

# The Treasury

## Letters of Expectation Information Release

July 2021

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# Hon Jan Tinetti

Minister of Internal Affairs  
Minister for Women  
Associate Minister of Education



02 DEC 2020

Mr Roger Sharp  
Chair  
New Zealand Lotteries Commission  
PO Box 8929  
AUCKLAND 1150  
[23]

Dear Mr Sharp

## **2021/22 OWNER EXPECTATIONS FOR THE NEW ZEALAND LOTTERIES COMMISSION**

I am writing to outline the matters that I 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. I 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, I expect that you will continue to focus on your ongoing viability and provision of goods and services. In doing so, I ask that you consider the impact of your decisions on your staff and suppliers.

This letter contains the following information:

- specific expectations for Lotto NZ;
- 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**

### *Meet legislative requirements*

I expect Lotto NZ to be familiar with, and to meet, its requirements under the Gambling Act 2003, Crown Entities Act 2004, and other relevant legislation, and to support me in fulfilling my requirements under these Acts. I expect Lotto NZ to brief me, and the relevant agency (or agencies) as appropriate, on matters of interest as the responsible Minister and to separately consult and seek my approval in advance on matters that require my approval.

### *Balancing growth in sales with minimising harm from gambling*

I recognise the measures Lotto NZ currently undertakes to promote responsible gaming, and that Lotto NZ has the highest responsible gaming programme classification (level 4) from the World Lottery Association (WLA). In pursuing its purpose of generating profits from lottery products for distribution to the community, I expect Lotto NZ to consider the potential impacts of problem gambling and underage gambling, and to work with Government agencies to minimise the potential harm. I expect Lotto NZ to implement appropriate training and policies to ensure a high standard of responsibility for its products across all sales channels.

### *Maximising distributions to the New Zealand Lottery Grants Board (LGB)*

I expect Lotto NZ to be prudent with expenditure, being mindful of its position as a public sector entity and of its objective to maximise distributions to the community through the LGB, subject to ensuring the risk of problem gambling and underage gambling is minimised.

I acknowledge that Lotto NZ's revenue and distributions are heavily influenced by the number and length of jackpot runs, which cannot be forecast with certainty. I expect Lotto NZ to provide the Treasury and the LGB with regular updates on its expected revenue and distributions throughout the financial year, and of the drivers of key changes.

### *Capital expenditure management*

I expect the board to ensure the sustainability and continuity of Lotto NZ's services and recognise there are near-term capital expenditure requirements that assist in achieving this. In planning for system or game upgrades, I expect any necessary capital expenditure for long-term needs to be balanced with the expectation to distribute profits.

In the 2020 financial year, Lotto NZ was granted approval to retain \$20.1m of profit to fund a significant programme of capital work over the next four years. I expect that Lotto NZ ensures adequate planning, monitoring, and board oversight of these significant capital projects. I also expect that, if profits retained for this capital work programme are subsequently not required, any surplus funds are distributed in future periods.

I expect to be briefed separately, and for my approval to be sought, for the further retention of any profits, in keeping with the requirements of the Gambling Act 2003. Any systems or game upgrades should minimise the impacts on service levels and game operations.

### *Continue to cooperate with online gambling review*

I expect Lotto NZ to continue to cooperate with the Department of Internal Affairs in work undertaken on reviewing online gambling in New Zealand and to assist, where relevant, with implementing decisions following this work.

### **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.

I 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 well-being 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.

### *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. I expect that evaluations will now take place annually and should ideally be conducted by an independent evaluator.

### *No surprises*

I expect to be informed well in advance of any material or significant events relating to Lotto NZ, 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.

### *Enduring letter of expectations*

An enduring letter of expectations (ELOE) was sent to Lotto NZ on 15 October 2019. The ELOE focusses on Ministers' expectations for seamless government, board role and integrity, workforce matters, supporting Māori Crown relationships, and entities applying a wellbeing approach to their work, including the need to address climate change. Nothing in this letter supersedes the ELOE.

## Further information

Your Treasury relationship managers will be in contact shortly after you receive this letter to discuss the Minister's expectations in more detail. If you have any questions please contact Alice Courtney (on <sup>[39]</sup>) Alternatively you can contact Shelley Hollingsworth, Manager Commercial Performance (on <sup>[39]</sup>)

Yours sincerely



Hon Jan Tinetti  
**Minister of Internal Affairs**

cc: Mr Chris Lyman, CEO, New Zealand Lotteries Commission, <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 the Minister
30 April	Board submits draft Statement of Intent (SOI), Statement of Performance Expectations (SPE), business plan, and budget
28 May	Board provides advice on: <ul style="list-style-type: none"><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 and SPE to the responsible Minister
As soon as practicable after delivery of the final SOI (if required) and SPE to Ministers	Entity to publish SOI and SPE on its website

Entities are expected to provide the responsible Minister with a **Strategic Issues letter**, by **26 February 2021** in response to the Letter of Expectations. Should your entity wish to engage with the Minister to seek clarification around her expectations, we would ask that you advise the Treasury as early as possible of such intentions.

Entities are expected to provide the responsible Minister with a draft SOI, SPE and Business Plan, consistent with the expectations as detailed in this letter, by no later than **30 April 2021**. Lotto NZ is also expected to provide its annual budget to the Minister on or before this date.

The final SOI and SPE should be delivered to the responsible Minister on or before **30 June 2021**.

The responsible Minister 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)).