

# The Treasury

## Letters of Expectation Information Release

July 2021

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- [23] 9(2)(a) - to protect the privacy of natural persons, including deceased people
- [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;
- [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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Linda Robertson  
Chair  
Crown Irrigation Investments Limited  
[23]

Dear Linda

## **2021/22 SHAREHOLDER EXPECTATIONS FOR CROWN IRRIGATION INVESTMENTS LIMITED (CIIL)**

I am writing to outline the matters that we expect your board to address in the 2021/22 business planning round.

### **Government priorities and the response to COVID-19**

The COVID-19 pandemic brought unexpected challenges for all New Zealanders. The response to COVID-19 will be of central importance in the coming year. The Government has three overarching objectives: continuing our health response to keep New Zealanders safe from the virus, accelerating the economic recovery from COVID-19 and laying the foundations for a more sustainable and equitable future.

Investing in critical infrastructure and public services will be important to our economic recovery, along with a focus on renewable energy, waste reduction, sustainability and pursuing carbon neutrality in light of the challenges caused by climate change. The Government will also be focused on supporting small businesses, training and job creation opportunities for workers and businesses, and delivering programmes to bolster New Zealand's exports.

Companies and entities that are owned by the Crown will play a role in supporting the response to COVID-19 and social and economic recovery. During 2020 Crown entity and company boards outlined the challenges that they have faced and the strategies that boards have adopted to respond. We expect that you will continue to advise Ministers this year, well in advance of any emerging issues.

The responsible management of Crown-owned company assets and finances, including sound investment and careful control of debt, can also make an important contribution to the COVID-19 recovery ambitions of New Zealanders.

Through the evolving and uncertain COVID-19 environment, we expect that you will continue to focus on your ongoing viability and provision of goods and services. In doing so, we ask that you consider the impact of your decisions on your staff and suppliers.

This letter contains the following information:

- Ministers' specific expectations for CIIL;
- general expectations for companies and entities owned by the Crown; and
- timeline for the 2021/22 business planning process and governance information (Annex 1).

## **Entity-specific expectations**

We appreciate the work that CIIL has undertaken to date to transition to an investment management company and remain supportive of both the Kurow-Dunroon and Waimea Dam projects remaining on CIIL's balance sheet for the time being. However, as previously indicated we note that Waimea Dam is due for completion in 2023 and expect CIIL to work with the Treasury to present and consider wind-down options as a matter of priority for the coming year. We expect to receive advice from the Treasury before the end of the financial year to ensure that there is adequate time to assess and implement any potential options.

We note that CIIL's workload has changed substantially over the last few years and therefore, alongside this longer-term work, expect you to continue reviewing and considering CIIL's current structure and operating expenditure to ensure it aligns with current functions and responsibilities, including the part-time nature, of the business, to ensure value-for-money.

We acknowledge the work that CIIL has done to assist Waimea Dam with additional funding and support through COVID-19 and pre-COVID-19 overspends, however, we continue to expect that CIIL does not enter into any new development funding contracts.

We expect that CIIL continues to monitor the two remaining projects <sup>[38]</sup>

We would like to thank CIIL for its work over the last year to meet our expectations in what has been difficult circumstances for all. We appreciate the relationship that CIIL has built with Treasury, as our lead advisors, and the regular updates that we have received on both current schemes, CIIL's delivery of the Central Plains Water refinancing process and its approach to 'no surprises updates'. It has been pleasing to see CIIL working constructively to find solutions to assist the two remaining schemes and working to achieve better outcomes for these sectors and communities. We expect you to continue to work in this manner, in particular in working with the Treasury to provide a range of wind-down options for CIIL.

## **General expectations**

The Treasury released an updated Owner's Expectations document in April 2020 ([www.treasury.govt.nz/publications/guide/owners-expectations](http://www.treasury.govt.nz/publications/guide/owners-expectations)). The document sets out Ministers' expectations on matters such as information-sharing and engagement with the Treasury, board evaluations, thresholds for consultation or approvals for significant investments, and timeframes for reporting and business planning documents. Some key expectations are reiterated in this letter below.

