



Report Title:	Strengthening Crown Entity Governance: Cabinet Fees Framework Update		
Report No:	MoSR 2025-0140		
Date:	27 February 2025		
To:	Hon Judith Collins KC, Minister for the Public Service		
Action Sought:	Discuss your feedback with officials on proposals to update the Cabinet Fees Framework fee ranges	Due Date	13 March 2025
Contact Person:	Robert Anderson, Manager, Public Sector Performance		
Contact No:	9(2)(a) privacy		
Encl:	Yes	Priority:	Medium
Security Level:	IN CONFIDENCE		

Executive Summary

1. Statutory Crown entities (Crown entities) deliver a significant proportion of critical public services across a range of portfolios, including health, transport, education, and housing.
2. The Cabinet Fees Framework (the Framework) fee ranges have stagnated for more than a decade and are now significantly out of step with comparable private sector fees (even accounting for a public service discount). This currently acts as a constraint on attracting and retaining governance capability to Crown entity boards and other bodies in which the Crown has an interest.
3. The extent of this problem has been reinforced through our engagement with boards and monitoring departments, along with feedback from the Institute of Directors (IoD).
4. To address the problem, steps should be taken to ensure board remuneration is not a barrier to attracting and retaining high quality candidates for Crown boards. One step would be to align board remuneration with current market rates, while including a 20 percent discount to recognise the public service dimension for these roles.
5. The Public Service Commission (the Commission) recommends that you seek Cabinet agreement to significant increases in Framework fee ranges to within 20 percent of the private sector median.
6. The proposed increases include:
 - an 80 percent increase in annual fee ranges for governance boards (Group 3 in the Framework), which would provide sufficient scope to enable board fees to be set at a 20 percent public sector discount

- for Groups 2 and 4 (other bodies, such as statutory tribunals, authorities, and all other committees, such as Audit and Risk Committees) a 30 percent increase to the daily fee ranges, which represents an approximate cumulative 34 percent Labour Cost Index (LCI) movement since 2012.
7. Your feedback is sought on proposals set out in this briefing to inform a paper to the Appointment and Honours Committee (APH).

Recommended Action

We recommend that you:

- a **discuss** your feedback with officials on proposals set out in this paper for Cabinet to reset fee ranges for governance bodies within the Cabinet Fees Framework to recognise the responsibilities and risks assumed by Crown entity boards and statutory bodies and to support the attraction and retention of capability to these bodies
Agree/disagree
- b **note** that, subject to your feedback, the Public Service Commission will draft a Cabinet paper for you to advance proposals outlined in this paper
- c **agree** that the Public Service Commission release this briefing in full once Cabinet has taken decisions on proposals set out in this paper.
Agree/disagree.

Hon Judith Collins KC
Minister for the Public Service

Purpose of Report

8. This briefing provides advice on a proposal to reset fee ranges for governance and other bodies covered by the Cabinet Fees Framework (the Framework) to recognise the responsibilities assumed by Crown entity boards and statutory bodies, and to ensure fee levels support board member recruitment and retention.

The Cabinet Fees Framework

9. Mandated by Cabinet via Cabinet Circular [CO (22) 2] and administered by the Commission, the Framework provides guidance on fees paid to members of bodies in which the Crown has an interest. This includes agency advisory committees, governance bodies of Crown entities to Ministerial Inquiries and Royal Commissions. The Framework ensures consistency, controlled expenditure, and provides flexibility with clear criteria.
10. Table One provides an overview of the bodies and group classification covered by the Framework.

Table One: Group classification under the Cabinet Fees Framework

Group classification	Public bodies included in each Group
Group 1	Royal Commissions, Public Inquiries, Government Inquiries and Ministerial Inquiries. ¹
Group 2	Statutory tribunals and authorities
Group 3	3a - General governance boards (includes statutory Crown entities and Tertiary Education Institutions) 3b - boards of subsidiary bodies owned by statutory entities (e.g. Crown agents, autonomous Crown entities or independent Crown entities)
Group 4	All other Committees and other bodies (audit committees, advisory boards, technical committees)

Fees for governance and statutory bodies are significantly out of step with comparable private sector board fees creating a challenge in attracting talent

