

Reference: 20220313



22 September 2022



Dear 

Thank you for your Official Information Act (OIA) request, received on 10 August 2022. You requested the following:

*11 May 2022 Treasury Report T2022/978: RNZ and TVNZ FY23-25 Statement of Intent and FY23 Statement of Performance Expectations*

*11 May 2022 Treasury Report T2022/976: Crown Infrastructure Partners Statement of Performance Expectations 2022/23*

The time limit for deciding on your request was extended by an additional 20 working days due to the consultation necessary to make a decision.

### Information being released

Please find enclosed the following documents:

| Item | Date        | Document Description   | Decision        |
|------|-------------|--|-----------------|
| 1.   | 11 May 2022 | T2022/978: RNZ and TVNZ FY23-25 Statement of Intent and FY23 Statement of Performance Expectations | Release in part |
| 2.   | 11 May 2022 | T2022/976: Crown Infrastructure Partners Statement of Performance Expectations 2022/23             | Release in part |

I have decided to release the documents above, subject to information being withheld under one or more of the following sections of the OIA, as applicable:

- section 9(2)(a) – to protect the privacy of natural persons, including that of deceased natural persons,
- section 9(2)(b)(ii) – to protect the commercial position of the person who supplied the information, or who is the subject of the information,
- section 9(2)(f)(iv) – to maintain the current constitutional conventions protecting the confidentiality of advice tendered by Ministers and officials,
- section 9(2)(g)(i) – to maintain the effective conduct of public affairs through the free and frank expression of opinions,

1 The Terrace  
PO Box 3724  
Wellington 6140  
New Zealand  
tel. +64-4-472-2733

<https://treasury.govt.nz>

- section 9(2)(g)(ii) – to maintain the effective conduct of public affairs through protecting Ministers, members of government organisations, officers and employees from improper pressure or harassment,
- section 9(2)(i) - to enable the Crown to carry out commercial activities without prejudice or disadvantage,
- section 9(2)(k) – to prevent the disclosure of information for improper gain or improper advantage.

The direct dial phone numbers of officials have been redacted under section 9(2)(k) in order to reduce the possibility of staff being exposed to phishing and other scams. This is because information released under the OIA may end up in the public domain, for example, on websites, including the Treasury's website.

In making my decision, I have considered the public interest considerations in section 9(1) of the OIA.

Please note that this letter (with your personal details removed) and enclosed documents may be published on the Treasury's website.

This reply addresses the information you requested. You have the right to ask the Ombudsman to investigate and review my decision.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ann Webster', enclosed within a large, hand-drawn oval.

Ann Webster  
**Manager, Commercial and Institutional Performance**

# 20220313 TOIA Binder

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TE TAI ŌHANGA  
THE TREASURY

## Treasury Report: RNZ and TVNZ FY23-25 Statement of Intent and FY23 Statement of Performance Expectations

|              |             |                     |             |
|--------------|-------------|---------------------|-------------|
| <b>Date:</b> | 11 May 2022 | <b>Report No:</b>   | T2022/978   |
|              |             | <b>File Number:</b> | CM-1-3-78-2 |

### Action sought

|   | Action sought  | Deadline    |
|---|--|-------------|
| <b>Minister of Finance</b><br>(Hon Grant Robertson)             | <b>Agree</b> the recommendations   | 19 May 2022 |
| <b>Minister for Broadcasting and Media</b><br>(Hon Kris Faafoi) | <b>Agree</b> the recommendations<br><b>Sign</b> the attached letters to the Chairs of RNZ and TVNZ |             |

### Contact for telephone discussion (if required)

| Name          | Position   | Telephone    | 1st Contact |
|---------------|--|--------------|-------------|
| Eva Parker    | Analyst, Commercial and Institutional Performance        | s9(2)(k)     | ✓           |
| Angus Pryde   | Senior Analyst, Commercial and Institutional Performance |              |             |
| Michael Moore | Acting Manager, Commercial and Institutional Performance | s9(2)(g)(ii) |             |

### Minister's Office actions

**Minister of Finance's office:** Forward the signed report to the Minister for Broadcasting and Media's office, and **return** the signed report to the Treasury

**Minister for Broadcasting and Media's office:** Once the signed report is received from the Minister of Finance's office and your Minister has signed the report and attached letters, **email** a signed copy of the letters to the Chairs of RNZ and TVNZ, and **return** the signed report and letters to the Treasury

Note any feedback on the quality of the report

### Enclosure:

Yes (attached)  
Letter to Chair of RNZ – draft FY23-25 SOI and FY23 SPE  
Letter to Chair of TVNZ – draft FY23 SPE

s9(2)(g)(i)

## Treasury Report: RNZ and TVNZ FY23-25 Statement of Intent and FY23 Statement of Performance Expectations

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### Purpose of report

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1. This report provides shareholding Ministers with an analysis of:
  - Radio New Zealand Limited's (RNZ's) draft FY23-25 Statement of Intent (SOI) and FY23 Statement of Performance Expectations (SPE), and
  - Television New Zealand Limited's (TVNZ's) draft FY23 SPE.
2. Draft letters to the Chairs of RNZ and TVNZ are attached for shareholding Ministers' consideration.

