



Enabling Crown Entity Performance – Crown Entity Board Governance Training and the Crown Entity Resource Centre

Date:	17 February 2023		
To:	Hon Andrew Little, Minister for the Public Service		
Action sought:	<p>Discuss whether you have any views on the work Ross Wilson is leading on the development of the targeted training programme for Crown entity board members.</p> <p>Discuss any feedback you may have on work being led through the Crown Entity Resource Centre, including how the Centre could help advance any priorities you have relating to the governance and performance of Crown entities.</p>	Due date:	3 March 2023
Report No:	2023-0019		
Contact:	Robert Anderson, Director, System and Agency Performance, 9(2)(a) privacy		
Encl:	No	Priority:	Medium
Security Level:	IN CONFIDENCE		

Executive Summary

- Over the last few years, there has been an increasing focus on the governance and performance of Crown entities, including the Crown monitoring practices that support Ministers in their oversight role. The public service reforms have also focused on leveraging the role of Crown entities as part of a unified public service, recognising the critical role they play in the delivery of public services. As Minister for the Public Service, you have an important leadership and oversight role within the Crown entity system.
- The calibre and performance of Crown entity boards are critical determinants of Crown entity governance and performance. You recently met with Ross Wilson, former Chair of WorkSafe New Zealand, about the development of a programme being implemented, in partnership with Victoria University, to provide targeted training for current and potential Crown entity board members.
- Te Kawa Mataaho Public Service Commission (the Commission) is highly supportive of this Programme, which will provide more tailored training and competency development for board members that hold roles, or may want to hold roles, on Crown entity boards. We are working closely with Mr Wilson to increase the visibility and uptake of the Programme to Crown entity chairs and board members. The work being led by Mr Wilson and Victoria University

complements other initiatives being led and supported by the Commission, particularly around strengthening governance skills and capability.

4. The Commission has established a stronger focus on harnessing the contribution and performance of Crown entities over the last few years to leverage the role and contribution of Crown entities. In 2021, the Public Service Commissioner established the Crown Entity Resource Centre (the Centre), which has resulted in the Commission playing a more active leadership role, at a system level, to support Crown entities.
5. Through the Centre, the Commission is leading key system-level initiatives to support the effective governance and performance of Crown entities, strengthen Crown entity monitoring practices and capability, and support high quality and diverse appointments to Crown appointed boards.
6. The Centre has strengthened relationships right across the system in support of this work, including with Crown entity chairs and their boards, monitoring, appointing and nominating agencies, the Office of the Auditor-General and the Institute of Directors, to enable system shifts that enhance the governance and performance of Crown entities. We have also worked closely with supporting Ministers, and their offices, in this area.
7. There are opportunities for you to shape and engage with the Commission's work in supporting Crown entities throughout this year. This includes through our regular engagement with Crown entity chairs and the delivery of key initiatives we are leading through the Centre, such as the Future Directors Programme, good practice guidance for Crown entity monitoring and work underway to support high quality and diverse board appointments. We will provide you with further advice on these opportunities in the next few months.
8. The Commission is available to further discuss with you the work being led through the Centre, including how the Centre could help advance any specific priorities you have in this area.

Recommended Action

We recommend that you:

- a **note** that Te Kawa Mataaho Public Service Commission is supportive of efforts underway by Ross Wilson and Victoria University to increase Crown entity governance capability by developing a targeted training programme for current and prospective Crown entity board members
- b **discuss** whether you have any views on the work Ross Wilson is leading on the development of the targeted training programme for Crown entity board members
- c **discuss** any feedback you may have on work being led through the Crown Entity Resource Centre, including how the Centre could help advance any priorities you have relating to the governance and performance of Crown entities
- d **agree** that Te Kawa Mataaho release this briefing in full once it has been considered by you.
Agree/disagree

Hon Andrew Little
Minister for the Public Service

Enabling Crown Entity Performance – Crown Entity Board Governance Training and the Crown Entity Resource Centre

Purpose of Report

1. To provide advice on matters raised during your recent meeting with Ross Wilson, former Chair of WorkSafe New Zealand, on the development of a tailored training programme for Crown entity board members. This briefing also provides an overview of work being led by Te Kawa Mataaho (the Commission), through the Crown Entity Resource Centre (the Centre), to enable effective Crown entity governance and performance.

