

The Treasury

Letters of Expectations Information Release

September 2020

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MP for Mana

Minister of Broadcasting, Communications
and Digital Media

Minister for Government Digital Services

Minister of Commerce and Consumer Affairs

Associate Minister of Housing (Public Housing)

11 MAR 2020

Dr Jim Mather
Chair
RNZ
[23]

Dear Dr Mather

2020/21 SHAREHOLDER EXPECTATIONS FOR RADIO NEW ZEALAND LIMITED

I am writing on behalf of shareholding Ministers to outline the matters that we expect the Board of Radio New Zealand (RNZ) to address in the business planning process for the 2020/21 financial year.

This letter contains the following information:

- Ministers' specific expectations for RNZ.
- General expectations for the Crown's Commercial Portfolio.
- Timeline for the 2020/21 business planning process and governance information (Annex 1).

Entity specific expectations

Sector priorities

The work of the culture sector contributes most strongly to the Government's priority outcome of making New Zealand proud and, specifically, valuing who we are as a country. To achieve this, the Arts, Culture, and Heritage Ministers and the Broadcasting, Communications and Digital Media Minister have identified four priority outcomes for the portfolio:

1. All New Zealanders can access and participate in cultural experiences.
2. The cultural sector is supported and growing sustainably.
3. New Zealanders share a distinct and inclusive identity and value our history and traditions.
4. New Zealand has a strong public media system that ensures an informed democracy.

RNZ has an important role in delivering these both independently and in collaboration with others. I expect RNZ to clearly articulate how its interventions are aligned to the relevant priorities through its strategic documents. This includes reporting on the set of indicators that build a data picture of communities' access to, and participation in, cultural activities.

Public media outcomes

The Government is committed to ensuring that future generations of New Zealanders can access content that reflects their languages, experiences and communities in ways that meet their needs and interests. The Government has adopted the following public media outcomes to provide guidance to the public media entities:

1. New Zealand audiences choose to access mainstream and targeted content and services that support:
 - their needs and interests as people living in Aotearoa, and which in particular reflect the language and experiences of Māori and Pacific peoples, and other under-served audiences;
 - their ability as New Zealanders to be informed and engaged members of our participative democracy and open civic society;
 - their access to a range and diversity of content that they value and trust.
2. Public media in New Zealand are:
 - operationally and editorially independent;
 - securely and sustainably funded;
 - able to respond effectively to an evolving operating environment and relevant to changing consumer preferences, in particular younger audiences;
 - complementary to and collaborative with private media.
3. Public media play an integral role in contributing to New Zealand being:
 - a connected, informed, cohesive and independent nation;
 - a healthy, participative democracy;
 - confident in and aware of our unique identity, cultures and languages.

I expect RNZ to optimize its contribution to the achievement of these outcomes and to articulate the impact of its contribution through its accountability documents and reporting.

Entity direction

As you are aware, Cabinet has directed officials to prepare a detailed business case to examine the viability of establishing a new public media entity. This work is intended to build a strong public media for future generations of New Zealanders.

Establishing a new public media entity would be a complex, multi-year process. I expect RNZ to continue to deliver services to New Zealand audiences under its current statutory framework during this period while also supporting the successful establishment of the new entity, should it be confirmed by the business case and agreed by Cabinet.

I expect to report back to Cabinet on the outcome of the business case in July 2020. At that time, I will review this letter of expectations to ensure it continues to reflect the Government's expectations.

At this time, my specific expectations for RNZ in 2020/21 are that it will:

- continue to support the production of more and diverse local content and boost reach to under-served audiences, in particular Māori, Pacific, regional, children and young audiences in line with its funding agreement with NZ On Air;
- be continuing to develop and enhance existing services including RNZ National, RNZ Concert and RNZ Pacific;
- collaborate with the sector to maximise RNZ's contribution to the public media outcomes;

- maintain and grow organisational capability, in particular capability which will support RNZ to be fit-for-purpose in a dynamic operating environment;
- demonstrate strategic and organisational leadership while managing through a period of change;
- support officials to progress the next phases of the work to strengthen public media, including contributing resources when required; and
- consult with shareholding Ministers on a timely basis regarding transactions, initiatives and projects with a value greater than \$5 million, as well as any significant strategic shifts.

General Expectations

Although some of the general expectations are highlighted below, the full expectations for the Crown's companies are contained in the Owner's Expectation Manual (OEM)¹. Ministers expect that both directors and management of the Crown companies will be familiar with the OEM to ensure shareholder expectations are being met.

New enduring letter of expectations

On 15 October 2019 the Government published a new enduring letter of expectations² to all statutory Crown entities, replacing the previous enduring letter of expectations published on 26 July 2012. Although RNZ is not a statutory Crown entity, I expect it to note the contents of the letter as general expectations.

The letter focuses on Ministers' expectations for seamless government, Board role and integrity, workforce matters, Māori Crown relationships, and entities applying a wellbeing approach to their work, including the need to address climate change.

