

The Treasury

2024/25 Letters of Expectation Information Release

June 2024

These documents have been proactively released by the Minister of Finance (Hon Nicola Willis), Minister for Infrastructure (Hon Chris Bishop), Minister of Education (Hon Erica Stanford), Minister for State Owned Enterprises (Hon Paul Goldsmith), Minister of Agriculture (Hon Todd McClay), Associate Minister of Finance (Hon David Seymour), Associate Minister of Justice (Firearms) (Hon Nicole McKee), Associate Minister of Finance (Hon Shane Jones) and the Minister for Biosecurity (Andrew Hoggard) on the Treasury website at

<https://www.treasury.govt.nz/publications/information-release/shareholder-expectations-letters-2024-25-information-release>.

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Dr Alan Bollard
Chair
New Zealand Infrastructure Commission
s9(2)(a)

Dear Alan

RESPONSIBLE MINISTER'S EXPECTATIONS FOR NEW ZEALAND INFRASTRUCTURE COMMISSION

I am writing to outline how your board can support the delivery of the Coalition Government's priorities, and my specific and general governance expectations for New Zealand Infrastructure Commission (the Infrastructure Commission) during 2024/25. I ask that you identify opportunities to support the Infrastructure Commission to address these expectations for my consideration in your Strategic Issues Letter and include actions in the Infrastructure Commission's 2024/25 business planning documents.

Government priorities

I expect boards to be conscious of the Government's priorities and the expectations in any future Enduring Letter of Expectations issued to statutory Crown entities. In an ongoing challenging fiscal environment, the Government's priorities include:

- lifting New Zealand's productivity and economic growth to increase opportunities and prosperity for all New Zealanders; and
- improving the efficiency and effectiveness of the public service and of government-funded services.

The Government is committed to delivering results, and all public organisations, including the Infrastructure Commission, have a part to play. Boards should work alongside stakeholders and build connections to focus resources, minimise costs and deliver improved performance. I expect you to set ambitious targets and develop robust performance measures.

In January 2024, the Treasury sent a letter to you on *Fiscal Objectives and Budget 2024*, setting out the need for strict fiscal management to ensure limited funds are directed towards the highest value investments. I reiterate that there will be enhanced scrutiny of any Crown funding, including a focus on the return of surplus capital to the Crown for reprioritisation and cost management. Boards should be prepared to demonstrate how the Infrastructure Commission's spending is as efficient, effective, and responsive as possible to increase the prosperity of all New Zealanders.

Specific expectations for the Infrastructure Commission

As the Infrastructure Commission undertakes its core activities and plans for the future, I expect it to:

- ensure the nature, scope and pricing of services provided to the Crown recognises the Government's priorities while being at a level that enables operational sustainability;
- ensure the business operates efficiently and effectively, maintains a focus on driving down costs and seeking operational improvements wherever it can. This includes whether there could be reductions or changes to scope in order to best achieve sustainable cost-efficient delivery of services;
- adapt and innovate so as to ensure all the resources the Infrastructure Commission utilises remain fit-for-purpose;
- link executive remuneration to outcomes and disclose the chief executive's remuneration in line with the NZX Corporate Governance Code, specifically disclosure of the base salary, short- and long-term incentives and the performance criteria used to determine performance-based payments. If disclosure to this standard is not possible, I expect the annual report to explain why this is the case; and
- report on performance in a manner that is clear on the extent to which the Infrastructure Commission is achieving its objectives and represents value for money.

Development of a 30 year Infrastructure Plan

I intend to develop and publish a 30-year infrastructure plan for New Zealand in 2025, covering all infrastructure sectors. The plan will signal what's required for the future, both in terms of the better utilisation of existing assets, and new investment required.

As the government's lead adviser on infrastructure, I expect the Infrastructure Commission to lead the development of the plan, working with relevant agencies as appropriate.

Work collaboratively on infrastructure funding and financing

I expect the Infrastructure Commission to be my primary advisor on general infrastructure policy issues. I expect the Infrastructure Commission to work collaboratively with relevant agencies to provide support to government agencies who are developing policy advice that relates to infrastructure, and to those delivering infrastructure projects. This will ensure the perspectives of the Infrastructure Commission are incorporated into the advice received by government.

The Government has a significant work programme of policy development on infrastructure funding and financing tools, including use of public private partnerships, value capture, road tolls, lease backs and other potential new tools. As Minister for Infrastructure, I have a strong interest in this work, but acknowledge that many policy decisions will need to be made in conjunction with other relevant portfolio Ministers. This work will require the joint input of a number of different public sector agencies, including the Infrastructure Commission.

In providing input into advice on infrastructure funding and financing, I expect the Infrastructure Commission to work collaboratively with relevant agencies to ensure alignment of advice across this workstream.

Effective financial management

Given the fiscally constrained environment, I expect the Infrastructure Commission to ensure it operates within its annual baseline budget, and ensure its spending represents value for money and how it is prioritising its resources to deliver on government priorities and its statutory functions. I expect that the Infrastructure Commission's performance measures in its Statement of Performance Expectations enable it to demonstrate value for money and achievement of outcomes not just completion of activities.

