

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

[39] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage

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16 MAR 2021



Dr Jim Mather
Chair
Radio New Zealand Limited
[23]

Dear Jim

2021/22 OWNER EXPECTATIONS FOR RADIO NEW ZEALAND LIMITED

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 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. 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 Radio New Zealand Limited (RNZ);
- 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

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 continues to endorse 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; and
 - 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; and
 - complementary to and collaborative with private media.
3. Public media plays an integral role in contributing to New Zealand being:
 - a connected, informed, cohesive and independent nation;
 - a healthy, participative democracy; and
 - confident in and aware of our unique identity, cultures and languages.

The future of public media

The Government is committed to strengthening the role of public media and Māori media in the New Zealand community, ensuring public media is fit for the future and is able to thrive amid the changing media landscape.

The Government's Strong Public Media programme was paused in 2020 as a result of reprioritisation in the response to COVID-19. I understand this delay may have presented additional challenges in an already uncertain environment.

Work on the Strong Public Media programme has resumed. As you know, Cabinet has agreed to test the viability of establishing a new public media entity through a business case process. Completion of this business case in a timely way is imperative. The Government is establishing a Strong Public Media Business Case Governance Group to complete the business case by the middle of 2021 so I am able to report back to Cabinet in the second half of 2021. I have written to you separately on this matter.

If Cabinet agrees to establish a new public media entity, my expectation is that the entity would be operational in 2023. The knowledge and expertise within RNZ will be paramount to ensuring a robust business case, which will enable Cabinet to make well-informed decisions. I would like to thank RNZ for its contribution to this programme to date. It is my expectation that RNZ will continue to make its expertise available when requested throughout this process.

I recognise there is a heightened level of uncertainty regarding the future of RNZ and TVNZ. I restate my expectation that RNZ will continue to deliver services to New Zealand audiences throughout this period of uncertainty and collaborate with TVNZ as much as possible, within its current mandate. This could include actively exploring opportunities to work constructively with other public media entities to share experience and expertise on issues of common focus, maintaining working relationships with TVNZ, and building a shared understanding of common audiences. I expect to engage regularly with the RNZ board on the SPM work programme.

Ministers' specific expectations for RNZ in 2021/22 are that it will:

- actively engage with officials to progress the Strong Public Media programme;
- continue RNZ's current offerings (including RNZ National, RNZ Concert and RNZ Pacific) and retain capability;
- demonstrate strategic and organisational leadership while managing through a period of change;
- collaborate with the sector to maximise RNZ's contribution to the public media outcomes;
- consult with shareholding Ministers on a timely basis regarding major transactions and significant strategic shifts; and
- demonstrate a focus on delivering value for money.

Accountability documents

Specific, measurable and appropriate performance indicators are important to be able to measure the success of the Crown's investment in RNZ. Ministers expect RNZ's performance indicators to be sufficiently challenging to drive RNZ to build on prior years' performance.

We expect RNZ to liaise with the Treasury and the Ministry for Culture and Heritage to ensure each of the company's performance indicators clearly outline how performance will be measured and reported in its next Statement of Performance Expectations and Statement of Intent to ensure they are useful tools in tracking the company's performance.

General expectations

The Treasury released an updated Owner's Expectations document in April 2020 (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 make the directors of RNZ aware of the revised Owners' Expectations document so that they 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.

Fiscal prudence and cost management

All Crown entities and companies are expected to exercise fiscal prudence and cost management in this challenging economic environment. As you will appreciate, the Government's pay restraint expectations for Public Service Departments and Departmental Agencies – which like RNZ, are funded by appropriation – can be found at <https://www.publicservice.govt.nz/assets/Our-Work/Employment-Relations/Pay-Restraint-in-the-Public-sector-Public-Service-CEs.pdf>. RNZ should be mindful of these expectations when it comes to future remuneration reviews.

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 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 Ministers' offices before the announcement of all financial results, and before appearances in front of select committees.

Enduring Letter of Expectations

On 15 October 2019, the Government published an updated Enduring Letter of Expectations to all statutory Crown entities (<https://www.publicservice.govt.nz/resources/enduring-letter-of-expectations-to-statutory-crown-entities-2019>), replacing the previous enduring Letter of Expectations published on 26 July 2012. Although RNZ is not a statutory Crown entity, we expect it to note the contents of the letter as general expectations.

Further information

Your Treasury and Ministry for Culture and Heritage 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 Eva Parker, Analyst, Commercial Performance (on [39]) Alternatively, you can contact Maureena van der Lem, Manager, Commercial Performance (on [39])

Yours sincerely



Hon Kris Faafoi
Minister for Broadcasting and Media
on behalf of shareholding Ministers

cc Paul Thompson, Chief Executive, RNZ, [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>
March	The Treasury to discuss the Letter of Expectations with the Chair
31 March	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">• whether special fees are sought for 2021/22;• the professional development spend in 2020/21 and the proposed professional development budget for 2021/22; 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.
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 **31 March 2021** 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 2021**.

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

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).