### Reporting obligations

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3. Per the Crown Entities Act 2004 (the Act), RNZ and TVNZ are required to publish an SOI once every three years and an SPE every year. RNZ and TVNZ are required to provide draft SOIs and SPEs to their responsible Minister not later than two months before the start of the financial year.
4. The responsible Minister must provide any comments on the draft SOIs and SPEs no later than 15 working days after receiving the draft SOIs and SPEs. RNZ and TVNZ are required to consider those comments as they finalise their SOIs and SPEs.

### Analysis

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5. When assessing RNZ and TVNZ's draft SOI and SPEs, the Treasury, in consultation with the Ministry for Culture and Heritage (MCH) as joint monitor of RNZ, considers the:
  - alignment of the draft SOI and SPE scope and performance measures with shareholding Ministers' expectations, including shareholding Ministers' FY23 Letter of Expectations (LOE), and
  - quality of the draft SOI and SPE performance measures, and compliance with the Act.

### RNZ's draft SOI and SPE

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6. RNZ provided its draft SOI and SPE to shareholding Ministers on 28 April 2022. The responsible Minister's comments must be provided to RNZ by 19 May 2022.
7. The Treasury and MCH discussed the draft SOI and SPE with RNZ and suggested minor edits. MCH was consulted on and agrees with the RNZ-related information in this report, subject to some minor amendments.
8. Given the anticipated impact on RNZ as part of the Strong Public Media (SPM) programme, RNZ submitted, via officials, that the responsible Minister should consider waiving the requirement to provide an SOI under section 139B of the Act. Officials consider that a waiver should not be granted given the full year of operations until the new public media entity (the new entity) is expected to be operational and to ensure robustness to any unforeseen delays.

### *Alignment of the draft SOI and SPE scope and performance measures with expectations*

9. RNZ recognises in its draft SOI and SPE its role in the new entity and its focus on optimising its contribution to the establishment of the new entity whilst continuing to meet its current performance expectations.

10. RNZ's strategic priorities include:
  - embedding the principles of Te Tiriti o Waitangi throughout its services and functions
  - continuing to strengthen its constructive and inclusive organisational culture and have its people prepared for the future
  - reinvigorating the mobile and audio experience for audiences, and
  - prioritising underserved (particularly young, Māori, Pacific and regional) audiences.
11. RNZ's strategy might be updated when the new entity is established. However, officials consider the above strategic priorities in conjunction with the broader strategic objectives outlined in the draft SOI and SPE sufficiently address the expectations of shareholding Ministers at this time.
12. Importantly, RNZ actioned shareholding Ministers' expectation in the FY23 LOE to develop new measures to adequately convey its performance – considered below.
13. Shareholding Ministers' FY23 LOE encouraged RNZ to consider the Treasury's Living Standards Framework and reflect the broader impact of its decisions and initiatives in business planning and performance reporting. RNZ met this expectation in its draft SOI but could further develop this analysis in future business planning and performance reporting.

*Quality of the draft SOI and SPE performance measures, and compliance with the Act*

14. The draft SOI and SPE provide an appropriate basis for the operation and accountability of RNZ and meet the requirements of the Act.
15. RNZ's draft SOI closely aligns with its FY19-23 SOI, although officials consider the draft SOI to be a credible and relevant update, by incorporating:
  - its role in the SPM programme and the changing legislative framework it operates in
  - updated performance measures that accurately reflect the draft FY23 SPE
  - a summary of the challenges and opportunities in its operating environment, and
  - its contribution to Government outcomes and the wellbeing of New Zealanders.
16. RNZ's draft SOI notes that it is the most trusted news brand. It attributes that, in part, to independence from commercial influences and cites the increase in audience numbers during COVID-19 as evidence to support this claim. However, TVNZ's audience also increased during COVID-19, suggesting that being commercial-free is not necessarily the determinant for being more trusted. Consistently, evidence has shown that in New Zealand, Crown-owned media entities (RNZ and TVNZ) are more highly trusted than non-Crown media entities (with little difference between the level of trust in RNZ and TVNZ, T2019/3522 refers). Therefore, with respect to trust, ownership appears more important than the entity's source of revenue. Officials will recommend via their regular engagement that RNZ includes more evidence in future, for instance survey results or research, to support this claim.
17. The long-term performance measures in RNZ's draft SOI do not adequately indicate its current position or provide specific targets it is aiming to achieve by the end of FY25. Officials recognise there are practical limitations for RNZ to address these concerns given the impact on RNZ of the SPM programme, and expect it to prepare a more fulsome update to long-term performance measures in the context and business planning of the new entity.
18. The quality and relevance of most performance measures in RNZ's draft SPE have been maintained or improved compared with prior years. The new measures included in relation to RNZ's priority to reinvigorate mobile and audio experiences are:

