

The Treasury

Letters of Expectation Information Release

July 2021

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Where this is the case, the relevant sections of the Act that would apply have been identified.

Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

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

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

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Colin MacDonald
Chair
The Network for Learning Limited
P O Box 37118
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[23]

Dear Colin

2021/22 OWNER EXPECTATIONS FOR THE NETWORK FOR LEARNING LIMITED

I am writing on behalf of shareholding Ministers 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 The Network for Learning Limited (N4L);
- 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

N4L is primarily funded by the Schools Managed Network Funding for the purpose of providing schools and kura access to affordable, safe, fast broadband services and internet-based content and services over a dedicated network.

Working closely with the Ministry of Education

N4L achieves its objective mainly through providing contracted services through a Master Service Agreement (MSA) it has with the Ministry of Education (the Ministry).

We expect N4L will continue to deliver services in accordance with the MSA, agreed Statements of Works and to work closely with the Ministry to ensure that its services align with the Ministry's policy objectives for education, including:

- a Delivering to the contractual standard the programmes and services set out in the various Statements of Work between the Ministry and N4L;
- b Supporting existing Equitable Digital Access (EDA) pilots until completion and assisting with transition to ensure sustainable services for learners; and
- c Supporting any further Ministry-led initiatives around technology in education.

Working closely with New Zealand Qualifications Authority (NZQA)

We expect that N4L will continue to work closely with NZQA to strengthen and enhance the National Certificate of Educational Achievement by ensuring that schools' infrastructure supports a consistent, stable and equitable learner experience.

Working closely with the Department of Internal Affairs, CERT NZ, and Netsafe to enhance cyber safety and security

We expect that N4L will invest in critical infrastructure to prevent data or cyber security breaches within the education system and work closely with the Department of Internal Affairs, CERT NZ and Netsafe to support cross-government activities around reducing digital harm. N4L will also comply with recommendations from the National Cyber Security Centre.

Investigate options to advance digital inclusion

We expect that N4L will support the Government's initiatives to address digital inclusion. This may include investigating sustainable technologies and options to advance the key elements needed for students to be digitally included: motivation, access, skills and trust. This would lead towards a seamless online learning environment, accessible to schools and students wherever they learn, the importance of which was highlighted by the COVID-19 outbreak.

Investigate options to optimise value

We expect N4L to continue to investigate and propose options to optimise value for the Crown in providing sustainable digital services to state and state-integrated schools. Options include (but are not limited to) exploring N4L's ability to leverage commercial possibilities afforded by its status as a company listed in Schedule 4a of the Public Finance Act.

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 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.

Capital structure and dividends

Where appropriate, boards are expected to return any surplus capital to the Crown so that it may be used to fund other government priorities. Boards should consider Ministers' comments during the annual business planning round when setting their dividend policy, desired capital structure, level of future reinvestment and capital expenditure.

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

Yours sincerely



Hon Chris Hipkins
Minister of Education
on behalf of shareholding Ministers

cc: Larrie Moore, CEO, The Network for Learning Limited
[23]