


**Joint SSC / Treasury Report:** Enduring letter of expectations (ELOE) for statutory Crown entities

<b>Date:</b>	4 September 2019	<b>Report No:</b>	SSC: SSC2019/0296 Treasury: T2019/2745
<b>Treasury Contact:</b>	Megan Taylor, Manager, Strategic Performance Improvement	<b>Telephone:</b>	9(2)(a)
<b>SSC Contact:</b>	Geraldine Needham-Girven, Managing Principal, System and Agency Performance	<b>Telephone:</b>	9(2)(a)

	Action Sought	Deadline
Hon Grant Robertson <b>Minister of Finance</b>	<b>Authorise</b> the attached Cabinet paper for lodging to the Government Administration and Expenditure Committee subject to Ministerial and party consultation	12 September 2019
Hon Chris Hipkins <b>Minister of State Services</b>	<b>Authorise</b> the attached Cabinet paper for lodging to the Government Administration and Expenditure Committee subject to Ministerial and party consultation	12 September 2019

**Enclosure:** Yes (attached)

**Executive Summary**

- 1 You asked to take the new enduring letter of expectations (ELOE) to Cabinet as a noting paper. Consultation with your Ministerial colleagues, coalition partners and monitoring agencies has occurred. As a result of this feedback, the letter has been changed.
- 2 It now includes a new paragraph to address the Minister for Climate Change's feedback that the original letter did not mention climate change and the urgent need to reduce emissions, and a new paragraph about the Board's role on performance to meet the Minister of State Services' feedback.
- 3 We have also made some other clarification changes to address feedback from some monitoring agencies.
- 4 Attached is the revised Cabinet paper which includes the revised ELOE.

**Minister of Finance's Office Comments**

<ul style="list-style-type: none"><li>• Comments:</li> <li>•</li></ul>	
Date returned to SSC:	

**Minister of State Services' Office Comments**

<ul style="list-style-type: none"><li>• Comments:</li> <li>•</li></ul>	
Date returned to SSC:	

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## Recommended Action

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We recommend that you:

- a **Agree**, subject to ministerial and party consultation, to lodge the Cabinet paper on 12 September, for consideration by the Cabinet Governance and Administration and Expenditure Review Committee meeting on 19 September  
Agree/disagree.
- b **note** that the State Services Commission will issue the signed enduring letter of expectations to Crown entities in early October  
Agree/disagree.
- c **agree** that the SSC release this briefing in full once the enduring letter of expectations has been issued to Crown entities  
Agree/disagree.

Hon Grant Robertson  
**Minister of Finance**



Hon Chris Hipkins  
**Minister of State Services**

[In Confidence]

Chair, Cabinet Government Administration and Expenditure Review Committee

## **Enduring letter of expectations (ELOE) for statutory Crown entities**

### **Proposal**

1. This paper advises Cabinet that we intend to issue a new enduring letter of expectations (ELOE) to statutory Crown entities.

### **Background**

2. Although not required under the Crown Entities Act 2004, ELOEs are useful levers for reinforcing the Government's vision and approach for statutory Crown entities ie:
  - 2.1. Crown Agents; e.g. ACC, all district health boards
  - 2.2. Autonomous Crown Entities (ACEs); e.g. Te Papa, the Public Trust
  - 2.3. Independent Crown Entities (ICEs); e.g. Commerce Commission, Privacy Commissioner.
3. The ELOE can be reviewed at any time. The first ELOE was issued by the Ministers of Finance and State Services in 2005. A new ELOE was issued in 2008 and again in 2012.
4. The 2012 ELOE is available on the State Services Commission's (SSC) website and is attached as Appendix B. It does not represent the Government's current vision and approach.
5. Ministers responsible for Crown entities can also set more detailed, agency specific expectations. These can be in the form of a Letter of Expectations, conversations with the Chair and Board, or through other Ministerial/Board agreements.

### **Proposal to update the ELOE and content**

6. We propose a new ELOE be issued to Board chairs of all statutory Crown entities in October 2019. This timing:
  - 6.1. reinforces the messages given to Crown entity chairs and chief executives at the Crown Entities Workshop on 28 November 2018 and 31 July 2019.
  - 6.2. reinforces the 26 June 2019 announcements on public service reform and the proposed legislative reform.
  - 6.3. fits with a typical Board planning cycle – most Boards will be currently undertaking their annual reporting and looking forward to their strategic planning.