- at least 7 out of 10 New Zealanders aware of RNZ have consumed it in the week surveyed, with the survey to be completed by an external provider, and
  - improved functionality for discovery, access, search and content optimisation for mobile audience, with the completion of project expected in FY23 as detailed in a separate statement of works.
19. RNZ has increased some performance targets in its draft SPE, including those for:
- producing and broadcasting a diverse and unique range of services, including growing Māori-specific features and content, delivering local democracy reporting and increasing regional journalists
  - attracting and retaining diverse audiences, including growing RNZ's rangatahi audience and building its online audiences
  - how New Zealanders value RNZ as a public broadcasting service, and
  - the prioritisation of underserved audiences.
20. Despite these improvements, the majority of RNZ's performance targets maintain performance from the previous year. This follows a similar trend to the FY22 SPE.
21. RNZ has advised it faces ongoing challenges in improving its performance story, including funding constraints, cost pressures, and the requirement to create more content for diverse audiences. As a result, RNZ sees maintaining targets for current performance as a considerable challenge.
22. Officials consider that the draft SPE is acceptable as RNZ has reflected feedback in that it has increased targets and incorporated several new objectives, despite the challenges and constraints it faces.
23. RNZ has provided forecast financial statements in line with section 149(G) of the Act. Table 1 summarises RNZ's financial forecasts.

**Table 1**

|                   | <b>FY22</b><br>(forecast, \$m) | <b>FY23</b><br>(budget, \$m) | <b>FY24</b><br>(budget, \$m) | <b>FY25</b><br>(budget, \$m) |
|-------------------|--------------------------------|------------------------------|------------------------------|------------------------------|
| Total revenue     | 49.8                           | s9(2)(b)(ii).                |                              |                              |
| Total expenses    | (51.3)                         |                              |                              |                              |
| EBITDA*           | 1.5                            |                              |                              |                              |
| Operating surplus | (1.5)                          |                              |                              |                              |
| Capex**           | 3.1                            |                              |                              |                              |
| Cash on hand      | 5.8                            |                              |                              |                              |

\* Earnings before interest, tax, depreciation and amortisation

\*\* Capital expenditure

24. RNZ's operating loss is budgeted to increase to s9(2)(b)(ii). in FY23 due to a reduction in one-off Crown funding to alleviate cost pressures. RNZ has assumed that an increase in funding will be received as part of the new entity in FY24.

## TVNZ's draft SPE

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25. TVNZ provided its draft SPE to shareholding Ministers on 29 April 2022. The responsible Minister's comments must be provided to TVNZ by 20 May 2022. TVNZ's SOI is valid until the end of FY23.
26. TVNZ also provided its draft FY23-25 Business Plan (BP) to the Treasury on 2 May 2022. TVNZ's draft BP underpins the content in its draft SPE. The responsible Minister is not required to provide comments on TVNZ's draft BP, nor is the final version presented to the House of Representatives.

27. The Treasury discussed the draft BP with TVNZ and provided minor comments to TVNZ on its draft SPE and is confident these will be reflected in the final version.

*Alignment of the draft SPE and BP scope and performance measures with expectations*

28. TVNZ's scope and performance measures might be updated when the new entity is established, however, the Treasury considers the draft SPE and BP sufficiently address the expectations of shareholding Ministers at this time.
29. TVNZ's strategic priorities include:
- “delivering for New Zealanders” through connecting with local audiences (particularly as digital audiences increase) and helping local businesses succeed (with advertising opportunities)
  - “getting change ready” through preparing for the new entity and building its capability (by leading the transition to a digital future through its IP Platform investment – considered below), and
  - “building our culture” through mana tangata (creating an inclusive culture to attract and retain talent) and leading sustainability (guided by a sustainability strategy – considered below).
30. TVNZ confirms its focus on supporting and collaborating to establish a successful new entity that will be digitally enabled, multi-platform and endeavour to meet the needs of New Zealand audiences.
31. In February 2022, TVNZ's Board approved in principle work to elevate TVNZ from a “legacy-based, broadcast-centric environment to a digital-first, IP to many platforms, software model” over five years. In line with shareholding Ministers' FY23 LOE, TVNZ is preparing a business case to support the investment and will formally consult shareholding Ministers in due course. The Treasury has reiterated to TVNZ that this investment should be considered in the context of the SPM programme and RNZ should be engaged where appropriate.
32. Shareholding Ministers' FY23 LOE encouraged entities to reduce their carbon emissions. TVNZ is developing a sustainability framework, emissions reduction target and reporting approach. TVNZ has identified three pillars (green, representative, and responsible broadcasting) which take a holistic approach to sustainability, has engaged a cultural design agency and has an energy audit underway, among other initiatives.