Context

There has been an increasing focus on the governance and performance of Crown entities, particularly as these entities play a core role in delivering public services

2. Crown entities have a significant responsibility for the delivery of a wide range of critical public services, ranging from education and health care through to transport, accident and earthquake insurance, and investment management. Over 35 percent of government expenditure is made through Crown entities, with the majority of the public sector workforce employed within Crown entities.
3. In the last few years, there has been an increasing focus on the governance and performance of Crown entities, including the monitoring practices that support Ministers in their oversight role. The recent establishment of new Crown entities with significant functions, including Te Whatu Ora, Te Pūkenga and Taumata Arowai, has further highlighted the importance of having strong support in place for Crown entities and their boards.
4. The recent public service reforms focused on leveraging the role of Crown entities as part of a unified Public Service, recognising the critical role they play in the delivery of public services. Changes through the reforms have emphasised a strong focus on public trust and confidence, delivery of citizens-centred services, and working more flexibly across agency boundaries. There is an opportunity to further embed these changes with Crown entities to realise the full potential of the changes through the reforms.

As Minister for the Public Service, you have an important leadership role in influencing the governance and performance of Crown entities at a system level

5. Along with the Minister of Finance, you have both ownership and purchase interests in the overall capability and performance of the Public Service and Crown entities.
6. The calibre and performance of Crown entity boards are critical determinants of Crown entity governance and performance. You have a direct interest in strengthening Crown entity boards by ensuring that:
 - a. appointing Ministers follow robust and consistent appointment processes
 - b. board chairs apply the principles of good governance in the public sector, and lead the board's self-evaluation process and professional development for board members
 - c. monitoring departments are providing Ministers with high quality advice on the governance, performance and risks within Crown entities, including how these entities are advancing the delivery of government priorities.

7. You and the Minister of Finance may:
 - a. issue an enduring letter of expectations that sets out your ongoing expectations of all Crown entities (the current letter was issued in 2019)¹
 - b. under provisions of the Crown Entities Act 2004, jointly issue a direction requiring all or some Crown entities to support a whole of government approach. To invoke this power, the direction must support a 'whole of government approach' and must directly or indirectly improve public services.
8. You have overall portfolio responsibilities on any proposals that could result in the establishment of a new organisation that might be a Crown entity, or that could involve the disestablishment or amalgamation of an existing Crown entity.

Development of training for Crown entity board members

A tailored training programme being established for Crown entity board members provides a unique opportunity to grow governance capability

9. You recently met with Ross Wilson, former Chair of WorkSafe New Zealand, about the development of a tailored training programme that is being designed for Crown entity board members in partnership with the Victoria University School of Business and Government.
10. This four-day programme has a specific focus on public sector governance across government generally, and in the context of Crown entities and the Crown Entities Act 2004 in particular. The Programme has a practical focus and is aimed specifically at existing Crown entity board members and potential candidates for public sector board appointments.
11. This course steps back from the standard Institute of Directors training programme for company directors and takes a targeted examination of Crown entity governance to clearly distinguish the differences between governance practice in the private and public sectors. It aims to provide current and potential Crown entity board members with the skills, experience and knowledge to effectively govern and perform as a board member within the Crown environment.
12. The Programme is led by Mr Wilson and Girol Karacaoglu, former Head of the School of Business and Government at Victoria University. The Programme provides both current and future Crown entity directors with core skills and knowledge across core disciplines needed to effectively govern within a Crown environment. Key themes include machinery of government, good governance and organisational performance, working as a board, supporting effective decision making, risk and assurance, and accountability processes within a public sector context.
13. The pilot for the Programme is expected to run during July and August 2023, with the formal launch of the Programme due to take place in October or November 2023. In advance of the Programme starting, the Commission considers there is value in talking with your Ministerial colleagues at the Cabinet Appointments and Honours Committee (APH) about the opportunity and benefits this Programme presents for developing board member capability within the Crown entity environment. There may also be benefit in you attending the launch of the Programme later this year to demonstrate support for this initiative.

The Commission supports the direction and focus of the Crown entity board member training programme

14. The Commission is highly supportive of the work being led to establish the training programme for Crown entity board members. There is currently not a tailored programme in place to provide comprehensive training for board members within the Crown entity context.

¹ <https://www.publicservice.govt.nz/assets/DirectoryFile/Enduring-Letter-of-Expectations-to-Statutory-Crown-Entities.pdf>

15. While the Institute of Directors' training programmes are often completed by people who are moving into governance roles, there is an opportunity to complement these programmes with more tailored training and competency development for board members that hold roles, or may want to hold roles, on Crown entity boards.
16. We consider that this programme complements the delivery of other initiatives that the Commission is leading to improve Crown entity performance and governance. Further details of these initiatives are provided in Paragraph 26.

