

# The Treasury

## Annual Letters of Expectation 2023/24 Information Release

October 2023

This document has been proactively released by the Treasury on the Treasury website at

<https://treasury.govt.nz/publications/information-release/shareholder-expectations-letters-2023-24-information-release>

### Information Withheld

Some parts of this information release would not be appropriate to release and, if requested, would be withheld under the Official Information Act 1982 (the Act).

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

Where information has been withheld, a numbered reference to the applicable section of the Act has been made, as listed above. For example, a [23] appearing where information has been withheld in a release document refers to section 9(2)(a).

### Copyright and Licensing

Cabinet material and advice to Ministers from the Treasury and other public service departments are © **Crown copyright** but are licensed for re-use under **Creative Commons Attribution 4.0 International (CC BY 4.0)** [<https://creativecommons.org/licenses/by/4.0/>].

For material created by other parties, copyright is held by them and they must be consulted on the licensing terms that they apply to their material.

### Accessibility

The Treasury can provide an alternate HTML version of this material if requested. Please cite this document's title or PDF file name when you email a request to [information@treasury.govt.nz](mailto:information@treasury.govt.nz).

# Hon Dr Megan Woods

MP for Wigram

Minister of Housing

Minister for Infrastructure

Minister of Energy and Resources

Minister for Building and Construction

Associate Minister of Finance



Corinne Haines  
Chair  
Rau Paenga Limited  
[23]

12 APR 2023

Dear Corinne

## **2023/24 OWNER EXPECTATIONS FOR RAU PAENGA LIMITED (FORMERLY ŌTĀKARO LIMITED)**

I am writing to outline the matters that shareholding Ministers expect your Board and company 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 of businesses to retain jobs and support to Crown companies and entities to protect and maintain important services.

With the removal of the COVID-19 Protection Framework, we 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 company 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 company, we have asked the Treasury to engage more closely on how your company is delivering value for money and performance.

This letter contains:

- shareholding Ministers' specific expectations for Rau Paenga Limited (Rau Paenga)
- enduring and general governance expectations (see also **Annex 1**), and
- a timeline for the 2023/24 business planning process and governance information (**Annex 2**).

## **Company-specific expectations**

### *Transitioning to a central Crown Infrastructure Delivery agency*

As you know, Cabinet has confirmed that Rau Paenga be repurposed as a central Crown Infrastructure delivery agency to provide infrastructure project delivery services to other Crown agencies, with an expanded scope and mandate beyond Ōtautahi Christchurch. We expect that you will continue engaging with Project Owners across the Crown to finalise the inaugural portfolio of projects that Rau Paenga will deliver in this role, over the next approximately four years.

Finalising the inaugural portfolio is a crucial milestone that will allow Rau Paenga to begin to clearly demonstrate how your capability is being applied to positively contribute to each project, and the wider infrastructure system. The precise scope of Rau Paenga's activity is yet to be fully determined, and will be considered by Ministers in light of Rau Paenga's delivery of the inaugural portfolio.

### *Stakeholder engagement*

We understand that Rau Paenga is already growing its capability outside of Christchurch, in line with your expanded mandate. We encourage you to continue to develop relationships across the Crown to support the finalisation of the inaugural portfolio, and the development of a longer-term pipeline of development projects where your involvement would be beneficial. We also expect that Rau Paenga will become a constructive contributor to the wider Crown infrastructure system, working with other entities as required to identify potential improvements, with the long-term view of ensuring the efficient delivery of Crown infrastructure projects.

### *Working to conclude Christchurch regeneration projects*

We appreciate that Rau Paenga's new role will bring fresh challenges and opportunities for the Board. However, we expect you will maintain focus on bringing your existing Christchurch regeneration-related projects to a timely and favourable conclusion, for the benefit of the residents of Christchurch and for the Crown.

### *Regular updates to Shareholding Ministers*

As you expand and deliver your portfolio of projects, we ask that you provide us with regular updates on progress and any important developments.

## **Enduring and 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 Expectation Manual](#) sets out our 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.

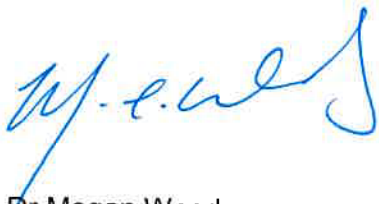
Further enduring and general governance expectations are set out in **Annex 1**.

## 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 Dave Hendle, Senior Analyst, Commercial and Institutional Performance [39]. Alternatively, you can contact Ann Webster, Manager, Commercial and Institutional Performance [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 Dr Megan Woods  
**Minister for Infrastructure**  
*on behalf of shareholding Ministers*

cc John O'Hagan, Acting Chief Executive, Rau Paenga Limited, [23]

## Annex 1

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

### Enduring expectations

Boards should be cognisant of the Government's 2019 [Enduring Letter of Expectations](#) to Crown companies, 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.

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

The [Government Workforce Policy Statement](#) (GWPS) sets out the Government's expectations about public sector agencies' management of employment relations, including of statutory entities and Crown entity companies, and emphasises the importance of continuing pay restraint.

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 aims to help close pay gaps and create fairer workplaces for all employees.

Boards should consider the relevance of the GWPS and Kia Toipoto for your company.

#### *Support future-focussed Māori Crown relations*

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

Resources are available to support the Crown's companies to work in partnership with Māori. Te Arawhiti has a range of [tools and resources](#), including to support the Crown's companies 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 in understanding Māori perspectives on wellbeing, and how to interweave and embed Te Ao Māori perspectives in advice 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 companies are expected to support the Government by working to reduce emissions and to publicly disclose emissions reduction achievements.

To do so, Ministers support Crown companies 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 Manual](#)) 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. Consideration for a Future Director may be given to a senior executive of Chief Executive from other government agencies/Crown entities noting the mutual benefits for governance and leadership from seeing both sides.

### *Senior executive remuneration*

Within the overall context of public sector pay restraint, companies 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 companies and entities to operate successfully.

Boards of state-owned enterprises, and schedule 4A and Crown entity companies have separately received the 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.

### *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's companies to improve their cybersecurity. While intended primarily for the use of government departments and agencies, and their service providers, 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>
March / April	The Treasury to discuss shareholding Ministers' Letter of Expectations with the chair
14 April 2023	Board sends its Strategic Issues Letter to shareholding 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"><li>• whether special fees are sought for 2023/24;</li><li>• the professional development spend in 2022/23 and the proposed professional development budget for 2023/24; and</li><li>• whether an evaluation of its performance in the past 12 months has taken place, what process was used and the outcomes of the evaluation.</li></ul>
30 June 2023	Board delivers its final SOI (if required) and SPE to shareholding Ministers
As soon as practicable after delivery of the final SOI (if required) and SPE to shareholding Ministers	Entity to publish SOI (if required) and SPE on its website

We acknowledge that the process of confirming Rau Paenga's name change and the change of shareholding Ministers has condensed the usual amount of time that would be provided for you to respond to the matters outlined in this letter. Please alert Ministers and the Treasury as soon as possible if any of these deadlines cannot be met or if clarification around these matters is sought.

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