

# 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

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# Hon Aupito William Sio

MP for Māngere

Minister for Pacific Peoples

Minister for Courts

Associate Minister of Foreign Affairs

Associate Minister of Education (Pacific Peoples)

Associate Minister of Justice

Associate Minister of Health (Pacific Peoples)



Mr Ian Fitzgerald  
Chair  
Public Trust  
P O Box 8929  
AUCKLAND 1150

[23]

16 DEC 2020

Dear Ian

## 2021/22 OWNER EXPECTATIONS FOR PUBLIC TRUST

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. 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:

- my specific expectations for Public Trust;
- general expectations for the Crown's commercial portfolio; and
- timeline for the 2020/21 business planning process and governance information (Annex 1).

### **Entity-specific expectations**

#### *Public Trust functions and objectives*

I expect Public Trust to continue to develop, promote, conduct and participate in the business of providing comprehensive estate management and administration services and to conduct its business effectively and efficiently as described in sections 8 and 9 of the Public Trust Act 2001 (the Act). I appreciate your commitment to promoting the importance of trustee services and comprehensive estate planning and management, as well as your focus on growing a sustainable business through putting your customers and your staff at the heart of everything you do.

#### *Retail and other core business services*

I expect Public Trust to focus on its long-term financial viability and on managing its assets and liabilities in a prudent manner. I expect you to continue to improve the performance of your retail and other core business services, recognising the challenges Public Trust faces under the pandemic and low interest rate environment.

#### *Digital strategy and cyber security*

I expect Public Trust to continue to develop and leverage its digital strategy to:

- provide the appropriate range of delivery channels so as to enhance the accessibility of Public Trust's services to New Zealanders,
- improve operational efficiency; and
- enhance customer and staff experiences.

I also expect Public Trust to take any necessary measures to prevent data or cyber security breaches.

#### *Capital adequacy review*

I understand that Public Trust is conducting a review of its capital adequacy. I expect Public Trust to engage effectively with the Treasury in relation to its work to determine the amount of capital needed to support its business in the medium- to long-term. Your work will help inform the Minister of Finance and me to determine the appropriate level of capital to support the Public Trust in its ongoing activities. If Public Trust has capital in excess of that needed to efficiently and effectively operate, that excess should be returned to the Crown.

### *Dividend policy*

Once the capital adequacy review is complete, I expect Public Trust to develop a dividend policy, as one of the means through which surpluses can be determined and distributed to the Crown so that it may be used to fund other government priorities. Thereafter, the board should consider Ministers' comments during the annual business planning round when setting its dividend policy, desired capital structure, level of future reinvestment and capital expenditure.

### **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 commercial 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.

### *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 refer to the key assumptions included in the model.

### *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 your entity, 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 my office 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 Public Trust on 15 October 2019. The ELOE focusses on Ministers' expectations for seamless government, board role and integrity, workforce matters, Māori Crown relationships and entities applying a well-being approach to their work, including the need to address climate change. Nothing in this letter supersedes the recent ELOE.

### **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 Alex Ng (on [39]) . Alternatively, you can contact Shelley Hollingsworth, Manager, Commercial Performance (on [39])

Yours sincerely



Hon Aupito William Sio  
**Associate Minister of Justice**

cc: Glenys Talivai, CEO, Public Trust  
[23]

## 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 responsible 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 responsible Ministers with a **Strategic Issues letter**, by **26 February 2021** in response to the Letter of Expectations. Should your entity wish to engage with responsible 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 responsible 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 2021**.

The final SOI (if required) and SPE should be delivered to responsible Ministers on or before **30 June 2021**.

Responsible 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)).