

Hon Simeon Brown

Minister of Health
Minister for State Owned Enterprises
Minister for Auckland



15 April 2025

Hon Judith Collins KC
Minister for the Public Service
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Dear Minister

Health New Zealand - Te Whatu Ora board fees

I am writing to seek your support on exceptions to Cabinet Office Circular CO (22) 2 – *Revised Fees Framework for members appointed to bodies in which the Crown has an interest* (Cabinet Fees Framework), in order to confirm the fees payable for the chair, deputy chair and members of the board of Health New Zealand - Te Whatu Ora (Health NZ).

The daily fees I am proposing align with those previously set and agreed by Cabinet for the Health NZ board. The proposed fees, when annualised, reflect an incremental progression from the Commissioner and Deputy Commissioner fees. Please see table one below for a comparison.

Table one: Cabinet-approved fee structures for Health NZ board over time

Fees for 2023/24			
	Day rate	Day cap + contingency	Maximum per annum total (including contingency)
Chair	\$2,500	70 + 65	\$337,500
Deputy Chair	\$2,000	55 + 35	\$180,000
Member	\$1,750	40 + 30	\$122,500
Fees for 2024/25*			
			Annual fee
Commissioner			\$320,000
Deputy Commissioner x 1			\$250,000
Deputy Commissioners x 2			\$200,000
Proposed fees for 2025/26			
	Day rate	Day cap + contingency	Maximum per annum total (including contingency)
Chair	\$2,500	130 + 50	\$450,000
Deputy Chair	\$2,000	100 + 50	\$300,000
Member	\$1,750	80 + 30	\$192,500

*Deputy Commissioner's fees were set by the Commissioner.

As you know, Health NZ is the single largest employer in the country with responsibility for delivering timely, accessible and quality health care to all New Zealanders. As previously agreed by Cabinet, board fees need to be set at a level that reflects the scale and complexity of the board's role and to attract appropriately qualified and experienced candidates.

Background

Currently, Health NZ has a Commissioner and three Deputy Commissioners. I intend to reestablish a board of Health NZ to take effect from the end of the Commissioner's term on 23 July 2025.

Board members were previously paid day rates up to fixed day caps (please see table one above and table two attached to this letter), with the ability to seek access to contingency days from the Minister of Health. The fees per day were as follows:

- Chair: \$2,500 per day for a maximum of 70 days, with a further 65 days held in contingency.
- Deputy Chair: \$2,000 per day (no Deputy Chair was appointed) for a maximum of 55 days, with a further 35 days held in contingency.
- Members: \$1,750 per day for a maximum of 40 days, with a further 30 days held in contingency.

This fee structure was an exception to the Cabinet Fees Framework and was agreed by Cabinet in 2023, with a fee review undertaken in 2024. At the time the board was first appointed, it was recognised that the rates provided by the Cabinet Fees Framework would be unlikely to attract the necessary suitably experienced candidates to the board. Nor would the rates reflect the scale and complexity of the board's role while the agency was stood up.

In mid-2024 Cabinet agreed a new fee structure for the board which would have moved members to annualised rates in line with other Crown entity boards, but still above the rates set out in the Cabinet Fees Framework. However, before this fee structure could be implemented, the previous Minister of Health removed the board and replaced it with a Commissioner. It is now my intention to reestablish a board.

Proposed fees for 2025/26

I am proposing that board members receive daily fees at the same rates as previously, but with higher day caps. I also propose that the number of contingency days available be increased. I am seeking an exception to allow payment of fees to members, the deputy chair (if appointed), and chair which fall outside the ranges specified in the Cabinet Fees Framework.

Health NZ is classified as a Group 3a Level 1 body under the Cabinet Fees Framework, which specifies fee ranges for this type of body as between:

- \$40,596 and \$90,123 per annum for a chair
- \$30,295 and \$44,655 per annum for members.

I propose that the reestablished board are paid daily fees (for 18 months) of:

- Chair: \$2,500 per day for a maximum of 130 days, with a further 50 days held in contingency
- Deputy Chair: \$2,000 per day for a maximum of 100 days, with a further 50 days held in contingency
- Members: \$1,750 per day for a maximum of 80 days, with a further 30 days held in contingency.

These proposals are summarised in table two, attached to this letter.

Key considerations in setting the fees

This proposal seeks to enable the board to continue to undertake its significant role in governing the single-largest employer in New Zealand, which continues to face a number of challenges, and acknowledges the task before the board is greater than that of other Crown entities.