*Quality of the draft SPE and BP performance measures, and compliance with the Act*

33. The draft SPE provides an appropriate basis for the operation and accountability of TVNZ and meets the requirements of the Act, noting TVNZ does not have any reportable output classes.
34. TVNZ has provided forecast financial statements for FY23 in line with section 149(G) of the Act. Table 2 summarises TVNZ's financial forecasts.

**Table 2**

|                | <b>FY22</b><br>(forecast, \$m) | <b>FY23</b><br>(budget, \$m) | <b>FY24</b><br>(budget, \$m) | <b>FY25</b><br>(budget, \$m) |
|----------------|--------------------------------|------------------------------|------------------------------|------------------------------|
| Total revenue  | 342.1                          | s9(2)(b)(ii).                |                              |                              |
| Total expenses | 316.1                          |                              |                              |                              |
| EBITDAF        | 26.0                           |                              |                              |                              |
| NPAT*          | 7.3                            |                              |                              |                              |
| Capex          | 5.3                            |                              |                              |                              |
| Cash on hand   | 91.6                           |                              |                              |                              |

\* Net profit after tax



35. TVNZ's revenue is expected to remain relatively flat during FY23-25, with strong digital advertising growth offsetting free-to-air television advertising declines. TVNZ's expenses are expected to increase during FY23-25, with increased, and more diverse, local content investment s9(2)(b)(ii). and IP Platform investment s9(2)(b)(ii). – both of which appear aligned with the Government's public media objectives and proposed outcomes of the new entity.
36. s9(2)(b)(ii). The Treasury also notes TVNZ's forecasts have historically been conservative – most recently, TVNZ's forecast FY22 revenue has been revised to \$342.1m from \$335.9m.
37. TVNZ's Board will review its ability to declare a dividend at the end of FY22. The Treasury would expect the Board to consider TVNZ's financing, investment and operating requirements in considering the declaration of a dividend.

### Next steps

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38. The Treasury recommends shareholding Ministers agree that the Minister for Broadcasting and Media, as the responsible Minister, signs the attached letters to the Chairs of RNZ and TVNZ by 19 May 2022.
39. RNZ and TVNZ are required to consider the responsible Minister's comments as they finalise their SOI and SPEs by 30 June 2022.

### Recommended action

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The Treasury recommends shareholding Ministers:

- a **note** that the Ministry for Culture and Heritage and the Treasury consider that Radio New Zealand Limited's (RNZ's) FY23-25 Statement of Intent and FY23 Statement of Performance Expectations (SPE) are suitable for presentation to the House of Representatives
- b **note** that the Treasury considers that Television New Zealand Limited's (TVNZ's) FY23 SPE is suitable for presentation to the House of Representatives
- c **agree** that the Minister for Broadcasting and Media, as the responsible Minister, signs the attached letters to the Chairs of RNZ and TVNZ by 19 May 2022.

*Agree/disagree.*  
Minister of Finance

*Agree/disagree.*  
Minister for Broadcasting and Media

Michael Moore  
**Acting Manager, Commercial and Institutional Performance**

Hon Grant Robertson  
**Minister of Finance**

Hon Kris Faafoi  
**Minister for Broadcasting and Media**

**Hon Kris Faafoi**

Minister of Justice  
Minister for Broadcasting and Media  
Minister of Immigration



Dr Jim Mather  
Chair  
Radio New Zealand Limited  
s9(2)(a)

Dear Jim

**RADIO NEW ZEALAND LIMITED'S DRAFT FY23-25 STATEMENT OF INTENT AND FY23 STATEMENT OF PERFORMANCE EXPECTATIONS**

I am writing on behalf of shareholding Ministers to thank you for providing copies of Radio New Zealand Limited's (RNZ's) draft Statement of Intent (SOI) for the period ending 30 June 2025, and Statement of Performance Expectations (SPE) for the period ending 30 June 2023.

I appreciate the time and effort that RNZ's board, management and staff have put into these documents, along with your efforts to keep shareholding Ministers informed about RNZ's performance. I also acknowledge RNZ's continued contribution to the Strong Public Media programme, and the potential disruption it creates. I am committed to engaging regularly with the RNZ board on the programme.

I note RNZ's request for a waiver of the requirement to provide an SOI under section 139B of the Crown Entities Act 2004. Given the full year until the new public media entity is expected to be operational, and to ensure robustness to any unforeseen delays in the Strong Public Media programme, I do not believe a waiver is appropriate.

Officials advise that, subject to some minor amendments, RNZ's draft SOI and SPE provide an appropriate basis for the operation and accountability of RNZ at this time. RNZ will be expected to prepare a more fulsome update to long-term performance measures in the context and business planning of the new public media entity.

