

The Treasury

Annual Letters of Expectations 2022/23 Information Release

September 2022

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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
- [33] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
- [39] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage

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Hon Dr David Clark

MP for Dunedin

Minister of Commerce and Consumer Affairs
Minister for the Digital Economy and Communications
Minister for State Owned Enterprises
Minister of Statistics
Minister Responsible for the Earthquake Commission



20.12.2021

Mr Mark Binns
Chair
Crown Infrastructure Partners Limited
By email: [23]

Dear Mark,

2022/23 OWNER EXPECTATIONS FOR CROWN INFRASTRUCTURE PARTNERS

I am writing to outline the matters that we expect your board to address in the 2022/23 business planning round and work programme.

Government priorities and the response to COVID-19

The Government has three goals for its term: to keep New Zealanders safe from COVID-19, to accelerate the recovery and rebuild; and to tackle foundational challenges.

The response to COVID-19 remains of central importance in the coming year. 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.

Crown-owned companies and entities through their operations play an important role in supporting the response to COVID-19 and the social and economic recovery. Responsible management of assets and finances, including careful control of debt, capex and investments are part of the contribution Crown Infrastructure Partners (CIP) makes to the Government's goals.

We wish you every success with your endeavours in the coming year and thank you for your contribution to laying the foundations for a more sustainable and equitable future.

This letter contains the following information:

- Ministers' specific expectations for CIP;
- general governance expectations (**Annex 1**);
- timeline for the 2022/23 business planning process and governance information (**Annex 2**).

Entity-specific expectations

Support the Government's consideration of infrastructure agencies' future roles and integrated infrastructure policy and decision-making

[33]

We ask that you support the work being carried out to increase the effectiveness and impact of the Crown's infrastructure priorities and funding including for instance, [33]

[33]

We expect CIP to continue working effectively with officials as we collectively consider taking these recommendations forward, including identifying where CIP can initiate improvements without requiring additional Ministerial mandate or operational funding.

Through its programme delivery, CIP has built a repository of infrastructure data that Ministers are keen to see developed and used to support policy development and integrated infrastructure investment.

We expect CIP to provide access to the information its holds and to support the work of departments to develop advice for Ministers about future infrastructure investments, funding and initiatives. We ask that broader policy considerations are sought from departments and are accounted for in the delivery of its work programmes, and before management puts new proposals to Ministers.

Maintain focus on continued effective delivery of infrastructure programmes

CIP is an important delivery agent for Government's infrastructure policy. Ministers expect CIP to focus on effectively carrying out its mandated functions for the Government's infrastructure programmes including:

- *IRG shovel ready programme* - programme oversight and project funding/monitoring. CIP should expect to use any returns made on investments and loan repayments to reduce the requirement for the Crown to provide operating funding under the IRG shovel ready programme funding arrangements and should seek these decisions from IRG Ministers at the appropriate time under the established 'Approval Report' process.
- *The Ultra-Fast Broadband (UFB) programme* - monitor UFB contracts and programme cash flows, including whether any funding returned by network partners should be retained or returned to the Crown, and any potential impacts on the infrastructure deployment and/or the value of the local fibre and Chorus investments.
- *The Regional Digital Connectivity programmes (RBI2, MBSF, Rural Capacity Upgrade and other initiatives)* - work closely with the Rural Connectivity Group, regional wireless internet service providers, mobile network operators, UFB Local Fibre Companies, satellite providers and Chorus and engage with local communities, iwi and hapu in the deployment of regional digital infrastructure, proactively identifying opportunities to accelerate, expand and increase the capacity of regional connectivity in conjunction with the Ministry of Business, Innovation and Employment.

- *The Infrastructure Funding and Financing programme (IFF)* - deliver detailed levy proposals for the those three prioritised infrastructure projects where the proposing Council has the project ready for financing during the 2022/23 fiscal year and continue to develop a pipeline of infrastructure projects suitable for the application of IFF Act (2020) levies over the medium term.
- *The Three Waters Reform Stimulus Funding* - monitor the 2020 funding to councils and the associated rural and marae funding, including reporting, engaging with, and auditing of councils' execution of delivery plans and associated milestones and the delivery of the rural and marae drinking water programme within the policy settings established by Department of Internal Affairs.
- *Public Safety Network (PSN)* - continue to perform as the infrastructure procurement partner for the PSN, consistent with the Cabinet mandate and work with the Next Generation Critical Communications unit of New Zealand Police to contract and implement the infrastructure component of the PSN.

We expect CIP to carefully manage operational spending to be efficient in carrying out its roles and responsibilities for these programmes.

Work with officials to provide timely accessible information and reporting on the progress and achievements of programmes

As the critical agency in delivery of these programmes, Ministers have high expectations that CIP will work closely with the responsible departments of the programmes for which CIP has delivery responsibilities by:

- ensuring officials have the required information to provide advice to responsible and shareholding Ministers;
- enabling effective monitoring and assessment of how well each programme is delivering the contracted and desired outcomes; and,
- playing a central role in identifying and coordinating responses to emerging issues with the delivery of programmes.