- 6.4. acts as a precursor to a Crown entity developing a new annual Statement of Performance Expectations, and, if required, a new Statement of Intent.
7. Discussions that SSC and the Treasury have had with officials who monitor Crown entities have highlighted how valuable ELOEs are to guide Boards, entity employees, and monitoring departments. SSC has also received queries on when the next ELOE will be issued.
8. The content of the ELOE is focused on our expectations for seamless government, board role and integrity, workforce matters, Māori Crown relations, and entities applying a wellbeing approach to their work, including the need to address climate change.
9. **Appendix A** is a copy of the new ELOE. Once Cabinet has noted the ELOE, SSC will send it to Board chairs of statutory Crown entities and monitoring agencies and publish it on the SSC website in October 2019.

### **Consultation**

10. SSC and the Treasury have jointly developed the new ELOE.
11. The Office for Māori Crown Relations: Te Arawhiti, Te Puni Kōkiri, the Department of the Prime Minister and Cabinet, Ministry of Health, Ministry for Culture and Heritage, Ministry for the Environment, Ministry of Transport, Ministry for Business, Innovation and Employment, Ministry of Justice, Department of Internal Affairs, Ministry of Social Development and the Tertiary Education Commission have been consulted on the ELOE.

### **Financial Implications**

12. There are no financial implications.

### **Legislative Implications**

13. Nil.

### **Impact Analysis**

14. Nil.

### **Human Rights**

15. There are no inconsistencies with the New Zealand Bill of Rights Act 1990 or the Human Rights Act 1993.

### **Proactive Release**

16. We propose to proactively release this paper in full on the SSC website after the ELOE has been finalised and published.

## Recommendations

We recommend that the Committee:

1. note that enduring letters of expectations are not required under the Crown Entities Act, but they are useful for reinforcing the Government's vision and approach for statutory Crown entities.
2. note that the Minister of Finance and the Minister of State Services have prepared a new enduring letter of expectations for statutory Crown entities.
3. note that in October 2019 the State Services Commission will send the new enduring letter of expectations to Board chairs of statutory Crown entities and monitoring agencies and publish it on the State Services Commission website.

Authorised for lodgement

Hon Grant Robertson

Minister of Finance

Hon Chris Hipkins

Minister for State Services

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## Appendix A:

Dear Board Chairs of Statutory Crown Entities

### Enduring Letter of Expectations

This letter replaces the previous enduring letter of expectations that was published on 26 July 2012. It sets out our expectations of all statutory Crown entities. This letter should be considered within the context of the Crown Entities Act and other relevant legislation.

#### **A unified value-based government for all New Zealanders**

You and your board members are in your roles, not only because of your passion for the entity you lead and collectively govern, but because all New Zealanders need your help, your ideas, and your enthusiasm.

Your Board is the steward of the Crown's ownership interest and the primary monitor of the entity's performance. We expect you to regularly and transparently report on the performance of, and the risks and opportunities facing the entity to your Minister. In doing so, we expect you to have a constructive working relationship with your monitoring department.

We expect the way your Board goes about its work is grounded in acting in a spirit of service to everyone in our community and with integrity and care. This means you are open and transparent, managing the public's money and assets wisely and doing the right thing in all circumstances including managing conflicts.

As State sector employers we expect you to work with your agency's chief executive and management team to:

- ensure your workplaces are safe;
- ensure your workplaces are diverse and inclusive;
- make substantive progress to close any ethnic or gender pay gaps and narrow the gap between the highest and lowest earners in the workplace; and
- ensure that employees have a voice in their workplace, including through effective and productive relationships with any relevant unions.

We also expect you will continue to take account of the Government's Expectations on Employment Relations in the State Sector.

As a general rule, you should inform your Minister promptly of matters of significance within his or her portfolio responsibilities, particularly where these matters may be controversial or may become the subject of public debate.

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

We expect your entities to embody the Government's good-faith and collaborative approach to the Māori Crown relationship by:

- engaging appropriately and often with Māori on relevant issues;
- pursuing further opportunities for partnership with Māori entities and businesses;
- building staff Māori cultural capability including knowledge of tikanga Māori, te ao Māori, New Zealand history and how to address institutional racism;

- improving the Treaty-consistency of policy and practices (for example, considering where whanau-centred policies can be used); and
- supporting the Maihi Karauna by promoting and supporting the revitalisation of te reo Māori.