Please provide shareholding Ministers' offices with an electronic copy of the final SOI and SPE on 30 June 2022, and publish the final SOI and SPE on RNZ's website as soon as practicable after that date as required under section 149L(1) of the Crown Entities Act 2004. Please also provide an electronic copy and five printed copies of the final SOI and SPE to the House Office with your annual report later in the year for presentation to the House of Representatives and publishing to Parliament's website.

I wish you every success for the year ahead.

Yours sincerely

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

cc Paul Thompson, Chief Executive, Radio New Zealand Limited, s9(2)(a)

**Hon Kris Faafoi**

Minister of Justice  
Minister for Broadcasting and Media  
Minister of Immigration



Mr Andy Coupe  
Chair  
Television New Zealand Limited  
s9(2)(a)

Dear Andy

**TELEVISION NEW ZEALAND LIMITED'S DRAFT FY23 STATEMENT OF PERFORMANCE EXPECTATIONS**

I am writing on behalf of shareholding Ministers to thank you for providing copies of Television New Zealand Limited's (TVNZ's) draft Statement of Performance Expectations (SPE) for the period ending 30 June 2023, and draft Business Plan for the period ending June 2025.

I appreciate the time and effort that TVNZ's board, management and staff have put into these documents, along with your efforts to keep shareholding Ministers informed about TVNZ's performance. I also acknowledge TVNZ's continued contribution to the Strong Public Media programme, and the potential disruption it creates. I am committed to engaging regularly with the TVNZ board on the programme.

I ask that TVNZ's proposed IP Platform investment is considered in the context of the Strong Public Media programme. Please keep officials well-informed as the business case to support this investment is developed, and consult shareholding Ministers on this investment in a timely manner.

I understand the Treasury discussed the draft SPE and Business Plan with TVNZ management and provided comments for consideration, including a request that TVNZ shares its key financial ratios and any other material updates to the documents with the Treasury prior to its final SPE submission.

Please provide shareholding Ministers' offices with an electronic copy of the final SOI and SPE on 30 June 2022, and publish the final SOI and SPE on TVNZ's website as soon as practicable after that date as required under section 149L(1) of the Crown Entities Act 2004. Please also provide an electronic copy and five printed copies of the final SOI and SPE to the House Office with your annual report later in the year for presentation to the House of Representatives and publishing to Parliament's website.

I wish you every success for the year ahead.

Yours sincerely

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

cc Simon Power, Chief Executive, Television New Zealand Limited, s9(2)(a)



## Treasury Report: Crown Infrastructure Partners Statement of Performance Expectations 2022/23

|              |             |                     |            |
|--------------|-------------|---------------------|------------|
| <b>Date:</b> | 11 May 2022 | <b>Report No:</b>   | T2022/976  |
|              |             | <b>File Number:</b> | CM-1-3-106 |

### Action sought

|   | Action sought  | Deadline    |
|---|--|-------------|
| <b>Minister of Finance</b><br>(Hon Grant Robertson)                 | <b>Agree</b> to the recommendations  | 20 May 2022 |
| <b>Minister for State Owned Enterprises</b><br>(Hon Dr David Clark) | <b>Agree</b> to the recommendations<br><b>Sign</b> the attached letter to the Chair of Crown Infrastructure Partners | 20 May 2022 |

### Contact for telephone discussion (if required)

| Name          | Position  | Telephone |              | 1st Contact |
|---------------|---|-----------|--------------|-------------|
| Ann Webster   | Principal Advisor, Commercial and Institutional Performance | s9(2)(k)  | s9(2)(g)(ii) | ✓           |
| Michael Moore | Acting Manager, Commercial and Institutional Performance    |           |              |             |

### Minister's Office actions (if required)

**Send** letter once signed and **return** the signed report to Treasury

Note any feedback on the quality of the report

**Enclosure:** Yes (attached)

s9(2)(g)(i)

## Treasury Report: Crown Infrastructure Partners Statement of Performance Expectations 2022/23

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### Purpose of Report

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1. This report provides you with an analysis of Crown Infrastructure Partners' (CIP) draft Statement of Performance Expectations (SPE) for the 2022/23 financial year.
2. It seeks the Shareholding Ministers' agreement to sign the attached letter to the Chair of CIP, Mark Binns, inviting him to publish final copies of the SPE on CIP's website.

### Reporting Obligations

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3. Under the requirements of the Crown Entities Act 2004, CIP must prepare a SOI at least every three years and a SPE annually. It is required to provide these draft documents to its responsible Ministers, not later than two months before the start of the financial year.
4. CIP's business planning process is the primary means for Ministers to influence its strategic direction with the Board required to consider Ministers' feedback as part of finalising its SPE.
5. CIP adopted an SOI for the period 1 July 2021 - to 30 June 2025, which covers the 2022/23 year. It provided its draft SPE for 2022/23 on 29 April 2022. Ministers' feedback is due no later than 15 working days after receipt of the documents (i.e., 20 May 2022).
6. The final SPE must be sent to Ministers by 30 June 2022 and published on CIP's website as soon as practicable after that.

