

The Treasury

Annual Letters of Expectation 2023/24 Information Release

November 2023

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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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Hon Jan Tinetti

Minister of Internal Affairs
Minister for Women
Associate Minister of Education



Mr Roger Sharp
Chair
New Zealand Lotteries Commission
PO Box 8929
AUCKLAND 1149
[23]

05/12/2022

Dear Mr Sharp

2023/24 OWNER EXPECTATIONS FOR THE NEW ZEALAND LOTTERIES COMMISSION

I am writing to outline the matters that I expect your board to address in the 2023/24 business planning round and work programme.

Government priorities

The Government has three overarching objectives for its term: to keep New Zealanders safe from COVID-19, to accelerate our economic recovery, and to lay the foundations for a better future. The first objective has been achieved through the Government's support to businesses to retain jobs and to the Crown's companies and entities to protect and maintain important services.

With the removal of the COVID-19 Protection Framework, Ministers are looking to the Crown's companies and entities to increase their contribution to the Government's other overarching objectives.

We acknowledge that the post-COVID-19 operating environment and the economic outlook are challenging and uncertain. However, this environment makes your focus on delivering value even more important. We encourage you to be bold and demanding in your expectations that your entity will:

- be financially prudent, increasing resilience and value by making effective use of commercial disciplines, and balance-sheet and cashflow management, and
- strengthen its contribution to delivering value through critical infrastructure and service investment.

To support you and your board to set challenging expectations of your entity, Ministers have asked the Treasury to engage more closely on how your entity is delivering value for money and performance.

This letter contains:

- Ministers' specific expectations for The New Zealand Lotteries Commission (Lotto NZ)
- enduring and general governance expectations (see also **Annex 1**), and
- a timeline for the 2023/24 business planning process and governance information (**Annex 2**).

Entity-specific expectations

Meet legislative requirements

I expect Lotto NZ to meet its requirements under the Gambling Act 2003, Crown Entities Act 2004, and other relevant legislation, and to support me in fulfilling my responsibilities under these Acts. I expect Lotto NZ to brief me on matters of interest as the responsible Minister and to separately consult and seek my approval on matters that require it.

Balancing growth in sales with minimising harm from gambling

I recognise the measures Lotto NZ undertakes to promote responsible gaming have resulted in the highest responsible gaming programme classification from the World Lottery Association. Further to this I understand that Lotto NZ has already made significant progress towards reducing the number of stores in lower socioeconomic areas to the national average.

However, I would like to reiterate my expectation that, in the pursuit of generating profit, Lotto NZ continually consider and monitor the impacts of its products on harm and underage gambling and the distribution of these effects across the community, particularly Māori and other communities who disproportionately experience harm from gambling. I expect Lotto NZ to work with relevant Government agencies and, where appropriate, groups representing those affected by problem gambling to minimise the harm of proposed changes to existing and new products. I also encourage Lotto NZ to continue to explore ways to improve their existing harm minimisation measures to prevent and reduce harm from their current products across all sales channels. This includes considering the impact of advertising on harm.

I also expect Lotto NZ to provide training to retail operations and relevant Lotto staff on minimising gambling harm to ensure a high standard of host responsibility across all sales channels.

Maximising distributions to the New Zealand Lottery Grants Board (LGB)

I expect Lotto NZ to be prudent with expenditure, being mindful of its status as a public entity and its objectives to maximise distributions to the community through the LGB while minimising the risk of gambling harm.

I acknowledge Lotto NZ's revenue and distributions cannot be easily forecast given the unpredictability and influence the number and length of jackpot runs have. I therefore expect Lotto NZ to provide the Treasury and the LGB with regular updates on its expected revenue and distributions throughout the financial year and any key drivers of change.

Capital expenditure management

I expect the board to ensure that any capital expenditure necessary for the long-term sustainability and continuity of Lotto NZ's services be balanced with the need to maximise the distribution of profits to the community.

I therefore expect Lotto NZ to ensure appropriate project governance is in place for the Experience Driven Gaming replacement project (formerly Gaming System Replacement) to ensure that it achieves its objectives and is completed on time and within budget. I expect Lotto NZ to provide regular updates to myself and the Treasury and to flag any deviations from, or risks to, the timelines and budgets indicated in the Business Case documents. I also expect that any funds surplus to requirement for this project, and all other capital projects Lotto NZ are undertaking, are distributed to the LGB in future periods.

