



<b>Report Title:</b>	<b>Chief Executives' Remuneration Disclosure</b>		
<b>Report No:</b>	<b>2024-0080</b>		
<b>Date:</b>	<b>18 March 2024</b>		
<b>To:</b>	<b>Hon Nicola Willis, Minister for the Public Service</b>		
<b>Action Sought:</b>	Note the key highlights of the next Chief Executive remuneration disclosure, which is scheduled for 28 March 2024.	<b>Due Date</b>	27 March 2024
<b>Contact Person:</b>	Public Service Chief Executive Remuneration: Emma Shaw, Director, 9(2)(a) privacy Crown Entities Chief Executive Remuneration: Rob Anderson, Director, 9(2)(a) privacy		
<b>Encl:</b>	Yes	<b>Priority:</b>	Medium
<b>Security Level:</b>	<b>IN CONFIDENCE</b>		

## Executive Summary

1. At the request of Cabinet, the Public Service Commission (the Commission) publicly reports on the remuneration of public service chief executives and secretaries, chief executives of departmental agencies, Crown agents and other statutory Crown entities, Tertiary Education Institutions, Offices of Parliament and non-public service departments twice yearly. This is done via a table and text on our website.
2. The next remuneration disclosure is scheduled for 28 March 2024, to align with the Workforce data release. This disclosure includes remuneration earned in the period leading up to 31 December 2023. This aide memoire provides you with the key background information, in advance of the disclosure.

## Recommended Action

We recommend that the Minister for the Public Service:

- a **Note** the key highlights of the next Chief Executive remuneration disclosure, which is scheduled for 28 March 2024.

*Noted*

Hon Nicola Willis  
**Minister for the Public Service**

## **Public Service Departments' and Departmental Agencies' Remuneration**

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### *How remuneration is set*

3. Base remuneration for public service chief executives takes into consideration a chief executive's role size, the salary band for the role and their superannuation arrangements. Salary bands for public service chief executive roles were last reviewed in 2019.
4. Public Service Chief Executive roles are independently sized by Korn Ferry Hay Group, using their international methodology (Hay Points), and placed into job bands. Role sizing may occur for: new roles (e.g. a new agency is established); following a significant change in accountabilities for an existing role; at a new appointment where a role has not been sized for some time; or at the discretion of the Commissioner.
5. Job bands determine the pay range for the chief executive based on their organisation. Where we place them in the pay range is determined by:
  - their current remuneration
  - whether this is their first chief executive appointment
  - the capabilities they bring to the role
  - relativities with other Chief Executives in the same job band
  - the relative scope, complexity and scale of the organisation
  - sector responsibilities (where relevant).
6. On average, public service chief executive remuneration is approximately 60 percent less than comparably sized roles in the private sector, depending on role complexity (with a range of approximately 40 percent to 71 percent). This continues to be reflected in the data to be released on 28 March 2024.

### *Key points*

7. This remuneration disclosure reflects the 1 January 2023 remuneration review of chief executives of public service departments and departmental agencies, which resulted in an average individual remuneration increase of 2.2 percent.
8. The average total remuneration increased by 1.2 percent in the six months from 30 June to 31 December 2023, due to a combination of two job size increases (noted below) and the net change in remuneration as a result of new appointments and term ends within the chief executive cohort. The average total remuneration of the chief executives in role at 31 December 2023 is \$495k compared to \$489k at 30 June 2023.
9. The net result for the last 5 years, compared with December 2018, is a 4.4 percent increase in average total remuneration. The net result for the last 6 years, compared with December 2017 when performance pay was in place, is a 7.5 percent decrease in average total remuneration. In comparison, at 31 December 2022, the 5 year decrease was 10.3 percent.

### *Job sizings*

10. Two public service chief executive roles were resized during the 2023 year. This, in combination with the outcome of the 1 January 2023 remuneration review, has meant their remuneration has increased more than that of other chief executive roles. The two roles are:
  - Department of Conservation <sup>9(2)(j) prejudice to negotiations</sup> - \$495K compared to \$436K in the prior period.
  - Te Puni Kōkiri <sup>9(2)(j) prejudice to negotiations</sup> - \$460K compared to \$423K in the prior period.

### *Next disclosure*

11. The next remuneration disclosure will cover the period 1 January 2024 to 30 June 2024. The annual remuneration review for 1 January 2024 will be conducted when performance pay is introduced for public service chief executives. It is likely that Public service chief executive remuneration will increase in future years, including with the introduction of performance pay.

## **Crown Entity chief executives' Remuneration**

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### *PSC's role in Crown entity chief executive remuneration*

12. The Commission provides boards of statutory Crown entities with guidance on the terms and conditions of employment of their chief executives. This includes:
  - providing a remuneration range, based on the chief executives' independently assessed job size, and
  - guidance on annual remuneration reviews.
13. The Board and Chief Executive agree terms and conditions, including remuneration, but the Board must obtain written consent from the Commission before:
  - finalising the terms and conditions, or
  - amending any or all of the terms and conditions once they have been finalised - this includes annual remuneration reviews.

### *Key points*

14. This update discloses remuneration earned for chief executives with remuneration review periods ending up to 31 December 2023. The average total potential remuneration for Crown entity chief executives at 30 June 2023 was \$434,851. Average total potential remuneration increased 2.2 percent from the prior year, and 5.9 percent over five years, excluding entities that were established or disestablished in the five-year period.
15. The majority of Crown entity chief executives have remuneration review periods ending 30 June 2024. As this period has not yet concluded, these chief executives' remuneration disclosure figures are not included in this update. They will be included in a future update, scheduled for late-2024.
16. The Commission's Crown entity chief executive remuneration review guidance for the disclosed period allowed for remuneration increases up to 1.5 percent, with exceptions for job size re-evaluations, gender equity issues and acute retention risks. There are no large exceptional increases you should be made aware of in the update.

17. 9(2)(f)(iv) confidentiality of advice



### **Highest remuneration disclosed in this update**

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18. The Chief Executives with the highest remuneration disclosed in this update are those of:

- Kāinga Ora–Homes and Communities - \$731K
- Crown Law - \$670K
- New Zealand Trade and Enterprise - \$657K
- The Treasury - \$646K
- Ministry for Primary Industries - \$633K

### **Next steps**

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19. The remuneration disclosures update is scheduled to be published on the Commission's website on Thursday, 28 March 2024, at the same time as the quarterly Workforce Data release.

### **Appendix A**

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Appendix A provides a list of the disclosure information for the past three financial years, including the accompanying hover-over notes. The disclosures updated this round are shaded orange, and previous disclosures remaining on the website are shaded blue. Those shaded red indicate that there is only a hover-over note, with no accompanying disclosure figure.