### Analysis

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7. In assessing CIP's draft SPE, the Treasury has considered:
  - the alignment of the SPE scope and performance with CIP's strategic potential and Ministers' performance expectations, including the Government's 2019 enduring expectations.
  - the alignment of the SPE with Ministers' 2022/23 letter of expectations, including the general expectations.
  - the quality of the SPE performance measures and information and the compliance of the SPE with the requirements of the Act.
8. Overall, the draft SPE provides an appropriate basis for the operation and accountability of CIP and meets the requirements of the Crown Entities Act 2004.
9. In 2022/23 the UFB programme, which CIP was established to carry out will be completed. CIP sees its future as carrying out infrastructure programmes as required and agreed by Ministers with amendments to CIP's constitution in 2020 enabling this direction (T2020/1127 and T2020/2805 refer).

10. We sought feedback on CIP's draft FY23 SPE from the other government agencies CIP will be working to deliver infrastructure programmes on behalf of, including the Department of Internal Affairs (DIA), the Ministry of Business, Innovation and Employment (MBIE), and the Treasury's Housing and Urban Growth and National Infrastructure teams.

*Alignment of the draft SPE scope and performance with CIP's strategic potential and Minister's performance expectations, including the Government's 2019 enduring expectations*

11. CIP's strength is its agility, including its ability to establish project contracts and to monitor projects' performance and the recycling and reprioritising of funds within programmes. However, contract arrangements between CIP and departments for each programme have to date been bespoke and so, as the number of programmes managed has increased, so has the complexity of the funding and reporting arrangements. The number of bespoke programme arrangements may be becoming onerous and inefficient, creating a range of co-ordination and decision-making risks.
12. We note that at the time CIP prepared its draft SPE, negotiations were underway with DIA for monitoring of the *Better Off: Three Waters* programme. We also understand that MBIE is seeking funding for rural connectivity initiatives. If successful, MBIE expects to engage CIP to provide funding and monitoring support and has indicated Shareholding Ministers' agreement will be sought, as required by CIP's constitution, to CIP having a role in its proposed rural connectivity initiatives.
13. The draft SPE does not include complete information in respect of these programmes. CIP has advised that if these negotiations are completed before the SPE is finalised, updates will be made to include information about these programmes.
14. To reflect its strategic direction, CIP will need to:
- work closely with other agencies to inform and coordinate infrastructure planning and prioritising, and the associated Budget and appropriation management, and
  - coordinate effectively with agencies to present joined-up advice and options for Vote and Shareholding Ministers.
15. We propose working with the government agencies CIP is providing support to over the coming year, to develop more common arrangements for how CIP and government agencies negotiate, contract and fund infrastructure programmes. s9(2)(f)(iv)
16. CIP will also need to address its ability to return capital to the Crown. We are aware that CIP may consider that its constitution precludes the payment of a distribution, and more generally, that the constitution has become contradictory and cumbersome due the changes to its remit over time.
17. Under Clause 7 of its constitution, CIP was not expected to return any profit, distribution, or dividend to the Government in the short to medium term.<sup>1</sup> However, the UFB programme is reaching its conclusion and Chorus debt and equity securities will begin maturing from FY25.
18. The draft Shareholding Ministers' feedback sets out the expectation that CIP begin returning the proceeds of its investment in Chorus securities, by way of dividend or other distribution, from FY25 in accordance with Clause 7 of its constitution. It asks CIP to work with Treasury to agree any updates to its constitution that will take CIP forward

<sup>1</sup> Clause 7 prescribes a process whereby the board of CIP may give notice to shareholding ministers that they consider the Company is able to operate as a successful business and to seek profitability. Shareholding Ministers would then pass a special resolution removing the provisions about return of capital in the short to medium term.

with its recently acquired suite of functions, and to ensure it is able to make distributions when appropriate.

