

The Treasury

Project Korimako - Release of advice

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Cabinet Document Details

Title: **Cabinet Minute: DEV-22-MIN-0146: Kiwi Group Holdings Limited (Kiwibank): Update on Negotiations)**

Date: **30 June 2022**

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Key to sections of the Act under which information has been withheld:

[25] 9(2)(b)(ii) - to protect the commercial position of the person who supplied the information or who is the subject of the information

[37] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice

[38] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice

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Cabinet Economic Development Committee

Minute of Decision

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Kiwi Group Holdings Limited (Kiwibank): Update on Negotiations

Portfolio **Finance**

On 29 June 2022, the Cabinet Economic Development Committee (DEV):

- 1 **noted** that on 30 March 2022, DEV authorised the Minister of Finance and the Associate Minister of Finance (Hon David Parker) to negotiate the purchase of Kiwi Group Holdings (KGH) shares as required to meet the government's policy objectives, subject to Cabinet agreement to the relevant capital appropriations following the Budget 2022 moratorium [DEV-22-MIN-0051];
- 2 **noted** that negotiations are still in progress and the outcome is still uncertain, but that sufficient progress has been made that it is now appropriate to seek an appropriation to fund KGH share purchases;
- 3 **agreed** that a limited liability company (the Company) be established as a 100 percent Crown owned company to be listed in Schedule 4A of the Public Finance Act 1989 to hold any KGH shares purchased by the Crown;
- 4 **noted** that the name of the Company will be Kiwi Group Capital Limited;
- 5 **agreed** that sections 161 to 165 of the Crown Entities Act 2004 will apply to the Company, and that this will be recorded in its listing in Schedule 4A of the Public Finance Act 1989;
- 6 **agreed** that the Minister of Finance, as required by the Crown Entities Act 2004, and the Minister for State Owned Enterprises be shareholding Ministers of the Company;
- 7 **authorised** the shareholding Ministers to take all decisions and actions necessary to incorporate the Company and facilitate its establishment, including agreeing an initial level of working capital to be provided;
- 8 **invited** the shareholding Ministers to issue drafting instructions to the Parliamentary Counsel Office for an Order in Council to list the Company in Schedule 4A of the Public Finance Act 1989;
- 9 **agreed** that the Treasury be the monitoring department in relation to the Company, and for the Treasury to report jointly to the shareholding Ministers;

- 10 **approved** the following changes to appropriations to provide for the policy decision in paragraph 9 above, with a corresponding impact on the operating balance and net debt:

| \$m – increase/(decrease) | | | | | |
|---|----------------|----------------|----------------|----------------|-----------------------------------|
| Vote Finance Minister for State Owned Enterprises | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 & Outyears |
| Multi-Category Expenses and Capital Expenditure: Crown Company Monitoring Advice MCA Departmental Output Expenses: Crown Company Monitoring Advice to the Minister for State Owned Enterprises and Other Responsible Ministers (funded by revenue Crown) | 0.600 | 0.350 | 0.350 | 0.350 | 0.350 |
| Total Operating | 0.600 | 0.350 | 0.350 | 0.350 | 0.350 |

- 11 **agreed** that the change to appropriations for 2022/23 above be included in the 2022/23 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply;
- 12 **agreed** that the expenses incurred under paragraph 10 above be charged against the between-Budget contingency established as part of Budget 2022;
- 13 **agreed** that any unspent portion of the \$8 million previously appropriated for specialist commercial and legal advice associated with KGH ownership negotiations will be returned to the centre rather than retained for other departmental purposes, as an offset to the expenses incurred under paragraph 10 above;
- 14 **agreed** to fund the Subscription for Shares in Kiwi Group Capital Limited, as described in paragraph 3 above;
- 15 **agreed** to establish the following new annual appropriation:

| Vote | Appropriation Minister | Appropriation Administrator | Title | Type | Scope |
|-------------|-------------------------------|------------------------------------|---|--------------------------------------|---|
| Finance | Minister of Finance | Treasury | Subscription for Shares in Kiwi Group Capital Limited | Non-departmental Capital Expenditure | This appropriation is limited to the subscription for new shares in Kiwi Group Capital Limited. |

- 16 **approved** the following change to appropriations to give effect to the policy decisions agreed in paragraph 3 and noted in paragraph 1 above, with a corresponding impact on net debt:

| \$m – increase/(decrease) | | | | | |
|---|------------------|----------------|----------------|----------------|-----------------------------------|
| Vote Finance Minister of Finance | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 & Outyears |
| Non-Departmental Capital Expenditure: | | | | | |
| Subscription for Shares in Kiwi Group Capital Limited | [25], [37], [38] | - | - | - | - |

- 17 **noted** that the net debt impact from the Crown’s share subscription in Kiwi Group Capital Limited to allow that company to purchase direct majority control of KGH will be reduced by a special dividend from NZ Post reflecting the majority of funds NZ Post receives for its KGH shares;
- 18 **agreed** that the net impact of the purchase of shares in KGH estimated as [25] being the cost of purchasing shares less the special dividend received from NZ Post, will count against the Multi-year Capital Allowance;
- 19 **agreed** that the change to appropriations for 2022/23 above be included in the 2022/23 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply;
- 20 **noted** that the Crown pursuing a majority shareholding in KGH may lead to Kiwibank becoming a Crown Entity for government reporting purposes;
- 21 **noted** that net debt includes the borrowings of Crown Entities, and that Kiwibank has a significant borrowings portfolio which is broadly matched by a corresponding level of financial assets;
- 22 **agreed** that the borrowings undertaken by Kiwibank will be excluded from the calculation of the government’s headline net debt measure, if Kiwibank is considered a Crown Entity for government financial reporting purposes;
- 23 **noted** that, if there is a lengthy delay in the incorporation of the Company, it may be necessary for Ministers to purchase KGH shares directly and then transfer them to the Company following its incorporation;
- 24 **authorised** the Minister of Finance and the Associate Minister of Finance (Hon David Parker) to take any necessary actions, including establishing new appropriations as required, to complete the purchase of KGH shares in the event that incorporation of the Company is delayed.

Janine Harvey
Committee Secretary

Present: (see over)

Present:

Hon Grant Robertson (Chair)
Hon Stuart Nash
Hon Michael Wood
Hon Kiri Allan
Hon Dr David Clark
Hon Priyanca Radhakrishnan
Hon Meka Whaitiri
Hon Kieran McAnulty
Hon Phil Twyford
Rino Tirikatene, MP
Dr Deborah Russell, MP

Officials present from:

Office of the Prime Minister
Officials Committee for DEV