I would like to emphasise four enduring expectations in this letter:

- Effective governance – being grounded in a spirit of service to everyone in our community, acting with integrity and care, being open and transparent, managing the public's money and assets wisely and managing conflicts.
- No surprises – regularly and transparently reporting to me on entity performance risks and opportunities in a timely manner and maintaining a constructive working relationship with your monitoring department.
- Supporting the Maihi Karauna – promoting and supporting the revitalisation of te reo Māori.
- Increasing collaboration – stepping out of the silos of agencies and working seamlessly together to assess, develop and implement plans to improve wellbeing.

Wellbeing focus

Ministers expect entities to be cognisant of the government's focus on wellbeing. We are supportive of the reporting frameworks being adopted, to varying degrees, across the Crown's commercial entities (such as Integrated Reporting), which are increasingly being used by companies internationally.

Executive pay

Ministers acknowledge that it is the Board's role to set the executive team's remuneration. We expect that the remuneration will be appropriately linked to performance, and set at a level sufficient to attract and retain the necessary skills to enable Crown owned companies to operate as successful businesses and to be as profitable and efficient as comparable businesses that are not owned by the Crown.

¹ Refer to <https://treasury.govt.nz/publications/guide/owners-expectations-manual>

² Refer to <https://ssc.govt.nz/resources/enduring-letter-of-expectations-to-statutory-crown-entities-2019/>

Ministers are, however, also mindful of the government's focus on raising pay levels for those on low and middle incomes. To this end, we expect Boards to take a conservative approach with respect to executive remuneration and to have robust processes in place to support, and publicly justify, the decisions made. As previously communicated, shareholding Ministers will be focused on the transparency of executive remuneration, and we expect to see this reflected in RNZ's annual report.

Support diversity

Consistent with government support for increased diversity and gender balance on Boards, entities are encouraged to support diversity and inclusion in the workplace and in leadership.

Governance – Board evaluations

Board evaluations help Boards improve performance and contribute to advice to shareholding Ministers on board composition. A full, independent Board evaluation is expected to be undertaken at least every three years, with a more limited interim evaluation between those times. Information should also be provided on investment in director development. I expect the Board to provide me with a report on the self-evaluation of the Board's performance by 30 September 2020, copied to the Ministry for Culture and Heritage and the Treasury. This self-evaluation should use criteria provided by the Ministry for Culture and Heritage and the report should summarise key points arising from the self-evaluation and key areas to address.

No surprises

Ministers expect to be informed well in advance of any material or significant events relating to the entity, whether positive or negative. Examples of matters that could fall within the 'no surprises' policy could include, but are not limited to: any risk to financial forecasts, imminent media coverage of any activities that could attract critical media comment or on which shareholding Ministers could be asked to express a view. In particular, companies should inform Ministers' offices with adequate advance notice before the announcement of all financial results, and before companies appear in front of select committees.

Engagement

While the Board has the most immediate and direct responsibility for monitoring RNZ's performance, I expect it to continue to provide the Ministry for Culture and Heritage and the Treasury, as my agents, with information on performance against planning documents and timely information on risks and opportunities.

Yours sincerely



Hon Kris Faafoi
Minister of Broadcasting, Communications and Digital Media
on behalf of shareholding Ministers

cc Paul Thompson, Chief Executive and Editor-in-Chief, RNZ
Bernadette Cavanagh, Chief Executive, Ministry for Culture and Heritage

ANNEX 1

Timetable for the Business Planning Process for 2020/21

Table 2: Summary timetable for the Business Planning Process

<i>Due by</i>	<i>Key Action</i>
March	The Ministry for Culture and Heritage and the Treasury to discuss the Letter of Expectations with the Chair
Tuesday, 31 March	Board sends Strategic Issues letter to Ministers
Thursday, 30 April	Board submits draft SOI (if required), SPE and business plan
Friday, 29 May	Board provides advice on: <ul style="list-style-type: none">• whether special fees are sought for 2020/21;• the professional development spend in 2019/20 and the proposed professional development budget for 2020/21; and• whether an evaluation of its performance in the past 12 months has taken place, what process was used and the outcomes of the evaluation.
Tuesday, 30 June	Board delivers final SOI (if required) and SPE to shareholding Ministers
As soon as practicable after delivery of the final SOI (if required) and SPE to Ministers	Company to publish SOI (if required) and SPE on its website

All entities are expected to provide shareholding Ministers with a **Strategic Issues letter**, by **Tuesday, 31 March 2020** in response to the Letter of Expectations. Should your company wish to engage with shareholding Ministers to seek clarification around their expectations, we would ask that you advise the Ministry for Culture and Heritage and the Treasury as early as possible of such intentions.

Entities are expected to provide shareholding Ministers with a draft SOI (if required), SPE and Business Plan, consistent with the expectations as detailed in this letter, by no later than **Thursday, 30 April 2020**.

The final SOI (if required) and SPE should be delivered to shareholding Ministers on or before **Tuesday, 30 June 2020**.

Shareholding Ministers should be alerted as soon as possible if any of these deadlines cannot be met.

Further guidance on the timetable is contained in section 5.6.4 of the OEM. The OEM is available from the Treasury's website.