Effective engagement with changes to legislation and policy

I expect Lotto NZ to continue to engage effectively with the Department of Internal Affairs on its gambling related policy work and to assist, where relevant, with implementing any decisions made as a result of this work throughout the 2023/24 financial year.

Enduring and general governance expectations

We reiterate the Government's 2019 [Enduring Letter of Expectations](#) to statutory Crown entities, which asks that you and your entity:

- support a unified value-based government for all New Zealanders
- support future-focussed Māori Crown relations, and
- contribute to improving wellbeing.

We ask that you and your Board consider and provide information in your Strategic Issues Letter about how these expectations are given effect in your entity.

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 enduring and general governance expectations are set out in **Annex 1**.

Further information

Your relationship managers at the Treasury will be in contact shortly after you receive this letter to discuss our expectations in more detail. If you have any questions, please contact Alex Ng, Senior Analyst, Commercial and Institutional Performance on [39]. Alternatively, you can contact David Stanley, Acting Manager, Commercial and Institutional Performance on [39].

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.

Yours sincerely,



Hon Jan Tinetti
Minister of Internal Affairs

cc Mr Chris Lyman, CEO, New Zealand Lotteries Commission, [23]

Annex 1

You should consider and provide information in your Strategic Issues Letter about how these expectations are given effect in your entity.

Enduring expectations

Support a unified, value-based government for all New Zealanders

Crown entities must have regard to the [Government Workforce Policy Statement](#) (GWPS) which sets out the Government's expectations about public sector agencies' management of employment relations and emphasises the importance of continuing pay restraint. Within the overall context of public sector pay restraint, boards are expected to ensure that senior executive remuneration is appropriately linked to performance and set at a level sufficient to attract and retain the necessary skills within the executive to enable the Crown's entities to operate successfully.

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 and to work to close gender and ethnic pay gaps. The [Pay Gap Action Plan](#) (Kia Toipoto) forms part of the GWPS and Crown entities are encouraged to publish Pay Gap Action Plans and meet other Kia Toipoto milestones. For entities of 50 or less staff, the following guidance is available [Implementing an Action Plan in Small Organisations](#).

Support future-focussed Māori Crown relations

The Crown is committed to being a better Treaty Partner. The Crown's entities are expected to embody the Government's good faith and collaborative approach to Māori Crown relationships.

A range of resources are available to support the Crown's entities to work in partnership with Māori. Te Arawhiti has a range of [Tools and resources](#), including to support the Crown's entities to effectively engage with Māori on a range of issues and build true and practical partnerships. The Treasury's resource, [He Ara Waiora](#) may also be useful to help with understanding Māori perspectives on wellbeing, and how to interweave and embed Te Ao Māori perspectives with integrity.

Contribute to improving wellbeing

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.

The Government's Emissions Reduction Plan is intended to contribute to wellbeing by setting the direction for climate action for the next 15 years. The Crown's entities are expected to support the Government by working to reduce emissions and to publicly disclose emissions reduction achievements.

To do so, Ministers support Crown entities adopting an available reporting framework (such as Integrated Reporting or the Carbon Neutral Government Programme), as appropriate to their circumstances.

General governance expectations

Board evaluations

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 on board composition and so should be shared with the Treasury.

Director pipeline

To grow the pipeline of new and diverse director talent, if you have not already done so, where possible, you should engage a 'Future Director' as an observer of the board.

Cyber security

The use and dependence on cyberspace mean that securing networks, systems, programmes, and data is of vital and increasing importance. Resources are available to support the Crown entities to improve their cybersecurity. The [New Zealand Information Security Manual](#) (NZISM) details processes and controls essential for the protection of all New Zealand Government information and systems.

Annex 2

Timetable for the 2023/24 business planning process

<i>Due by</i>	<i>Key action</i>
January / February	The Treasury to discuss Ministers' Letter of Expectations with the chair
28 February 2023	Board sends its Strategic Issues letter to Ministers
28 April 2023	Board submits its draft Statement of Intent (SOI) (if required), Statement of Performance Expectations (SPE) and Business Plan
31 May 2023	Board provides advice on: <ul style="list-style-type: none">• whether special fees are sought for 2023/24;• the professional development spend in 2022/23 and the proposed professional development budget for 2023/24; 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 2023	Board delivers its final SOI (if required) and SPE to 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

Ministers and the Treasury should be alerted as soon as possible if any of these deadlines cannot be met or if clarification around their expectations is sought.

Further information is available in the [Owner's Expectations](#).