There are opportunities to increase the visibility and uptake of the Crown entity board member training programme

17. The Commission has worked closely with Mr Wilson as the development of Crown entity training programme has progressed.
18. Mr Wilson has advised that the first cohort is due to commence the Crown entity board member training programme in July 2023. The Commission will be working closely with Mr Wilson and Victoria University to increase the visibility of the Programme and its benefits to Crown entity chairs and board members, and through monitoring and appointing departments.

Opportunities exist to enable improvements to Crown entity performance

A review by the Office of the Auditor General in 2022 highlighted opportunities for supporting more effective engagements between Crown entity boards, Ministers and monitoring agencies

19. In June 2022, an Office of the Auditor-General performance audit assessed the effectiveness of statutory Crown entity monitoring arrangements and identified opportunities where monitoring could be improved for Crown entities and statutory bodies.
20. The performance audit found that monitoring approaches for Crown entities often lack information about roles and responsibilities, and do not set clear expectations about how performance issues will be dealt with. It also found that monitoring approaches are not always appropriate to the scope, scale, or level of risk associated with the Crown entity being monitored.
21. The performance audit highlighted that monitoring advice for Ministers did not generally include enough information to enable good analysis of performance. It was found that monitoring advice did not always provide enough information about the risks that Crown entities face, how they are being addressed, and what these risks might mean for future performance.

The Public Service Commission has invested a significant focus on harnessing the contribution and performance of Crown entities

22. In recognition of the increasing role and contribution of Crown entities, the Commission has established a stronger focus on supporting Crown entities and their boards, as well as monitoring, appointing and nominating agencies.
23. As part of this response, in 2021, the Public Service Commissioner established the Crown Entity Resource Centre (the Centre), which operates at the system level to support Crown entity performance, appointments, governance and monitoring, working with Crown entities and their boards, monitoring agencies and others involved in the Crown entity system.

Overview of the Crown Entity Resource Centre

24. The Centre focuses on leading strategic, system level initiatives that better support Crown entity boards and monitoring agencies in their roles. The Centre's key focus areas include:
 - a. strengthening monitoring practices and capability
 - b. supporting effective board governance and performance

- c. enabling system engagement and sharing best practice
 - d. supporting high quality appointments to Crown boards, including increasing the pipeline of diverse candidates.
25. The Centre has strengthened relationships right across the system, including with Crown entity chairs and board members, monitoring, appointing and nominating agencies, the Office of the Auditor General and the Institute of Directors, to enable system shifts that enhance the governance and performance of Crown entities. We have also worked closely to provide support to Ministers, and their offices, in providing advice across a range of issues, including Crown entity performance, monitoring practices and board appointment processes.
26. Some of the key initiatives being led through the over the last 12 months include the following:
- a. advanced the development of ***Te Tūāpapa o te Mahi Tika: He Aratohu hei Aroturuki i te Hinonga Karauna - The Foundations of Good Practice: Guidelines for Crown Entity Monitoring***. The Guide sets out good practice and provides system guidance to Crown entity boards and monitors in establishing effective monitoring relationships and arrangements. We will be complementing the release of this guide with targeted training and induction support for monitoring agencies. The Guide will be launched before the end of March 2023
 - b. progressed design work and engagement on the **Future Director Diversity Programme (Pilot)**, which provides a structured programme to increase the use of Future Directors on Crown entity boards. The Programme aims to grow a pool of Future Directors for Crown appointed boards, working through nominating agencies to identify potential candidates. This Programme is due to launch from June 2023
 - c. established the **Crown Entity Chairs' Reference Group**², consisting of the chairs of key Crown entities, which meets regularly with the Public Service Commissioner to inform and provide leadership over the delivery of the Commission's work in supporting Crown entities
 - d. developed further structure around the **enhanced recruitment process for priority Crown entity chair roles**. In 2022, Cabinet agreed to the Commission playing a more active role in supporting appointments to key Crown entity chair roles. We are drawing on our system view on talent and potential candidates to assist Ministers and appointing agencies in critical board appointments
 - e. worked with Victoria University to develop a **post graduate qualification for Crown entity monitors**, which will provide a platform for lifting the quality and consistency of monitoring practices and capability. The qualification is launching on 17 February 2023
 - f. We have also worked with the Government Regulatory Practice initiative (G-REG) on increasing visibility of its training programme for board members of regulatory agencies.
27. In 2022, the Commission also reviewed the **Cabinet Fees Framework**, which resulted in a 10 percent increase to the fee ranges payable to members of Crown entity boards and other bodies remunerated under the Framework. While the adjustment was relatively minor relative to broader market movements, it responded to feedback that fee levels were becoming an increasing factor limiting the availability of potential candidates for Crown entity boards.
28. Supporting Ministers, and their offices, has also been a key focus of our work through the Centre. We have provided advice across a range of issues, including monitoring arrangements, legislative