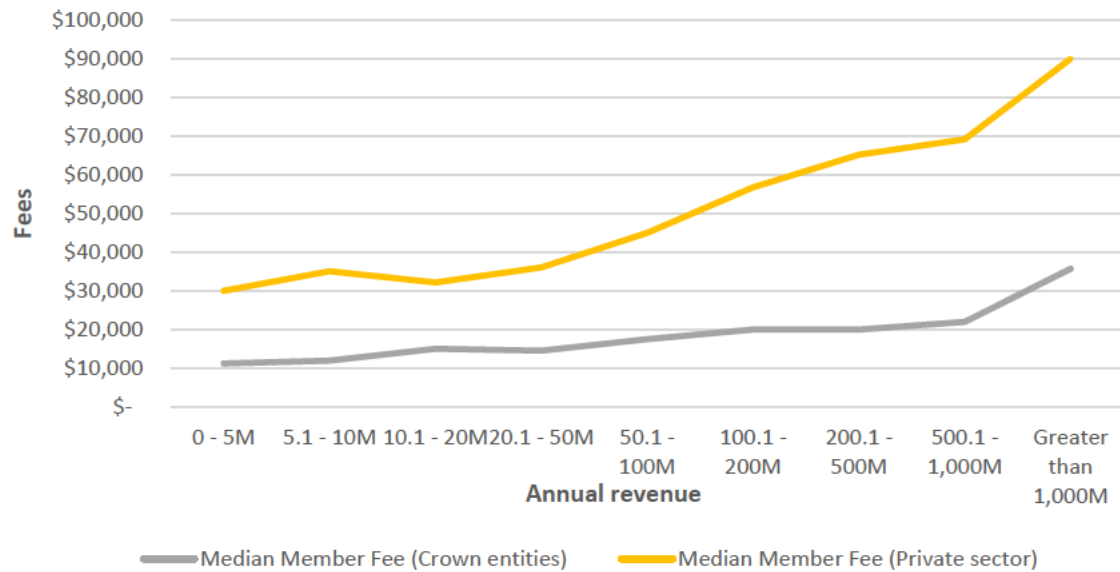
Governance body fees have remained stagnant for over a decade, with limited adjustments

11. Governance body fees covered by the Framework and within the public sector have remained relatively stagnant with limited adjustments for over a decade. The most recent substantive review took place in 2012, with the last adjustment being in 2021, when Cabinet agreed to a 10 percent uplift to fee ranges.
12. Data from the Institute of Directors (IoD) and Commission surveys shows that at the median, Crown entity and Tertiary Education Institution board fees are approximately 30-50 percent of comparable private sector fees (see Figure One).

¹ Fees for Group 1 bodies are set by Cabinet as exceptions to the Framework. This paper, therefore, does not make recommendations about Group 1 body fees.

13. Current median fees for Crown entity boards have also fallen behind comparable private sector fees. At the median:
 - Crown entity board chairs are paid \$40,000 annually (compared with \$70,000 for comparable private sector roles)
 - Crown entity board members are paid \$20,000 annually (compared with \$50,000 for comparable private sector roles).

Figure One: Crown entity and private sector board fees compared at the median based on annual revenue (2024 data)



Stagnant fee levels for Crown boards and statutory bodies are contributing to attraction and retention issues

14. Departments supporting Ministerial appointments and the IoD, report that current fee levels act as a major constraint to attracting and retaining directors to Crown boards and have now become a significant hygiene factor.²
15. The IoD's 2024/25 Fees Survey reports that no Crown entity board members surveyed were satisfied with current board remuneration, while 65 percent of all directors surveyed across the private sector indicated satisfaction with their current remuneration. Departments consistently report fee levels as a significant issue for appointing to other types of public bodies covered by the Framework, such as tribunals and statutory officers.
16. In 2024, the Commission received requests for 16 fee exceptions, up from nine in 2023. In the main, these requests reflect the problem of existing fees not having been reviewed for some years. Many fee increase requests, therefore, come from a very low base adding to recruitment and retention difficulties. To date in 2025, the Commission has noticed a sharp rise on the level of fee exceptions reflecting concerns mentioned above.

² Institute of Directors 2024/25 Fees Survey – Fee Adequacy.

The Commission recommends increases to the Cabinet Fees Framework fee ranges that align with private market rates, while retaining a public service discount

General governance boards (Group 3a and 3b)

17. Fee ranges for general governance boards, including Crown entities and their subsidiary bodies, need to increase by about 80 percent. This would provide sufficient scope to enable board fees to be set at a 20 percent discounted level to comparable private market rates.
18. General governance bodies, such as Crown entities (Group 3a), include around 56 boards and 450 board members. In addition, the Framework also sets fees for Crown entity subsidiaries (Group 3b).³
19. Table Two below sets out current Framework fee ranges applicable to these bodies. Applicable fee ranges are based on an assessment of the entity's complexity and functions, informed by criteria in the Framework.