### **Contributing to improving wellbeing**

New Zealand needs a high performing public sector that is strongly focussed on improving current and future wellbeing. Although there are many definitions of wellbeing, we see it as people having the capabilities to live lives of purpose, balance and meaning to them.

Our desire is to embed a wellbeing approach across the public sector. All public sector agencies contribute to achieving our wellbeing vision in some way. We have identified three elements of a wellbeing approach that you should consider as you look at your direction and contribution and to be reflected in your external reporting. The three elements are:

- Taking a whole of government approach – stepping out of the silos of agencies and working seamlessly together to assess, develop and implement plans to improve wellbeing.
- Looking at intergenerational outcomes – focussing on meeting the needs of present generations at the same time as thinking about the long-term impacts on future generations.
- Moving beyond narrow measures of success and considering impacts, both positive and negative, across a broader set of areas.

A specific example is the recognition that the current and future wellbeing of New Zealanders is reliant on a stable climate and living within ecological limits. We expect the State sector to lead by example by taking active steps to reduce greenhouse gas emissions, improve energy efficiency, and reduce waste outputs.

As Crown entities your performance plays a critical role in supporting and improving the wellbeing of New Zealand through what you deliver, and in how you work to deliver it.

### **Public Service Reform**

We are in the process of modernising the public service, including reviewing the public finance system to achieve our wellbeing objectives. You will hear more on these reforms as they progress and have the opportunity to engage on their implementation. Our plan is to review this letter following the passage of the new Public Service legislation.

Yours sincerely

Hon Grant Robertson  
Minister of Finance



Hon Chris Hipkins  
Minister of State Services

## Appendix B:

This letter is available here: <http://www.ssc.govt.nz/expectations-letter-crown-entities-july12>



### Office of Hon Bill English

Deputy Prime Minister  
Minister of Finance  
MP for Clutha-Southland

Dear Board Chairs of Statutory Crown Entities

#### Enduring Letter of Expectations

This letter replaces the previous letter of expectations that was sent on 22 December 2008 to the chairs of boards of statutory Crown entities. The "no surprises" policy remains in place. No surprises means that the Government expects a board to:

- be aware of any possible implications of their decisions and actions for wider government policy issues
- advise the responsible Minister of issues that may be discussed in the public arena or that may require a ministerial response, preferably ahead of time or otherwise as soon as possible, and
- inform the Minister in advance of any major strategic initiative.

Crown entities must comply with the good employer provisions set out in the Crown Entities Act and maintain standards of integrity and conduct set out in the code of conduct for the State Services at [www.ssc.govt.nz/code](http://www.ssc.govt.nz/code). We also expect entities to take account of the Government's expectations for Pay and Employment Conditions in the State Sector.

#### ***This Government requires effective self monitoring by boards***

Your board is the most important monitor of entity performance. We expect boards to provide to responsible Ministers high quality information and analysis on entity performance against plan, implications for future performance, and risks and opportunities facing the entity. We also expect you to have a constructive working relationship with your monitoring department.

#### ***... increased transparency of performance***

We want to see boards operate transparently by disclosing non-sensitive entity performance information throughout the year via your websites, following discussion with your responsible Minister.

#### ***...and expects State agencies to deliver Better Public Services***

The Better Public Services programme ([www.ssc.govt.nz/better-public-services](http://www.ssc.govt.nz/better-public-services)) focuses on delivering better results and improved services for New Zealanders. In that context, we expect boards to:

- maintain a thorough understanding of the business and cost drivers of your entities, and look for service improvements within tight fiscal constraints
- take opportunities to work with other agencies on joint procurement, shared services and delivering key results to maximise system-wide efficiency and effectiveness
- look for opportunities to share your ideas on how the State Services can operate more effectively and efficiently.

Yours sincerely

Hon Bill English  
Minister of Finance

Hon Dr Jonathan Coleman  
Minister of State Services

Private Bag 18011, Parliament Buildings, Wellington 6160, New Zealand. Telephone 64 4 817 6801 Facsimile 64 4 817 6501