*Alignment of the SPE with shareholding Ministers' 2022/23 letter of expectations, including the general expectations.*

19. Nothing in the draft SPE appears inconsistent with Ministers' specific expectations of CIP, which reflects the expectation that CIP should maintain focus on continued effective delivery of infrastructure programmes. Two of Shareholding Ministers' expectations are not addressed by the draft SPE. However, given the external public accountability purpose of the SPE, these do not appear to be significant omissions.<sup>2</sup>
20. The following table sets out CIP's response to Ministers' general expectations, including as advised in the Chair's Strategic Issues Letter.

| <b>General Expectation</b>  | <b>Response</b>   |
|---|---|
| Public Service Pay Gap Action Plan                                  | <p>CIP has responded that remuneration should be appropriately linked to performance and set at a level sufficient to attract and retain the necessary skills for its operations. CIP is mindful of the Government's focus on raising pay for those on low and middle incomes and will take a conservative approach and will focus on addressing any pay gender gaps.</p> <p>CIP advised that public sector salaries are impacting on its ability to recruit and retain staff, particularly in Auckland, given its need to recruit from the private sector.</p> |
| Carbon Neutral Government Programme                                 | CIP has responded that its focus is reducing its corporate energy use and greenhouse gas emissions. It will work with its infrastructure partners to identify reduction opportunities such as the recent research showing that UFB has a lower carbon footprint than any other form of broadband. CIP may be able to make a greater contribution to emissions reduction by seeking and identifying project construction options with lower emissions.   |
| Carry out Board evaluations and share the results with the Treasury | We are advised that CIP carried out a Board evaluation in 2021, although we have not received the results. The Chair advises that given the changes in the Board's membership, an evaluation is likely to be carried out in April or May 2023.  |
| Consider engaging a future director                                 | We understand that CIP has not yet considered engaging a future director.   |

21. Shareholding Ministers' expectations on these matters are reemphasised in the draft feedback letter.

*Quality of the SPE performance measures and information and the compliance of the SPE with the requirements of the Crown Entities Act.*

22. The draft SPE addresses the disclosure requirements set out in the Crown Entities Act. However, we have suggested that CIP should ensure that its SOI and SPE provide a clear picture, on a programme basis, of the performance achieved and financial resources applied.

<sup>2</sup> These expectations are:

- Support the Government's consideration of infrastructure agencies' future roles and integrated infrastructure policy and decision-making.
- Work with officials to provide timely accessible information and reporting on the progress and achievements of programmes.

23. We have suggested to CIP that its final SPE includes a summary table setting out information about each programme, such as the total funding and the sum anticipated to be applied for the upcoming year. Inclusion of this information is intended to address CIP’s obligations under the following CEA sections:
- 149E(2)(b), which requires a Crown entity to identify the expected revenue and proposed expenses for the class of outputs, and
  - 149G(2), which requires a Crown entity to include any information and explanations needed to fairly reflect the forecast financial operations and financial position of the entity.
24. The quality and relevance of most performance measures has been maintained or compared with prior years and most measures are quantified, time-bound, and linked to CIP’s primary work programmes. We have provided minor adjustment and clarification suggestions to CIP. However, we note that no changes were made in response to the improvement feedback provided by Treasury officials, which Shareholding Ministers were advised as part of FY22 draft SPE feedback (T2021/1135 refers).<sup>3</sup>
25. The draft SPE contains a set of financial forecasts for FY22 which indicate that the company is prepared to deliver its core work programmes in the year ahead. Overall, CIP is forecasting a \$106.6 million loss in FY23 and expects a loss of \$54.4 million in FY22, which largely reflects fair value adjustments on investments because of interest rate movements.
26. Significant increases in forecast expenses are set out in the table below:

| Item                             | Forecast FY23 (\$m) | Increase on FY22 | Comment   |
|----------------------------------|---------------------|------------------|---|
| Core operating costs:            | 22.60               | 41%              | Increases are driven by the changes in CIP’s work programme and by labour market demand. Officials have previously flagged that CIP’s operating model relies heavily on leveraging third-party support services (T2020/1127 refers), which is likely to expose CIP to the labour market supply and cost pressure. The Chair’s 2022/23 Strategic Issues Letter advised that salary constraints meant that it was taking CIP longer to recruit staff. |
| • Directors’ fees                | 0.22                | 10%              |   |
| • Personnel                      | 8.80                | 16%              |   |
| • Professional and advisory fees | 9.91                | 63%              |   |
| • Other expenses                 | 3.73                | 67%              |   |
| Non-grant project expenses       | 36.96               | 282%             | Reflects timing of activities in telecommunications work programmes to be funded from recycled capital. s9(2)(q)(i) [redacted]<br>[redacted] The ability to prioritise and develop infrastructure recycling proposals with the department responsible for a programme is an area of improvement for CIP.  |

27. Total assets have fallen by \$309 million which includes a fall of \$54.3 million in the value of Investments in Chorus Debt and Equity Securities and the maturity of Treasury Bills as funds are paid to IRG Project Owners. Loan assets are forecast to increase

<sup>3</sup> Officials suggested:

- splitting the PSN measure relating to procurement, finalisation of contracts and commencement of mobilisation into three measures to align with the work phases.
- the IRG measure relating to project commencement progress should be assessed based on the estimated time to complete, rather than total funding versus costs incurred.
- applying the financial and operating efficiency measure, which is currently aggregated across CIP’s operations, to each of CIP’s output classes.



from \$89.3 million in FY22 to \$178.7 million in FY23, reflecting CIP's investment in IRG projects.