Table Two: Current general governance board fee ranges

Group 3a (General governance boards)		
Level	Fees range (chair)	Fees range (members)
1	\$40,596 - \$90,123	\$20,295 - \$44,655
2	\$34,623 - \$73,552	\$17,309 - \$36,773
3	\$31,042 - \$53,730	\$15,521 - \$26,829
4	\$28,655 - \$40,117	\$14,328 - \$20,251
5	\$14,328 - \$30,085	\$7,161 - \$15,615
Group 3b (Boards of subsidiary bodies owned by statutory entities)		
1	\$27,462 - \$43,841	\$13,728 - \$21,918
2	\$25,669 - \$41,102	\$12,832 - \$20,548
3	\$22,088 - \$36,839	\$11,044 - \$18,420

20. Table Three below compares median board member fees for similarly sized private sector boards with fee levels for public sector general governance boards (Group 3a). The data shows that for comparable roles a significant gap exists between Crown board fees and those paid to private sector boards.

³ A Crown entity subsidiary is a company controlled by one or more Crown entities. Crown entity subsidiaries are also Crown entities in their own right.

Table Three: General governance board member fees compared with private market data

CFF levels (Group 3a)	No of bodies	Median Crown member fee	Median private sector director fee	Public service discount rate (20 percent)	Percentage gap between median Crown fees and private sector fees
1	9	\$49,000	\$90,000	\$72,000	46%
2	8	\$27,500	\$65,167	\$52,133	58%
3	20	\$20,000	\$56,749	\$45,399	65%
4	16	\$15,204	\$45,000	\$36,000	66%
5	3	\$10,000	\$35,000	\$28,000	71%

21. To allow for a 20 percent public service discount and to narrow the fees gap, an 80 percent increase to fee ranges is required. The proposed fee range changes are informed by analysis of current Crown entity and statutory body fees compared with the most recent data from private market data held by IoD.
22. Table Four below outlines the impact of an 80 percent uplift on fee ranges for Group 3a and 3b general governance board chairs and members.

Table Four: Impact of an 80 percent increase of board fees ranges for general governance bodies and subsidiary bodies

Group 3a (General governance boards)				
Level	Chair fee ranges	Proposed increase	Member fee ranges	Proposed increase*
1	\$40,596 - \$90,123	\$73,000 - \$162,200	\$20,295 - \$44,655	\$36,500 - \$81,100
2	\$34,623 - \$73,552	\$62,300 - \$132,400	\$17,309 - \$36,773	\$31,200 - \$66,200
3	\$31,042 - \$53,730	\$55,900 - \$96,700	\$15,521 - \$26,829	\$28,000 - \$48,400
4	\$28,655 - \$40,117	\$51,600 - \$72,200	\$14,328 - \$20,251	\$25,800 - \$36,100
5	\$14,328 - \$30,085	\$25,800 - \$54,200	\$7,161 - \$15,615	\$12,900 - \$27,100
Group 3b (Boards of subsidiary bodies owned by statutory entities)				
1	\$27,462 - \$43,841	\$49,400 - \$78,900	\$13,728 - \$21,918	\$24,700 - \$39,500
2	\$25,669 - \$41,102	\$46,200 - \$74,000	\$12,832 - \$20,548	\$23,100 - \$37,000
3	\$22,088 - \$36,839	\$39,800 - \$66,300	\$11,044 - \$18,420	\$19,900 - \$33,200

