

Statutory Crown entities

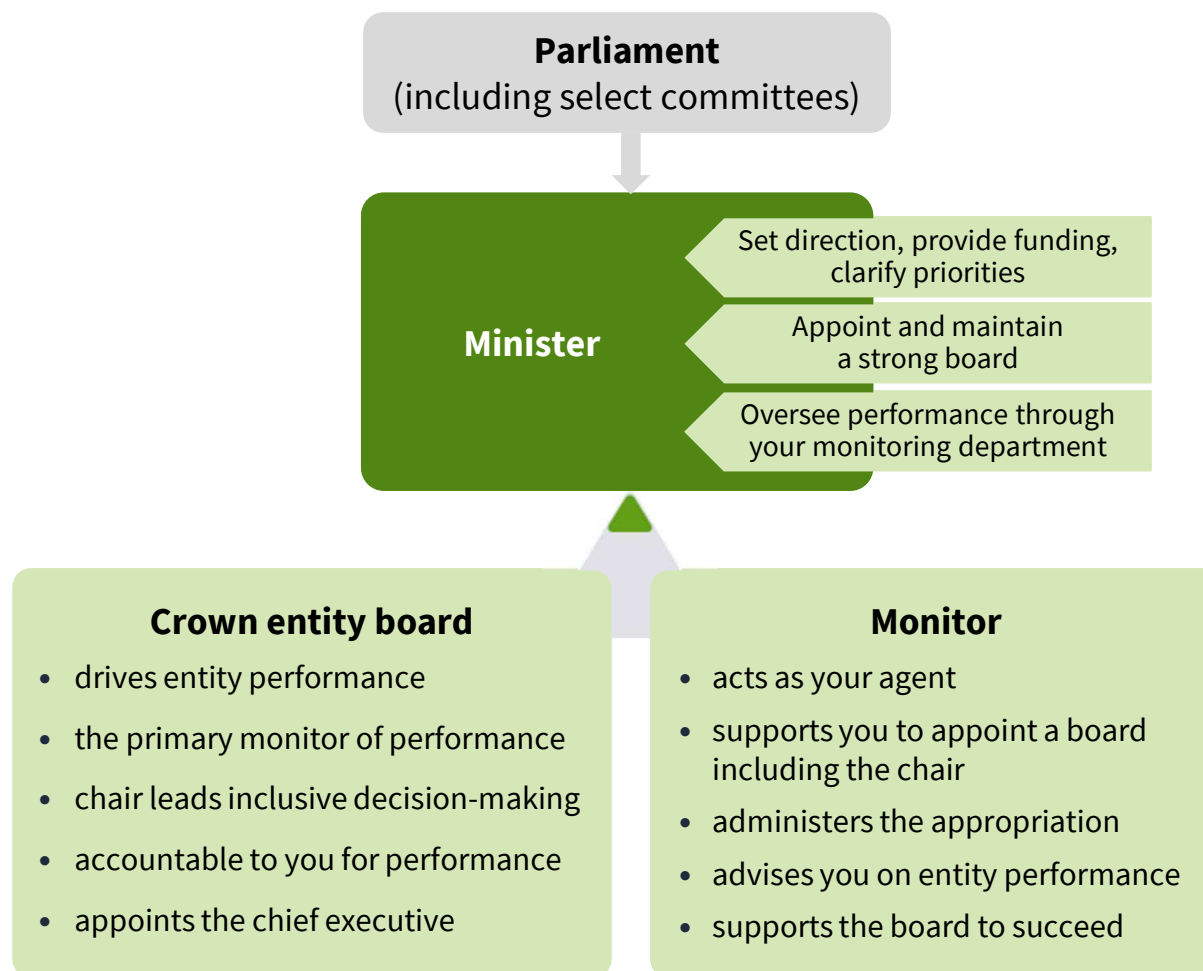
Your role as responsible minister



Te Kāwanatanga o Aotearoa
New Zealand Government

This document summarises your role as a responsible minister for a statutory Crown entity. Further information is available on the Te Kawa Mataaho Public Service Commission [website](#).