We note that CIP supports many reporting and information requests across its work programmes, including Official Information Act (1982) requests and Parliamentary questions. We would like to thank CIP for its continued effort in this area and expect the effective engagement and coordination with Ministers' offices and departments to continue.

Responsible departments that CIP is expected to work with in delivering its programme include:

- the Treasury as the policy leaders for the shovel-ready projects programme.
- the Ministry of Business, Innovation and Employment as the policy leaders for digital connectivity;
- the Ministry of Housing and Urban Development as the policy leaders for housing infrastructure, and the Treasury;
- the Department of Internal Affairs as the policy leaders for Three Waters Reform; and,
- New Zealand Police as the policy lead for the PSN programme.

In relation to the Crown's ownership interest in CIP, we also expect CIP to consult the Treasury on:

- the development of CIP's external accountability documents and reporting to shareholding Ministers including about the measures and targets to give insight about the effectiveness and efficiency CIP's programme delivery and its organisational capability; and,
- any funding issues that emerge in CIP's work, or where CIP may be required to deliver work that sits outside its core functions and the expectations outlined in this letter and within its constitution. If loan repayments or other revenue sources exceed operating funding requirements, we expect CIP to engage Treasury officials to discuss these surpluses in the first instance.

General governance expectations

We regard strong board governance as critical to the performance and success of the Crown's companies and entities. The [Owner's Expectations](#) sets out Ministers' expectations on matters for board oversight such as information-sharing and engagement with the Treasury, board evaluations, thresholds for consultation or approvals for significant investments, commercial valuations, capital structure and dividends, and timeframes for reporting and business planning documents.

Further general expectations you are asked to consider are set out in **Annex 1**.

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 Ann Webster ([39]) or Jansson Ford ([39]). Alternatively, you can contact Maureena van der Lem, Manager, Commercial Performance ([39]).

Yours sincerely



Hon David Clark
Minister for State Owned Enterprises
on behalf of shareholding Ministers

cc Graham Mitchel, CEO, Crown Infrastructure Partners Limited,
[23]

Annex 1

General Governance Expectations

Enduring letter of expectations

Ministers expect all boards to be cognisant of the Government's 2019 [Enduring letter of expectations](#) to all statutory Crown entities, which asks that boards and their agencies

- Support a unified value-based government for all New Zealanders;
- Support future-focussed Māori Crown relations; and
- Contribute to improving wellbeing.

Work force Policy Statement and Public Service Pay Gap Action Plan

The [Government Workforce Policy Statement](#) (Workforce Policy) sets out the Government's expectations about public sector agencies management of employment relations, including of statutory entities and Crown entity companies. This policy also emphasises the importance of pay restraint in the COVID-19 environment and the fiscal context of the Government.

Consistent with the Government's support for diversity, gender balance and wider ethnicity on boards, boards are encouraged to support diversity and inclusion in the workplace and in leadership teams. On 15 November 2021, the Government launched The [Public Service Pay Gap Action Plan](#) (Action Plan), which aims to help close pay gaps and create fairer workplaces for all employees.

You and your board are encouraged to consider the relevance of the Workforce Policy and the *Public Service Pay Gap Action Plan* for CIP.

Wellbeing approach and Carbon Neutral Government Programme

The Government's wellbeing approach is based on the [Treasury's Living Standards Framework](#), which considers a broad range of impacts over 12 domains for our individual and collective wellbeing, our institutions and governance, and the wealth of Aotearoa New Zealand, now and into the future. Boards should consider and reflect the broader impact of their decisions and initiatives in planning and performance reporting.

In pursuit of our carbon reduction ambitions, the Carbon Neutral Government Programme (CNGP) has been set up to accelerate the reduction of emissions within the public sector. We encourage CIP to support the Government by joining with businesses and communities already leading the way to reducing their emissions.

Board evaluations and strengthening the director pipeline

Board evaluations help boards to improve performance and should take place annually (subject to the exceptions in the [Owner's Expectations](#)) and ideally be conducted by an independent evaluator.

Along with skills matrices, evaluations contribute to the Treasury's advice to Ministers on board composition and so should be shared with the Treasury.

In addition, we have a general expectation that you will engage a ‘Future Director’ as an observer of the board, where possible, to grow the pipeline of new and diverse director talent.

Senior Executive Remuneration

Within the overall context of public sector pay restraint, Ministers expect that boards will ensure that senior management remuneration is 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.

Boards of SOEs, and Schedule 4A and Crown entity companies have separately received Ministers’ April 2021 expectation that disclosure in annual reports meets the NZX Corporate Governance Code, most notably recommendation 5.3. If disclosure to this standard is not possible, the annual report is expected to explain why this is the case.

Annex 2

Timetable for the Business Planning Process for 2022/23

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
28 February	Board sends Strategic Issues letter to Ministers
29 April	Board submits draft Statement of Intent (SOI) if required, Statement of Performance Expectations (SPE) and business plan
27 May	Board provides advice on: (if required) <ul style="list-style-type: none">• whether special fees are sought for 2022/23;• the professional development spends in 2021/22 and the proposed professional development budget for 2022/23; 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 **28 February 2022** 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 **29 April 2022**.

The final SOI (if required) and SPE should be delivered to shareholding Ministers on or before **30 June 2022**.

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](#).