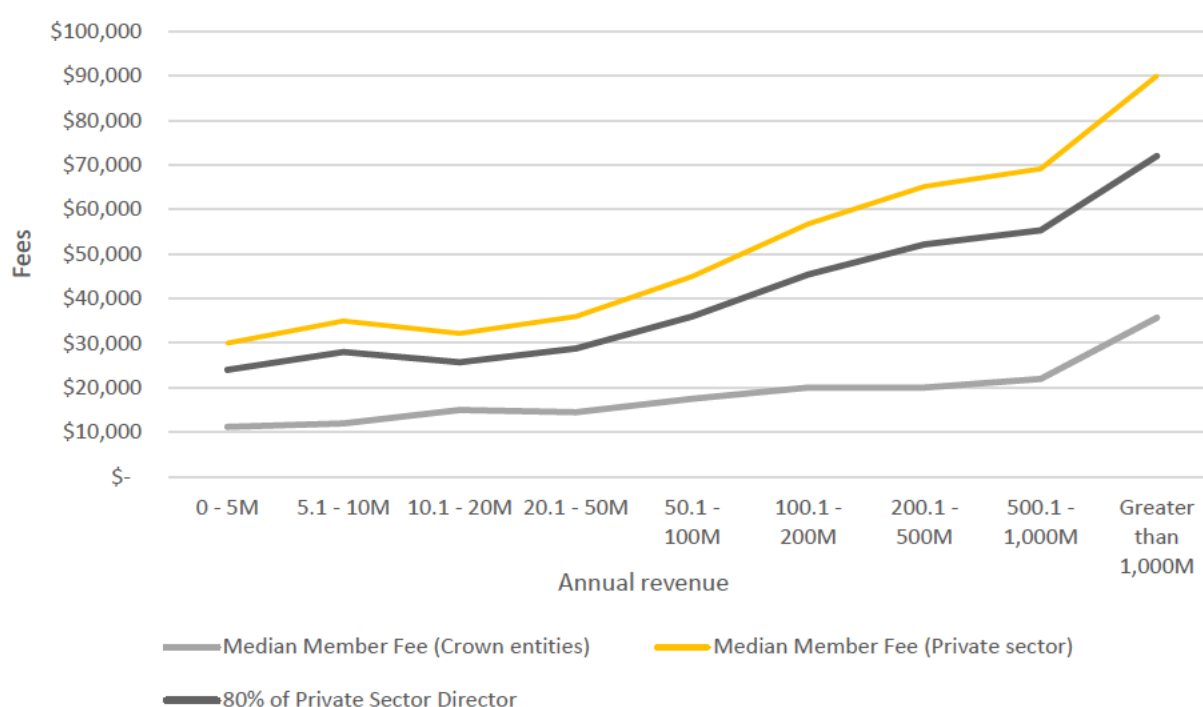
23. If agreed by Cabinet, any increases to fee ranges would still require a responsible Ministers as the fee setter to assess an entity's board within a new fee range. The assessment should apply a robust evidence-based fee review process, informed by the entity's complexity and functions..⁴

⁴ With the proposed increases, some fee levels will be outside the bottom of the ranges, which would require the responsible Minister to adjust to at least the start of the new range.

Modelling the likely impact on actual fees paid from a significant increase in general governance board fee ranges

24. An 80 percent increase in Framework fee ranges to general governance boards means that from the current median, Crown entity annual board fees could increase as follows:
- member fees from a median of \$20,000 up to \$45,400
 - chair fees from a median of \$40,000 up to \$80,800.
25. Appendix A sets out the impact of an 80 percent increase on all fee ranges. Figure Two below shows the impact of lifting median public sector board fees (the light grey line) to the private market median with a 20 percent discount applied (the dark grey line).

Figure Two: Modelling the impact of an 80 percent increase to general governance board fee ranges



26. The modelling assumes all board fees are increased to the equivalent private market median rate with a 20 percent discount applied. In practice, however, the actual fee increase for each board will be at the discretion of each responsible Minister following a robust fee review process including the extent to which a large increase (if any) can be justified.
27. Before authorising a fee increase, a fee-setting Minister needs assurance from a well-evidenced assessment against Framework criteria including the affordability of an increase before authorisation.

The overall effect of the proposed increases will have only a small impact on entity operating expenditure

28. The overall impact on entity operating costs of the proposed increase will be small. If implemented in full, the following examples show the estimated impact on member fees of the proposed increases:
- NZ Transport Agency (Group 3 Level 1)– a current member fee of \$42,000 would rise to \$75,600
 - Maritime New Zealand (Group 3 Level 3)– a current member fee of \$21,000 would rise to \$39,800
 - Te Papa Tongarewa | Museum of New Zealand (Group 3 Level 3) – a current member fee of \$16,500 would rise to \$36,000.