The Commissioner and Deputy Commissioners have achieved considerable work, but more is needed to deliver against the Government Policy Statement on Health 2024 – 2027 and the Government's health targets. The Commissioner and one of the Deputy Commissioners have spent an estimated average of 70 hours per week on Health NZ-related activity. The other two Deputy Commissioners have spent an estimated average of 30 hours. This demonstrates the more hands-on nature of the governance requirements for Health NZ, including more direct engagement with executive management, particularly while the Health NZ chief executive recruitment process is under way and while the eventual appointee comes to grips with their role.

The incoming board will need to be focused on continuing the progress made to date by the Commissioner and Deputy Commissioners. This includes integrating the previous health system's functions and assets, operationalising a comprehensive transformation strategy and roadmap, and delivering on an extensive change programme, including the delivery of changed services. All this must be done while continuing business-as-usual activities and managing significant risk in relation to its finances, waiting lists, workforce, and infrastructure projects (amongst other things).

The rates provided by the Cabinet Fees Framework are unlikely to attract the necessary suitably experienced and highly skilled candidates to the board. Given the scale and size of the risks governed by the board, there needs to be a strong, committed, and competent board. Therefore, fees need to be set at a level where they reflect the set of skills and experience required of members.

I acknowledge that all Crown entity board members should bring to their roles a spirit of service to the community and a desire to improve the wellbeing of New Zealand and New Zealanders. However, this does not mean that board members should not receive financial acknowledgement of the work they undertake. The work undertaken by the board to implement the performance improvements required while also managing the organisation's business-as-usual activities will place a particular burden on members.

Conclusion

To avoid any doubt, I am proposing that the new board are paid daily fees, and I am seeking an exception to the Cabinet Fees Framework. Due to the significance of the exception sought I am proposing that the fees be set for 18 months and reviewed towards the end of 2026 for outyears. This recognises that Health NZ should be moving into a more business-as-usual phase by the end of 2026.

The board's activities will be monitored. The board will be instructed to report the hours they are spending on board business and make this data available to Health NZ. The data collected will be shared with the Ministry of Health, which will utilise it for monitoring purposes and advice to me, as Minister of Health, should a request for access to the contingency days be received. This information will also be used to inform future fee reviews.

Health NZ will also be asked to ensure that it appropriately budgets for the board related fees, and other internal governance costs, and that it has sufficient budget available to pay up to the maximum possible amounts should the full contingency days be approved and used.

I would appreciate your support for this proposal and ask that you provide a response by 30 April 2025.

Yours sincerely



Hon Simeon Brown
Minister of Health

Attachment to letter:

Table two: Previous fee structure for Health NZ Board

This fee structure was an exception to the Cabinet Fees Framework and was agreed by Cabinet in 2023, with a fee review planned for 2024.

Health NZ	2022/23 and 2023/24			2024/25 and outyears
	Day Cap	Contingency *	Maximum Total	
Chair	70	65	135 (equates to a maximum payment of \$337,500 per annum)	Subject to review and further Cabinet decisions
Deputy Chair	55	35	90 (equates to a maximum payment of \$180,000 per annum)	
Member	40	30	70 (equates to a maximum payment of \$122,500 per annum)	
Total			\$1,252,500 (note this total assumes all roles on the Board are filled, i.e., Chair, Deputy Chair and six members)	

* Contingency subject to Minister of Health approval

Table three: Proposed daily rate for Health NZ Board

This table summarises the proposals set out in the letter.

Role	Mid 2025 – late 2026				From 2027
	Proposed day rate	Day cap	Max fees without contingency	*Contingency days	
Chair	\$2,500	130	\$325,000	50	Subject to review and further Cabinet decisions
Deputy Chair	\$2,000	100	\$200,000	50	
Member	\$1,750	80	\$140,000	30	

* Contingency subject to Minister of Health approval

Table four: Proposed total rate for Health NZ Board

This table summarises the proposals set out in the letter.

Health NZ	Mid 2025 – late 2026			From 2027
	Day Cap	Contingency *	Maximum Total	
Chair	130	50	180 (equates to a maximum payment of \$450,000 per annum)	Subject to review and further Cabinet decisions
Deputy Chair	100	50	150 (equates to a maximum payment of \$300,000 per annum)	
Member	80	30	110 (equates to a maximum payment of \$192,500 per annum)	
Total			\$1,905,000 (note this total assumes all roles on the Board are filled, i.e., Chair, Deputy Chair and six members)	

PROACTIVELY RELEASED