

The Treasury

Annual Letters of Expectation 2023/24 Information Release

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[23] 9(2)(a) - to protect the privacy of natural persons, including deceased people

[35] 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

[39] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage

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Hon Grant Robertson

MP for Wellington Central
Deputy Prime Minister
Minister of Finance
Minister for Infrastructure
Minister for Sport and Recreation



19 December 2022

Dr Alan Bollard
Chair
New Zealand Infrastructure Commission, Te Waihangā
[23]

Dear Alan

2023/24 LETTER OF EXPECTATIONS FOR TE WAIHANGA

I am writing to outline the matters that Ministers expect your board and entity 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.

I 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. I 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 Te Waihangā;
- enduring and general governance expectations (see also **Annex 1**); and
- a timeline for the 2023/24 business planning process and governance information (**Annex 2**).

Te Waihanga-specific expectations

Advisor on infrastructure

As outlined in the letter of expectations sent in February 2022, I expect Te Waihanga to be my primary advisor on general infrastructure policy issues. Te Waihanga should work collaboratively to provide support to government agencies who are developing policy advice that relates to infrastructure, and to those delivering infrastructure projects.

Although I expect Te Waihanga to advise on infrastructure matters, I note that policy and project responsibilities usually lie with other government agencies. I expect Te Waihanga to continue to work collaboratively with these agencies so that the perspectives of Te Waihanga are incorporated into the advice received by government. In addition, I expect that differences of views between officials are resolved before advice is presented to myself and other Ministers.

For example, on the Auckland Light Rail (ALR) project, I understand Te Waihanga staff are engaging in forums led by Auckland Light Rail Limited and I expect this collaborative approach to also apply to departmental policy advice being provided to Government, led by the Ministry of Transport, the Ministry of Housing and Urban Development and the Treasury. I expect Te Waihanga to support and contribute to department advice during the ALR detailed planning phase and make the most of the opportunity to add value to the planning process for one of New Zealand's largest and most complex projects.

When Te Waihanga provides Ministers with advice on new initiatives or initiatives that propose changes to current settings, I expect that Te Waihanga will ensure that relevant agencies have been consulted in advance, in particular when any initiatives will impact on a particular agency's work programme.

In addition, when raising matters with Ministers, I expect that Te Waihanga will recognise it has a role in part of any solution proposed and will identify that role in any proposal to Ministers.

Similarly, I expect Te Waihanga to work collaboratively with my office and the Treasury to be responsive to requests for advice on infrastructure-related issues, including providing input into Risk Profile Assessments and Quarterly Investment Reporting processes about the alignment of infrastructure proposals to the Infrastructure Strategy.

I would like Te Waihanga to continue to strike a balance between expressing its independent views and maintaining its influence with decision-makers.

Rautaki Hanganga o Aotearoa, the New Zealand Infrastructure Strategy

I congratulate Te Waihanga in the successful delivery of Rautaki Hanganga o Aotearoa, the New Zealand Infrastructure Strategy (the Strategy). The Government Response to the Strategy (the Response) indicates our vision for infrastructure and responded to all 68 of the recommendations in the Strategy. Part two of the Response is an Action Plan and Reporting programme.

I expect Te Waihanga to work with government agencies and entities to support the implementation of the Response and assist in the delivery of priorities outlined in the Response.

This follows Cabinet agreement that the Government Response to the Strategy would be supported by an Action Plan and Reporting programme [CAB-22-MIN-0141 refers]. I expect Te Waihanga to take the lead in the Strategy Reporting Programme will include:

- progress towards the strategic objectives and cross-cutting themes in the Strategy, including the recommendations;
- progress implementing the Action Plan; and
- commentary on actions that are working well, areas of potential risk, actions that are not progressing as planned, and opportunities for improvement.

In working with government agencies and entities on the Reporting programme, I expect Te Waihanga to, where possible, use reporting information already provided by the lead agencies to minimise any administrative burden. Primary responsibility for monitoring and reporting on the work programmes and actions in the Action Plan will remain with the relevant lead entities.

One matter reflected in the Strategy that I want to highlight is the importance of ensuring we have the workforce we need to deliver our infrastructure. I would like Te Waihanga to continue to play a role in looking at the overall workforce needs for infrastructure, assessing where critical gaps are, and providing advice on how our training and immigration settings could assist with resolving these gaps.

Additional strategy and delivery support functions

As provided for in Section 10 of the New Zealand Infrastructure Commission/Te Waihanga Act 2019 (the Act), you are required to provide strategy and planning, and support functions on major projects.

I expect that Te Waihanga will:

- assist agencies to ensure significant infrastructure investments made over the past year are delivered on time and within budget;
- provide advice and support on progressing non-spending new initiatives, such as regulatory reforms, where they align to our priorities;
- provide advice to Ministers and/or agencies on innovative and non-traditional approaches to procurement, including alternative financing arrangements; and
- continue to advance work to improve the infrastructure pipeline.

In addition, agencies are required to engage with Te Waihanga on the suitability of project finance or other arrangements when planning any major infrastructure investment seeking Crown funding. I expect Te Waihanga to work closely with officials from relevant agencies when carrying out these functions.

Special topic reports

Consistent with the independent role of Te Waihanga, I will leave it to the Board to decide the topics of the special topic reports. However, I expect Te Waihanga to discuss the schedule of reports with me, and the order of priority for their delivery.

Budget process

The Investment Panel is led by the Treasury's Investment Management System (IMS) team and includes representatives from system roles critical to government investment, including Te Waihanga.

The Investment Panel's role is to discuss assessments of new investment proposals and consider system-wide implications including balance across the Government's accountabilities and interests, risks and opportunities, market capacity, and agency capability and capacity to deliver. The Panel's advice provides system-level insights to support Ministerial decision-making.

I expect that in its role on the Investment Panel, Te Waihanga will provide infrastructure and delivery perspectives to ensure Ministers are supported with the right information to make decisions. Specifically, I expect Te Waihanga to:

- continue to contribute to the design of the framework used to assess initiatives;
- work with other system leads and the Treasury to provide holistic advice that considers the attractiveness and achievability of proposals; and
- supplement any detailed initiative level advice provided by the Treasury's vote team.

Effective, efficient and focussed performance

While there are significant expectations upon Te Waihanga, I expect it to take a prudent approach in effective delivery, given the financially constrained environment. To assist in giving effect to this, Te Waihanga should ensure that its focus is fully aligned with its functions prescribed in the Act.

With this in mind, I expect the Board to ensure that the revised Statement of Intent (SOI), as required by the Crown Entities Act 2004, considers the expectations raised in this letter, and provides a clear picture of what success looks like for Te Waihanga, and its impact on the sector, over the period of the SOI.

I expect you to work closely with my officials as you develop your draft 2023/24 Statement of Performance Expectations (SPE) and draft SOI.

Enduring and general governance expectations

I 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.

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

Strong board governance is 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

matters. It sets out timeframes for reporting and business planning documents, which includes, for example, the expectation to provide quarterly performance reports within one month of the end of each quarter.

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 Michael Moore, Principal Advisor, Commercial and Institutional Performance (on [35]) Alternatively, you can contact Ann Webster, Manager, Commercial and Institutional Performance (on [39])

I 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

A handwritten signature in blue ink, appearing to read 'Grant Robertson', is positioned above the typed name.

Hon Grant Robertson
Minister for Infrastructure

cc: Ross Copland, Chief Executive, Te Waihanganga [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), 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 and SPE to Ministers
As soon as practicable after delivery of the final SOI and SPE to Ministers	Entity to publish SOI 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](#).