The Commission recommends significant but smaller increases to fee ranges for statutory bodies, authorities and other bodies (Group 2 and 4 bodies)

29. The Commission considers that while fees for Group 2 and 4 bodies need to increase, in the main, members are not asked to take on the level of responsibilities and assumed risk that accompany Crown entity board roles. Examples of Group 2 bodies include the Board of Inquiry into Te Awamutu Waste-to-Energy Facility or the Lawyers and Conveyancers Disciplinary Tribunal. Examples of Group 4 bodies include most Ministerial Advisory Committees or Resource Management Reform Expert Advisory Group.
30. No comparable data set is available to benchmark against the wide range of functions and organisational types found in Groups 2 and 4. Fees for these groups are set at a daily rate and relate to the specific function and purpose of the body concerned. The Ministry of Justice (MoJ) 2023 report on Judicial and Statutory Officer Fees, however, evidences a significant fee shortfall for these roles that contributes to recruitment and retention problems.⁵
31. Compared with governance boards, roles undertaken by statutory officers often require highly specialised individuals (e.g. lawyers, judges and technical specialists), undertaking statutory and regulatory decision making that has significant national impacts. In addition, some appointees must forgo private sector opportunities to take on the required workloads in these roles, which can be of a fulltime nature.
32. The Commission proposes that you seek Cabinet agreement to increase fee ranges for Group 2 and 4 bodies by 30 percent. In the absence of comparable remuneration data for these bodies, we have assessed movements in the Labour Cost Index (LCI).
33. Since the last substantive Framework review in 2012, cumulative wage growth as measured by the LCI has increased 34 percent across all sectors (36 percent in the public sector and 34 percent in the private sector over the same period).
34. The Commission does not hold comprehensive fee level information for all Group 2 and 4 bodies. Based on the Commission's 2022/23 fee survey, however, we estimate that median daily fees would move from \$449 to \$584 with a 30 percent uplift. As with general governance boards, the responsible Minister would need to ensure any fee increase is justified and affordable.

⁵ Martin, Jenkins and Associates Limited (2023), Fees Paid to Judicial and Statutory Officers, Advice to Ministry of Justice, Wellington.

A phased and scaled approach to fee increases is not recommended

35. You could consider phasing the proposed increases over two financial years, or longer. We have also considered possible scaling options for the increases (see Appendix B). This option is not recommended as it would likely dilute a signal to future and current board members and limit its impact in responding to recruitment and retention issues.

The Commission recommends that Cabinet consider agreeing to the opportunity for a one-off fee exception for bodies to manage fee reviews over the next 12 months

36. In your capacity as Minister for the Public Service, the Framework provides that you must be consulted on any fee increase above five percent and may approve fee increases up to ten percent, and minor and technical changes to fees. Any increase above ten percent, or that takes the fee above the applicable Framework fee range, must be referred to APH and Cabinet for consideration.
37. If fee ranges are adjusted as recommended, and current exception approval settings retained, the proposed increase in fee ranges means that, more than likely, over the next year, fee reviews will always exceed ten percent to bring fees into line with the new Framework settings. This could lead to a very significant increase in fee exception requests to you and Cabinet.
38. In response to this issue, we recommend that Cabinet allows for a 12-month period where fee setting Ministers would have the ability to make a one-off fee adjustment to bodies in Groups 2, 3 and 4, without the need for approval by you as Minister for the Public Service, or Cabinet, subject to the following criteria:
- proposed fee adjustments are supported by robust evidence and justification and do not exceed the applicable fee range
 - fee increases have undergone a robust fee review process and there is sound justification before increases are implemented by responsible Ministers
 - the responsible Minister has considered any other contextual factors, including maintenance of public trust and confidence in the entity or body, and that increases are affordable and can be managed within baselines.

Next Steps

39. Your feedback is sought on proposals set out in this paper. Subject to your feedback, and if you agree, the Commission will draft a Cabinet paper for you to take to APH.

