

The Treasury

Solid Energy Information Release

June 2013

Release Document

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- [1] 9(2)(a) - to protect the privacy of natural persons, including deceased people
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In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.

Treasury Report: Review of Treasury monitoring of Solid Energy

Date:	14 May 2013	Report No:	T2013/1283
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Action Sought

	Action Sought	Deadline
Minister of Finance (Hon Bill English)	Note the attached report Note the connection to the existing value management work stream Discuss the report with the Treasury	Monday 3 June 2013
Minister for State Owned Enterprises (Hon Tony Ryall)	Note the attached report Note the connection to the existing value management work stream Discuss the report with the Treasury	Monday 3 June 2013

Contact for Telephone Discussion (if required)

Name	Position	Telephone	1st Contact
Andrew Turner	Deputy Secretary, Crown Ownership Monitoring Unit	04 917 6031 (wk) [1]	✓
Andy Jackson	Senior Analyst, Office of the Executive	04 890 7216 (wk)	

Actions for the Minister's Office Staff (if required)

Return the signed report to Treasury

Enclosures: Yes (attached)

[Final Report- review of Solid Energy 19042013 \(2\) \(Treasury:2613554v1\)](#)

[Aide Memoire: Value Management of Crown Companies and Entities – Project Update \(Treasury:2623620v1\)](#)

Treasury Report: Review of Treasury monitoring of Solid Energy

Purpose of Report

1. This report provides you with a copy of Deloitte's review of the Treasury's monitoring of Solid Energy over the period 2006-13.

Background

2. The attached report was commissioned by the Treasury in February 2013, following Solid Energy's public announcement that it was in discussions with the Crown and its creditors.
3. The objective of commissioning the report was to provide the Treasury with an independent assessment of its performance as a monitor of Solid Energy, and in particular whether it had taken all necessary and reasonable steps to protect the Crown's shareholding interest in the company.
4. The report was not intended to be an assessment of the performance of Solid Energy, or of the actions of shareholding Ministers.
5. Deloitte conducted the review during March 2013 and provided the report to the Treasury in April. The review team considered a range of written material, primarily formal correspondence and reports between the company, the Treasury and Ministers, as well as interviewing a number of current Treasury staff who were involved in the current and past monitoring of the company.
6. The report was discussed by the Treasury's Risk and Audit Committee.

Conclusions and Recommendations of the Report

7. Overall, the report concludes that "we do not believe that the failure of Solid Energy has highlighted a material failure in Treasury's monitoring processes. We do believe that the failure does raise questions about how these processes are applied and whether Treasury's response was forceful enough or occurred soon enough given that the Company provided cause for concern over an extended period". Deloitte also noted there were influential countervailing factors the Treasury needed to consider when determining its response to issues identified.
8. The report's recommendations identify four areas where the Treasury's processes and capability could be strengthened:
 - sharing of views on Board and Chair performance between the Treasury's monitoring and appointments teams
 - use of external expertise where identified concerns are not addressed by companies

- building the quality of COMU's analysis so that it carries more weight with companies, and
 - some additional tools that COMU could use to influence company performance.
9. The Treasury has included a management response that accepts the report, welcomes its findings, and positions the Treasury's actions in the context of its existing work programme on value management of SOEs and Crown Entities.
 10. As part of its response, the Treasury commits to reporting to Ministers on how it is taking forward each of the report's recommendations.

Comment

11. As you are aware, the Treasury is implementing a series of projects to improve value management of the Crown's ownership interest in SOEs and Crown Entities. This work programme responds to Ministers' expectations that the Treasury take a more active approach to managing Crown assets, and its initiation pre-dates current events with Solid Energy.
12. There is a strong degree of alignment between the value management work and Deloitte's conclusions. Many of the recommendations in the Deloitte report already appear in some form in this work programme, in particular the workstreams on governance and monitoring.
13. However, in commenting on the potential for improvement in the speed and forcefulness of the Treasury's response in relation to Solid Energy, the report does validate the need for the value management work programme to be fully and quickly implemented.
14. A copy of our latest project update is attached. We are meeting to discuss the value management work programme with you in June, and propose that at that meeting, we discuss with you any questions or comments you may have about the Deloitte report.

Communications

15. At this stage, we do not propose to proactively publish the Deloitte report. As events involving Solid Energy unfold, it may be the case that the report is subject to Official Information Act requests, or is requested should a further external review of Solid Energy be commissioned.

Recommended Action

We recommend that you:

- a **note** the attached report into the Treasury's monitoring of Solid Energy
- b **note** the further impetus this gives to the implementation of the existing work programme on value management of the Crown's ownership interest in SOEs and Crown Entities, and
- c **discuss** this with Treasury officials when we meet to discuss the value management work programme in June.

Andrew Turner
Deputy Secretary, Crown Ownership Monitoring Unit

Hon Bill English
Minister of Finance

Hon Tony Ryall
Minister for State Owned Enterprises