28. Both the draft SPE and the Chair's 22/23 Strategic Issues Letter refer to the strong likelihood of construction cost increases in coming years with post COVID-19 pressure on global supply chains and general and industry inflation. No assumptions or provisions, beyond existing project contingencies and forecasting financial line items on a best estimate basis, have been made in the draft SPE for these impacts.
29. s9(2)(b)(ii) and s9(2)(i)

## Next Steps

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30. The next steps to complete the SPE process are that the Minister for State Owned Enterprises signs and sends the attached letter to the Chair of CIP. The Board considers Ministers' feedback prior to finalising its SPE by 30 June 2021.

## Recommended Action

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We recommend that you **agree** that the Minister for State Owned Enterprises, on behalf of shareholding Ministers, sign the attached letter to the Chair of Crown Infrastructure Partners Limited, inviting him to publish the final Statement of Performance Expectations on the company's website.

*Agree/disagree.*  
Minister of Finance

*Agree/disagree.*  
Minister for State Owned Enterprises

Michael Moore  
**Acting Manager, Commercial and Institutional Performance**

Hon Grant Robertson  
**Minister of Finance**

Hon David Clark  
**Minister for State Owned Enterprises**

## 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



Mr Binns  
Chair  
Crown Infrastructure Partners Ltd  
s9(2)(a)

Dear Mr Binns

### 2022/23 STATEMENT OF PERFORMANCE EXPECTATIONS

Thank you for sending shareholding Ministers a copy of Crown Infrastructure Partners Limited's (CIP's) draft Statement of Performance Expectations (SPE) for the period to 30 June 2023. On behalf of shareholding Ministers, I would like to thank you and your team for the work in preparing the document, and for CIP's ongoing support across several important Government programmes.

I acknowledge that the draft SPE addresses the entity specific expectations outlined in our most recent Letter of Expectations.

I congratulate CIP on the pending milestone of the completion of the UFB programme. Completing this programme is significant in CIP's transition from its establishment as a single purpose agency, to the role it has been increasingly playing, carrying out infrastructure programmes as required and agreed by Shareholding Ministers. To reflect this role, CIP will need to:

- work closely with the government agencies responsible for CIP's programmes to present joined-up advice and options for Ministers and to coordinate Budget and appropriation management, and
- address its ability to return capital to the Crown.

s9(2)(f)(iv)

Shareholding Ministers expect CIP to begin returning proceeds of its investment in Chorus securities, by way of dividend or other distribution, from FY25 and anticipate that the process set out in Clause 7.2 and 7.3 of CIP's constitution will be carried out between now and FY25. We ask that CIP propose, and work with Treasury to agree, any further updates to its constitution necessary to enable it to make distributions when appropriate, and to address any other inconsistencies that have arisen due to the gradual expansion of CIP's role over time.

I note your feedback in your Strategic Issues Letter on Shareholding Ministers' general expectations.

I acknowledge the challenges of the current operating environment for recruiting and retaining staff and thank you for continuing to work to maintain the capability of CIP to deliver programmes sought of it by the Government, including by improving pay equity.

Your observation that UFB has a lower carbon footprint than any other form of broadband is significant and signals the influencing role that CIP may be able to play in reducing emissions in infrastructure construction and its ongoing use. Shareholding Ministers ask that CIP consider whether and how it can make a greater contribution to emissions reduction for instance by supporting work to identify infrastructure project and construction options with lower emissions.

I understand that you are likely to carry out a Board evaluation late in FY23 and look forward to receiving information from the Treasury about this evaluation as a basis for Shareholding Ministers' consideration of Board skills needs in making Board appointment decisions. I look forward to an update on your consideration of engaging a future director.

I encourage you to consider the feedback on the draft SPE that I understand officials from the Treasury have provided and which incorporates feedback from the Ministry of Business, Innovation and Employment. Please consider incorporating this feedback, having regard to the purpose of the SPE of enabling Parliament and the public to be informed of CIP's performance expectations as a basis for assessing its performance and achievements.

Please now provide my office with two printed copies and one soft copy of the final SPE on 30 June and publish it on CIP's website as soon as practicable after that date, as required under section 149L (1) of the Crown Entities Act (the Act). Please also provide five printed copies and one soft copy of the final SPE to the House Office at [house.office@parliament.govt.nz](mailto:house.office@parliament.govt.nz) for publishing on the Parliament website.

I wish you every success for the year ahead. Please pass on my thanks to the rest of your Board, the management and the staff of CIP for their effort.

Yours sincerely

Hon Dr David Clark  
**Minister for State Owned Enterprises**  
*On behalf of Shareholding Ministers*

cc Graham Mitchell, Chief Executive, Crown Infrastructure Partners,  
s9(2)(a)