The Infrastructure Commission's role in the Investment Management System and Budget process

The Cabinet Circular CO (23) 9 [Investment Management and Asset Performance in Departments and other Entities] has designated the CEO of the Infrastructure Commission as a system leader to lead and co-ordinate best practice for infrastructure strategy, planning and delivery. I expect the Infrastructure Commission to work collaboratively with my office and the Treasury to fulfil its role as a system leader as outlined in CO (23) 9. This includes moderating Risk Profile Assessments and strategic assessments, participating in Gateway reviews, publishing guidance and standards relevant to infrastructure, and engaging with the Treasury to support advice to Ministers on the prioritisation and sequencing of investments to deliver on the New Zealand's 30-year infrastructure plan.

The Investment Panel is led by the Treasury's Investment Management System (IMS) team and includes system leaders designated in Cabinet Circular CO (23) 9 including the Infrastructure Commission.

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, the Infrastructure Commission will provide infrastructure and delivery perspectives to ensure Ministers are supported with the right information to make decisions. Specifically, I expect the Commission 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.

Support the establishment of the National Infrastructure Agency

The Government has committed to establishing a National Infrastructure Agency to coordinate central government infrastructure, connect domestic and offshore savings with infrastructure investment and improve funding, procurement and delivery of infrastructure. s9(2)(f)(iv)

I expect the Infrastructure Commission to work collaboratively with officials and Ministers on the establishment of the NIA and to support the effective transition to the new organisation.

General governance expectations

The Treasury's Owner's Expectations document

Strong board governance is critical to the performance and success of the Crown's companies and entities. I refer you to the Treasury's [Owner's Expectations document](#), which discusses the role of boards and directors, the board appointment process, and expectations relating to governance. The document also outlines expectations for financial and other dimensions of performance, and matters such as reporting, disclosure, public accountability, and business cases. The Treasury is updating its Owner's Expectations document and is consulting you on its contents.

Board charter/code of practice

Each board is expected to have a charter/code of practice to provide guidance and to assist directors to carry out their duties and responsibilities effectively and in accordance with the highest professional and ethical standards. Each board's charter/code of practice should cover board procedures and reflect, among other duties and responsibilities:

- the requirement for directors to act in a politically impartial manner and conduct themselves in a way that enables them to act effectively under current and future governments. This includes not making political statements, engaging in political activity in relation to the functions of the Infrastructure Commission, and acting in ways that places Ministers or entities they are responsible for in a position of embarrassment; and
- the process in place for disclosing and dealing with conflicts of interest appropriately and promptly, including the maintenance of an interests register and the disclosure of interests at meetings or when certain issues are discussed. I expect your board to share this register with the Treasury as it is updated.

I expect you to disclose these documents in the interests of transparency and public accountability.

Board evaluations

Board evaluations are a tool for boards to improve their performance and allow Ministers to assess the performance of a board. Independent board evaluations should ideally take place biennially unless there have been significant changes to board composition or when commercial imperatives demand full board attention. Self-assessments of board performance are encouraged in between biennial independent board evaluations to assess performance to date and ensure the board is well positioned for future challenges. I expect you to share independent board evaluation and self-assessment results with the Treasury to contribute to its advice on board composition.

Further information

A timetable for the 2024/25 business planning process is attached for your reference.

Your relationship managers at the Treasury will contact you to discuss these expectations.

If you have any questions, please contact Chelsea Wong She, Senior Analyst, Commercial and Institutional Performance (s9(2)(k)). Alternatively, you can contact Ann Webster, Manager, Commercial and Institutional Performance (s9(2)(k)).

I wish you every success with your endeavours in the coming year.

Yours sincerely



Hon Chris Bishop
Minister for Infrastructure

cc Ross Copland, Chief Executive Officer, New Zealand Infrastructure Commission,
s9(2)(a)

Timetable for the 2024/25 business planning process

<i>Due</i>	<i>Key action</i>
March 2024	The chair and the Treasury discuss the LOE
19 April 2024	The board sends its Strategic Issues Letter to the responsible Minister
30 April 2024	The board sends its draft Statement of Intent (SOI) (if required), Statement of Performance Expectations (SPE) and Business Plan to the responsible Minister
31 May 2024	The board provides advice on: <ul style="list-style-type: none">• whether special fees are sought for 2024/25;• the professional development spend in 2023/24 and the proposed professional development budget for 2024/25; 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 2024	The board sends its final SOI (if required) and SPE to the responsible Minister
As soon as practicable after sending the final SOI (if required) and SPE	The Infrastructure Commission publishes the final SOI (if required) and SPE on its website

Please alert the responsible Minister and the Treasury as soon as possible if you are unable to meet these deadlines or if clarification is required. Further information is available in the Treasury's [Owner's Expectations document](#).