

The Treasury

Letters of Expectations Information Release

September 2020

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Key to sections of the Act under which information has been withheld:

- [23] 9(2)(a) - to protect the privacy of natural persons, including deceased people
- [25] 9(2)(b)(ii) - to protect the commercial position of the person who supplied the information or who is the subject of the information
- [31] 9(2)(f)(ii) - to maintain the current constitutional conventions protecting collective and individual ministerial responsibility
- [33] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
- [34] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
- [35] 9(2)(g)(ii) - to maintain the effective conduct of public affairs through protecting ministers, members of government organisations, officers and employees from improper pressure or harassment;
- [37] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice
- [38] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice
- [39] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage

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MP for Mana

Minister of Broadcasting, Communications
and Digital Media

Associate Minister of Housing (Public Housing)

Minister for Government Digital Services

Minister of Commerce and Consumer Affairs

Mr Andy Coupe
Chair
TVNZ

11 MAR 2020

[23]

Dear Andy

2020/21 SHAREHOLDER EXPECTATIONS FOR TELEVISION NEW ZEALAND LTD

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

This letter contains the following information:

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

Entity specific expectations

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 TVNZ 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 TVNZ 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 TVNZ 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;
- collaborate with the sector to maximise TVNZ's contribution to the public media outcomes;
- maintain and grow organisational capability, in particular capability which will support TVNZ 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 (this replaces the higher consultation threshold set out in the OEM), 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 Commercial Portfolio 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.

Commercial valuations

Ministers place significant reliance on the Board's estimate of the entity's commercial value. We expect these valuations to be robust, and either prepared or reviewed independently, where appropriate. The review should include the reviewer's view of key assumptions included in the model. Guidance on the commercial preparation and disclosure is provided in Annex 2 of the OEM.

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.

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

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.

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 TVNZ'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.

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

Your Treasury relationship manager will be in contact shortly after you receive this letter to discuss Ministers' expectations in more detail. If you have any questions please contact Aaron Gill (on ^[39]). Alternatively you can contact Maureena van der Lem, Manager, Commercial Performance, (on ^[39]).

Yours sincerely



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

cc Kevin Kenrick, Chief Executive, TVNZ

ANNEX 1

Timetable for the Business Planning Process for 2020/21

Table 1: Summary timetable for the Business Planning Process

<i>Due by</i>	<i>Key Action</i>
March	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 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.