of the Commission and look forward to being kept informed of your activity in the year ahead.

Yours sincerely

Hon Bill English
Minister of Finance