Appendix A: Recommended increases to Framework fee ranges for Groups 2, 3 and 4

Group 2 - daily fee	Current chair fee range	Proposed increase	Current member fee range	Proposed increase
Level 1	\$765 - \$1,194	\$995-\$1,552	\$490 - \$759	\$637-\$987
Level 2	\$693 - \$1,018	\$901-\$1,323	\$451 - \$627	\$586-\$815
Level 3	\$633 - \$858	\$823-\$1,115	\$402 - \$561	\$523-\$729
Level 4	\$534 - \$666	\$694-\$866	\$347 - \$429	\$451-\$558
Level 5	\$402 - \$594	\$523-\$772	\$319 - \$385	\$415-\$501
Group 3a - annual fee	Current chair fees range	Proposed increase	Current member fee range	Proposed increase
Level 1	\$40,596 - \$90,123	\$73,000 - \$162,200	\$20,295 - \$44,655	\$36,500 - \$81,100
Level 2	\$34,623 - \$73,552	\$62,300 - \$132,400	\$17,309 - \$36,773	\$31,200 - \$66,200
Level 3	\$31,042 - \$53,730	\$55,900- \$96,700	\$15,521 - \$26,829	\$28,000 - \$48,400
Level 4	\$28,655 - \$40,117	\$51,600 - \$72,200	\$14,328 - \$20,251	\$25,800 - \$36,100
Level 5	\$14,328 - \$30,085	\$25,800 - \$54,200	\$7,161 - \$15,615	\$12,900 - \$27,100
Group 3b - annual fee	Current chair fees range	Proposed increase	Current member fee range	Proposed increase
Level 1	\$27,462 - \$43,841	\$49,400 - \$78,900	\$13,728 - \$21,918	\$24,700 - \$39,500
Level 2	\$25,669 - \$41,102	\$46,200 - \$74,000	\$12,832 - \$20,548	\$23,100 - \$37,000
Level 3	\$22,088 - \$36,839	\$39,800 - \$66,300	\$11,044 - \$18,420	\$19,900 - \$33,200
Group 4 - daily fees	Current chair fees range	Proposed increase	Current member fee range	Proposed increase
Level 1	\$594 - \$1,265	\$772 - \$1,645	\$446 - \$952	\$580 - \$1,238
Level 2	\$429 - \$974	\$558 - \$1,266	\$319 - \$616	\$415 - \$801
Level 3	\$308 - \$633	\$400 - \$823	\$226 - \$435	\$294 - \$679

IN CONFIDENCE

Appendix B: Impact of more limited increases to board fees ranges for Crown entities and Tertiary Education Institutes (Group 3a and b)

Group 3a (General governance bodies)								
Fees Framework Level	Fees range (chair)	50 percent increase	60 percent increase	70 percent increase	Fees range (members)	50 percent increase	60 percent increase	70 percent increase
Level 1	\$40,596 - \$90,123	\$60,900 - \$135,200	\$65,000 - \$144,200	\$69,000 - \$153,200	\$20,295 - \$44,655	\$30,500 - \$67,600	\$32,500 - \$72,100	\$34,500 - \$76,600
Level 2	\$34,623 - \$73,552	\$51,900 - \$110,300	\$55,400 - \$117,700	\$58,900 - \$125,000	\$17,309 - \$36,773	\$26,000 - \$55,200	\$27,700 - \$58,900	\$29,500 - \$62,500
Level 3	\$31,042 - \$53,730	\$46,600 - \$80,600	\$49,700 - \$86,000	\$52,800 - \$91,300	\$15,521 - \$26,829	\$23,300 - \$40,300	\$24,900 - \$43,000	\$26,400 - \$45,700
Level 4	\$28,655 - \$40,117	\$43,000 - \$60,200	\$45,800 - \$64,200	\$48,700 - \$68,200	\$14,328 - \$20,251	\$21,500 - \$30,100	\$22,900 - \$32,100	\$24,400 - \$34,100
Level 5	\$14,328 - \$30,085	\$21,500 - \$45,100	\$22,900 - \$48,100	\$24,400 - \$51,100	\$7,161 - \$15,615	\$10,800 - \$22,600	\$11,500 - \$24,100	\$12,200 - \$25,600
Group 3b (Subsidiary bodies of statutory entities)								
Level 1	\$27,462 - \$43,841	\$41,200 - \$65,800	\$43,900 - \$70,100	\$46,700 - \$74,500	\$13,728 - \$21,918	\$20,600 - \$32,900	\$22,000 - \$35,000	\$23,300 - \$37,300
Level 2	\$25,669 - \$41,102	\$38,500 - \$61,700	\$41,100 - \$65,800	\$43,600 - \$69,900	\$12,832 - \$20,548	\$19,200 - \$30,800	\$20,500 - \$32,900	\$21,800 - \$34,900
Level 3	\$22,088 - \$36,839	\$33,100 - \$55,300	\$35,300 - \$58,900	\$37,600 - \$62,600	\$11,044 - \$18,420	\$16,600 - \$27,600	\$17,700 - \$29,500	\$18,800 - \$31,300

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