² Entities represented on the Crown Entity Chairs' Reference Group include Maritime New Zealand, Social Workers Registration Board, ACC, Pharmac, Education New Zealand, Drug Free Sport New Zealand, Tertiary Education Commission, Creative New Zealand, Retirement Commissioner, WorkSafe New Zealand and New Zealand Trade and Enterprise.

functions and responsibilities, Ministerial levers for influencing performance and assisting in identifying candidates for key board appointments.

The Centre's initiatives will align well with the Crown entity governance training programme which is currently in development

29. A number of the initiatives outlined in Paragraph 26 will be complemented by the targeted training that Ross Wilson and Victoria University are developing for Crown entity board members.
30. The Commission is considering how the governance training programme could complement the delivery of the Future Director Diversity Programme that is due to commence in June 2023. Costs of training are regularly cited as a barrier for potential directors being able to build the experience and skills needed to take up roles on Crown boards. The Commission will be working with Crown entity chairs that host a Future Director on their board to utilise training provided through Crown entity board member training programme. This includes potentially providing financial support for Future Directors to undertake the Programme.
31. We also consider that this Programme will complement work that the Commission is leading with Victoria University on the development of the qualifications pathway for Crown entity monitors. We will work closely with the School of Government to ensure there is close alignment between the Crown entity governance training programme and the training programme for Crown entity monitors.

How we can support you

We can support you and your colleagues in enabling stronger governance and performance of Crown entities through the Crown Entity Resource Centre

32. Through the Centre, we are able to provide targeted support to assist your colleagues that have responsibilities for Crown entities and Crown boards. Ministers have engaged with us on particular issues around monitoring practices and approaches, and board appointments, including growing the pipeline of diverse members of Crown boards. To support your colleagues and their offices, we are able to provide tailored inductions, advice and information to support effective Crown entity governance and performance.
33. A potential discussion at APH on issues and opportunities relating to Crown entity governance and performance may be useful. Potential areas that could benefit from this discussion include the ongoing approach to lifting the quality and diversity of board appointments, Crown entity governance and performance, and monitoring and oversight arrangements for Crown entities. The Commission can provide you with further advice if you see benefit in progressing this discussion.

There are opportunities for you to shape and engage the Commission's work in supporting Crown entities throughout this year

34. During 2023, there will be opportunities for you to help shape and enable the delivery of key initiatives we are progressing to support Crown entity governance and performance. These include through the implementation of our new good practice guide for Crown entity monitoring, and the uptake and delivery of the Future Director Diversity Programme.
35. In August 2023, the Commission will host its annual Crown Entity Chairs Forum, which provides an opportunity for you to address all Crown entity chairs, and to set out your priorities and expectations for boards. We are currently in the process of developing a theme for this event and would welcome any feedback you have on issues you may like to discuss with the Crown entity chairs.
36. In addition to this annual event, the Commission also hosts online Crown entity chair forums throughout the year. There may be an opportunity for you to attend one of these forums to address

the Crown entity chairs in the next few months. The Commission can provide further advice if you would like to progress this opportunity.

37. Engagement with your colleagues in the delivery of the system initiatives we are leading will be critical to their success. Over the coming months, we will provide you with advice on potential opportunities to engage your colleagues in the delivery of these initiatives. Maintaining the focus on Crown entity governance and performance will be important as we continue to strengthen our work and impact with Crown entities and their boards.

Risks and opportunities

38. The governance and performance of Crown entities will continue to be an important and ongoing focus given the role Crown entities are increasingly playing within the public service. A number of key opportunities exist to support Crown entities, and their boards, at a system level, particularly around board appointments and Crown entity monitoring practices, and more broadly on leveraging good practice to support the governance and performance of Crown entities.
39. The key priorities being progressed through the Centre respond to many of the issues raised by Ministers, Crown entity boards and agencies, such as the Office of the Auditor General. Continued engagement between central agencies, Ministers, Crown entities and monitoring agencies will be critical to support the ongoing shifts we are seeking.

Next Steps

40. The Commission is available to further discuss with you the work being led through the Centre to support the effective governance and performance of Crown entities. This includes how our work through the Centre could help advance any specific priorities you would like to progress in this area.