We ask that you circulate this document to all directors on your board so that they are aware of and understand the frameworks and expectations unique to Crown companies and entities.

### *Well-being focus*

Ministers expect all boards to be cognisant of the Government's focus on well-being. The Government's wellbeing approach is based on a balance of the four capitals in the Treasury Living Standards Framework – Financial, Human, Natural and Social Capital. Boards should consider and reflect the broader impact of their decisions and initiatives in planning and performance reporting. In this respect, some important aspects include corporate social responsibility and acting as a good employer, particularly if boards need to make decisions to respond to commercial or financial challenges such as the impact of COVID-19.

### *Disclosure of senior management remuneration*

Ministers acknowledge that the board is involved in setting the remuneration for the executive team. We expect that remuneration will be appropriately linked to performance and set at a level sufficient to attract and retain the necessary skills within the executive to enable Crown companies and entities to operate successfully.

At the same time, we expect boards to adopt good practice disclosure when reporting on senior management remuneration and, if required, to be able to justify publicly the remuneration decisions that they have made. Shareholding Ministers remain focused on executive remuneration being communicated transparently, and we expect to see this reflected in detailed disclosures in your annual report. We intend to give feedback on the disclosures in your 2019/20 annual report soon.

### *Supporting diversity*

Consistent with the Government's support for diversity and gender balance on boards, boards are encouraged to support diversity and inclusion in the workplace and in leadership teams.

### *Board performance evaluations*

Performance evaluations help boards to improve performance and contribute to the Treasury's advice to Ministers on board composition. We expect that evaluations will now take place annually and should ideally be conducted by an independent evaluator.

### *No surprises*

Ministers expect to be informed well in advance of any material or significant events relating to your company, whether positive or negative. The Owner's Expectations document provides some examples of matters that could fall within the 'no surprises' policy.

In particular, boards should inform Ministers' offices before the announcement of all financial results, and before appearances in front of select committees.

### **Further information**

Your Treasury relationship managers will be in contact shortly after you receive this letter to discuss Ministers' expectations in more detail. If you have any questions please contact Amanda Wilson (on <sup>[35]</sup>) Alternatively, you can contact Juston Anderson, Acting Manager, Commercial Performance (on <sup>[39]</sup>)

Yours sincerely

Hon Damien O'Connor  
**Minister of Agriculture**  
*on behalf of shareholding Ministers*

cc: Murray Gribben, Chief Executive Officer, Crown Irrigation Investments Limited,  
<sup>[23]</sup>

## Annex 1

### *Timetable for the Business Planning Process for 2021/22*

Table 1: Summary timetable for the Business Planning Process

<i>Due by</i>	<i>Key Action</i>
January / February	The Treasury to discuss the Letter of Expectations with the Chair
26 February	Board sends Strategic Issues letter to Ministers
30 April	Board submits draft Statement of Intent (SOI) if required, Statement of Performance Expectations (SPE) and business plan
28 May	Board provides advice on: <ul style="list-style-type: none"><li>• whether special fees are sought for 2021/22;</li><li>• the professional development spend in 2020/21 and the proposed professional development budget for 2021/22; and</li><li>• whether an evaluation of its performance in the past 12 months has taken place, what process was used and the outcomes of the evaluation.</li></ul>
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	Entity to publish SOI (if required) and SPE on its website

All entities are expected to provide shareholding Ministers with a **Strategic Issues letter**, by **26 February 2020** in response to the Letter of Expectations. Should your entity 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 **30 April 2020**.

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

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

Further information is available in the Owner's Expectations document ([www.treasury.govt.nz/publications/guide/owners-expectations](http://www.treasury.govt.nz/publications/guide/owners-expectations)).