This guide focuses on three types of statutory entities in the Crown Entities Act – Crown agents, independent Crown entities, and autonomous Crown entities. This guide refers to these entities collectively as Crown entities (see [New Zealand's central government organisations](#)).



Success factors for you

- The entity delivers outcomes and services prioritised by government.
- The entity works with others to achieve outcomes for New Zealanders.
- Monitor is focused on your priorities and maintains constructive high trust relationship with the chair.
- Board member recruitment results in diverse field of candidates.
- Set clear expectations of the chair, including credible and timely performance measurement, inclusive leadership and decision-making, developing board capability and working constructively with you and the monitor.
- Robust risk management and 'no surprises'.
- Board goes about its work in a spirit of service to everyone in our community and with integrity and care.
- Levers are used to get the performance you want.
- High-trust relationships between all three parties.
- Clarity about roles and responsibilities.

The Crown Entities Act provides a framework for the establishment, governance, and operation of Crown entities. It clarifies accountability relationships between Crown entities, their board members and responsible ministers. Each entity has its own establishment legislation.

Crown entities are owned by the Crown. Most have governance boards appointed by responsible ministers and their own establishment legislation. There are three categories of Crown entity:

- **Crown agents** give effect to government policy, including core public-facing service delivery. The Public Service Act 2020 also provides that Crown agents are part of the public service and must uphold the purpose, principles and values of public service when carrying out their functions.
- **autonomous Crown entities** must have regard for government policy.
- **independent Crown entities** are generally independent of government policy but are still part of the public sector.

You have different ministerial powers depending on the type of Crown entity for which you're responsible. A small number of Statutory entities have a corporation sole legal form where a single appointed person acts as a board (e.g. the Retirement Commissioner).

	Crown agent	Autonomous Crown entity	Independent Crown entity
Power to appoint board members and set terms of office ²	Minister appoints for up to three years. Members may be reappointed	Minister appoints for up to three years. Members may be reappointed	Governor-General, on the recommendation of the responsible minister, for up to five years. Members may be reappointed
Power to remove board members	Minister's discretion	Minister, for justifiable reason	Governor-General, for just cause, on advice of minister. Attorney-General consulted
Power to direct on government policy	Must "give effect to" policy that relates to the entity's functions and objectives if directed by minister	Must "have regard to" policy that relates to the entity's functions and objectives if directed by minister	No power to direct, unless specifically provided for in another Act
Participates in setting overall direction and power to set annual expectations	Minister	Minister	Minister
Whole of Government approach	Must "give effect to" if directed by ministers of Finance and for the Public Service	Must "give effect to" if directed by ministers of Finance and for the Public Service	Must "give effect to" if directed by ministers of Finance and for the Public Service

¹ Statutory Crown Entities: A Guide for Departments advises departments to ensure that ministers are advised not to act in any way that could imply a direction to an independent Crown entity.

² There's no formal limit of number of terms. Balance the benefits between continuity of service, the value of new perspectives and the risk of losing experience over a short period of time.

Your roles and responsibilities under the Crown Entities Act (s. 27) are to:

- oversee and manage the Crown's interests in, and relationships with, the Crown entities in your portfolio.
- make sure an effective board is in place to govern the Crown entity through the appointment, reappointment, and removal of board members, and determining the remuneration of some board members
- set expectations for the strategic direction and annual performance expectations of Crown entities, which may include multiple agencies operating within a sector
- review Crown entity performance and results, including whether the entity is achieving outcomes for New Zealand and delivering quality services to New Zealanders
- ensure the entity manages risks on behalf of the Crown.

Board appointments are your most important way to influence the performance and strategic direction of a Crown entity. Every board vacancy creates an opportunity for you to reassess the attributes, background, experience and diversity required to best complement the talents of the other board members and ensure the entity has the governance capability it requires. A transparent recruitment and appointment process that attracts a diverse and qualified field of candidates is essential to ensuring effective members are appointed. Well-supported decisions including support from the chair should underpin possible reappointment.

