The Treasury
Solid Energy Information Release
June 2013
Release Document

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Key to sections of the Official Information Act 1982 under which information has been withheld.

Certain information in this document has been withheld under one or more of the following sections of the Official Information Act, as applicable:

[1] 9(2)(a) - to protect the privacy of natural persons, including deceased people

[2] 9(2)(b)(ii) - to protect the commercial position of the person who supplied the information, or who is the subject of the information

[3] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials

[4] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions

[5] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice

[6] 9(2)(j) - to protect the commercial position of the person who supplied the information, or who is the subject of the information; to enable the Crown to carry out commercial activities without disadvantage or prejudice; and to enable the Crown to negotiate without disadvantage or prejudice

[7] 9(2)(ba)(i) - to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied

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In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.
Treasury Report: Review of Treasury monitoring of Solid Energy

Date: 14 May 2013  Report No: T2013/1283

Action Sought

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| **Minister of Finance**  
(Hon Bill English) | Note the attached report  
Note the connection to the existing value management work stream  
Discuss the report with the Treasury | Monday 3 June 2013 |

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| **Minister for State Owned Enterprises**  
(Hon Tony Ryall) | Note the attached report  
Note the connection to the existing value management work stream  
Discuss the report with the Treasury | Monday 3 June 2013 |

Contact for Telephone Discussion (if required)

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<th>Name</th>
<th>Position</th>
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| Andrew Turner     | Deputy Secretary, Crown Ownership Monitoring Unit  
04 917 6031 (wk)  
[1] | ✓ | |
| Andy Jackson      | Senior Analyst, Office of the Executive  
04 890 7216 (wk) | | |

Actions for the Minister’s Office Staff (if required)

Return the signed report to Treasury

Enclosures: Yes (attached)

Final Report- review of Solid Energy_19042013 (2) (Treasury:2613554v1)
Aide Memoire: Value Management of Crown Companies and Entities – Project Update (Treasury:2623620v1)
Treasury Report: Review of Treasury monitoring of Solid Energy

Purpose of Report

1. This report provides you with a copy of Deloitte’s review of the Treasury’s monitoring of Solid Energy over the period 2006-13.

Background

2. The attached report was commissioned by the Treasury in February 2013, following Solid Energy's public announcement that it was in discussions with the Crown and its creditors.

3. The objective of commissioning the report was to provide the Treasury with an independent assessment of its performance as a monitor of Solid Energy, and in particular whether it had taken all necessary and reasonable steps to protect the Crown's shareholding interest in the company.

4. The report was not intended to be an assessment of the performance of Solid Energy, or of the actions of shareholding Ministers.

5. Deloitte conducted the review during March 2013 and provided the report to the Treasury in April. The review team considered a range of written material, primarily formal correspondence and reports between the company, the Treasury and Ministers, as well as interviewing a number of current Treasury staff who were involved in the current and past monitoring of the company.

6. The report was discussed by the Treasury’s Risk and Audit Committee.

Conclusions and Recommendations of the Report

7. Overall, the report concludes that “we do not believe that the failure of Solid Energy has highlighted a material failure in Treasury’s monitoring processes. We do believe that the failure does raise questions about how these processes are applied and whether Treasury’s response was forceful enough or occurred soon enough given that the Company provided cause for concern over an extended period”. Deloitte also noted there were influential countervailing factors the Treasury needed to consider when determining its response to issues identified.

8. The report’s recommendations identify four areas where the Treasury’s processes and capability could be strengthened:

   • sharing of views on Board and Chair performance between the Treasury’s monitoring and appointments teams
   • use of external expertise where identified concerns are not addressed by companies
• building the quality of COMU’s analysis so that it carries more weight with companies, and
• some additional tools that COMU could use to influence company performance.

9. The Treasury has included a management response that accepts the report, welcomes its findings, and positions the Treasury’s actions in the context of its existing work programme on value management of SOEs and Crown Entities.

10. As part of its response, the Treasury commits to reporting to Ministers on how it is taking forward each of the report’s recommendations.

Comment

11. As you are aware, the Treasury is implementing a series of projects to improve value management of the Crown’s ownership interest in SOEs and Crown Entities. This work programme responds to Ministers’ expectations that the Treasury take a more active approach to managing Crown assets, and its initiation pre-dates current events with Solid Energy.

12. There is a strong degree of alignment between the value management work and Deloitte’s conclusions. Many of the recommendations in the Deloitte report already appear in some form in this work programme, in particular the workstreams on governance and monitoring.

13. However, in commenting on the potential for improvement in the speed and forcefulness of the Treasury’s response in relation to Solid Energy, the report does validate the need for the value management work programme to be fully and quickly implemented.

14. A copy of our latest project update is attached. We are meeting to discuss the value management work programme with you in June, and propose that at that meeting, we discuss with you any questions or comments you may have about the Deloitte report.

Communications

15. At this stage, we do not propose to proactively publish the Deloitte report. As events involving Solid Energy unfold, it may be the case that the report is subject to Official Information Act requests, or is requested should a further external review of Solid Energy be commissioned.
Recommended Action

We recommend that you:

a  **note** the attached report into the Treasury's monitoring of Solid Energy

b  **note** the further impetus this gives to the implementation of the existing work programme on value management of the Crown's ownership interest in SOEs and Crown Entities, and

c  **discuss** this with Treasury officials when we meet to discuss the value management work programme in June.

Andrew Turner  
Deputy Secretary, Crown Ownership Monitoring Unit

Hon Bill English  
Minister of Finance

Hon Tony Ryall  
Minister for State Owned Enterprises