It's critical that you appoint a qualified and experienced chair who can lead a diverse and inclusive board that drives and lifts organisational performance.

Before making an appointment, you should ensure the candidate has been appropriately vetted and disclosed actual or potential interests. Your monitor can manage this process on your behalf.

The entity's board operates in accordance with the Crown Entities Act and its own establishment legislation. The board has the primary accountability for the entity's performance. As the responsible minister, you should place responsibility firmly with the board for setting and achieving priority performance indicators, for monitoring of entity performance, and for high quality performance reporting.

Your monitoring department acts as your agent and provides you with information, analysis and advice about the effectiveness, efficiency and financial performance of the Crown entity. The department will also support you in making board appointments.

To be effective, the tripartite relationship between you, the board, and the monitoring department requires clarity from you about the performance you want, a rich information trade, and trust between the parties.

The monitoring department should focus on how the board is driving the entity's strategic and business plan performance goals, and achieving the entity's purpose and managing risks.

You have a wide range of levers available to you to get the performance you want. These levers comprise those in legislation and those representing good practice convention. The two most important levers are your powers under the Crown Entities Act and the engagement of you and your monitor with the board chair. Your monitor can advise you on the choice of levers. See the [Key levers diagram](#).

To assist the board, you should: clarify with the chair your strategic priorities to inform the board's strategic planning and its annual business plan performance expectations; and ensure the board is aware of including your priorities for the organisation's services and outcomes, and for its capabilities. We recommend you send a letter of expectations well ahead of the entity's planning cycle. Your monitor can help you develop it.

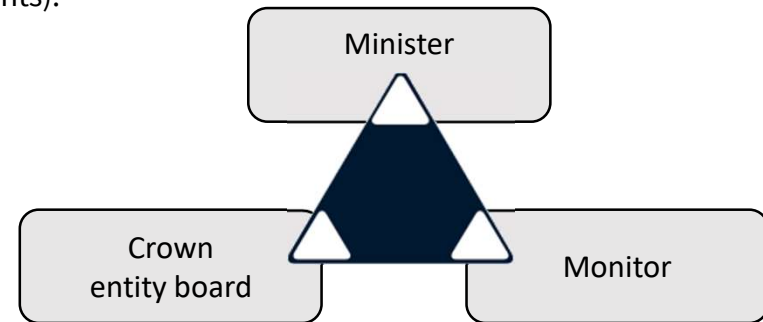
From time to time, the Minister for the Public Service and Minister of Finance jointly publish an [enduring letter of expectations](#) that sets out from an all-of-government perspective the ongoing expectations these ministers have of all statutory Crown entities.

Board fees for Crown agents and autonomous Crown entities are set under the Cabinet Fees Framework (the Framework). As the responsible minister, you use the Framework to determine the fees for members of your boards. Since the Framework covers a varied array of bodies, it's not intended to be prescriptive, and judgement will be required to determine best fit. The Commission administers the Framework and provides advice and guidance on its application. Remuneration for independent Crown entities is set by the Remuneration Authority.

The Crown Entities Act applies to the '**Crown entity companies**' category in much the same way as it does for statutory entities. However, Crown entity companies are subject to the Companies Act as well as the Crown Entities Act and a number of the governance provisions of the Crown Entities Act are designed for statutory Crown entities and don't apply to companies. As a result, there are some specific differences.

While statutory entities have responsible ministers, Crown entity companies have shareholding ministers, the ministers who hold shares in a Crown entity company. One of these must be the Minister of Finance.

The It takes three Operating Expectations Framework is a tool for board members, chief executives, Ministry and Crown entity staff responsible for monitoring and reporting. It will contribute to building productive relationships between responsible ministers, monitoring departments and Crown entity boards. It sets out in one place the roles, responsibilities and operating expectations for all three parties (ministers, Crown entities and monitoring departments).



For further support – your monitoring department can support you in fulfilling your roles and responsibilities. The Commission's website provides a wide range of guidance and resources to support you as responsible minister, Crown entity board chairs and monitoring departments (see [Crown entities guidance](#)).