



15 August 2025

Health Committee
Parliament Buildings
Wellington 6140

Tēnā koutou

Healthy Futures (Pae Ora) Amendment Bill

The Institute of Directors (IoD) welcomes the opportunity to comment on the Healthy Futures (Pae Ora) Amendment Bill. The Bill proposes substantive changes to the governance framework of Health New Zealand, a Crown agent operating in one of the most complex and high-pressure service environments in the public sector.

We acknowledge the Government's intention to ensure governance settings are fit for purpose, support clearer accountability and enable stronger system performance. As the governance framework evolves, it is important that key functions – such as board oversight, capability, and decision-making integrity – remain well supported in legislation.

In this submission, we focus on governance matters that are critical to board effectiveness, including strategic oversight, the role of the chair, delegation and committee structures and board capability. Our assessment draws on established governance principles and the IoD's Four Pillars of Governance Best Practice framework, identifying opportunities to strengthen legislative clarity and support good practice over time.

Scope of our submission

Our submission focuses on five governance elements comprising:

- the board's strategic role and relationship with the Minister
- recognition of the chair's responsibilities
- delegation and committee arrangements
- attendance by the Director-General at governance meetings
- board capability and composition.

These elements relate directly to the board's statutory responsibilities and its ability to govern transparently, accountably and effectively in the public interest.

About the Institute of Directors

The IoD is Aotearoa New Zealand's pre-eminent organisation for directors with approximately 10,500 members and is at the heart of the governance community.

We believe in the power of governance to create a strong, fair and sustainable future for New Zealand.

Our role is to drive excellence and high standards in governance.

We support and equip our members who lead a range of organisations from listed companies, large private organisations, state and public sector entities, small and medium enterprises, not-for-profit organisations and charities.

Our Chartered Membership pathway aims to raise the bar for director professionalism in New Zealand, including through continuing professional development to support good governance. This includes a focus on directors and boards leading their organisation by actively defining their strategy and purpose, setting expectations of management about how that will be addressed, and considering reporting on implementation of those actions.

Board's strategic role

The Bill removes references to the board's role in strategic oversight (clause 7 and clause 14(3)). While the Crown Entities Act establishes that boards are accountable for setting direction and overseeing performance, maintaining an explicit reference in the Act is important. Health New Zealand sits within a system where lines of accountability are complex and highly visible. In this context, even small changes in statutory language can shift how roles are interpreted and exercised in practice.

Explicit recognition of the board's strategic role helps ensure the governance model remains focused not only on monitoring delivery, but also on shaping the direction of services, workforce, investment and infrastructure. It signals that the board is expected to manage long-term risk, test assumptions and provide stewardship through change.

Retaining this reference also strengthens the recruitment proposition. Directors are more likely to contribute time and expertise when their role in organisational direction is clearly established. This is especially important for an entity of Health New Zealand's scale, where high governance calibre is essential.

We recommend that the legislation confirm the board's responsibility for strategic oversight within the health system. This supports performance by reinforcing the board's role in aligning delivery with purpose and managing long-term accountability on behalf of the public.

The role of the chair

The Bill does not currently refer to the role of the chair. In our view, the legislation would be strengthened by explicitly confirming the chair's leadership role in supporting the board to perform its functions and managing the relationship between the board and the Minister. This would reflect established public sector practice and reduce ambiguity around how key relationships operate.

The chair plays a central role in enabling the board to function as a governing body. In a Crown entity, it is the chair who maintains the formal governance-level interface with the Minister and ensures the board can discharge its responsibilities in a coordinated and independent way.

Without recognition of this role in legislation, informal dynamics can dominate. This often results in direct Minister-chief executive relationships taking precedence, which risks undermining board cohesion and diffusing accountability. Over time, this weakens the practical effectiveness of the governance model.

In a Crown entity context, the chair has specific responsibility for:

- ensuring the board meets its statutory and accountability obligations
- overseeing the performance and accountability of the chief executive, including how delegations are exercised and objectives delivered
- maintaining the integrity of governance processes, including risk oversight, information flows and engagement with external stakeholders.

In an entity of the scale and complexity of Health New Zealand, these functions are particularly demanding. The system relies on the chair's ability to manage complex institutional relationships, uphold the board's independence, and maintain clarity of roles across governance and management. Confirming the chair's role in legislation would support stronger system performance and improve the durability of the governance framework.

Delegations

The Bill introduces a statutory requirement for the board to publish a delegations policy. We support this provision. Clear, public delegations help ensure that executive decision-making authority is properly defined and subject to board oversight. This is particularly important for large, complex entities with significant operational autonomy.

Board committees and the infrastructure committee

The Bill proposes the establishment of a statutory infrastructure committee to oversee Health New Zealand's planning and delivery of infrastructure. While the IoD does not take a position on the establishment of any particular board committee, we acknowledge that infrastructure governance is a key issue given the scale, cost and long-term nature of capital investment in the health system.

More broadly, we note that committee structures must support, not dilute, board accountability. Under the Crown Entities Act, the board is ultimately responsible in law for the performance of the entity. Board committees can play a valuable role in supporting assurance, deepening subject matter oversight and informing decisions, but they must remain clearly accountable to the board.

Clause 13 of the Bill departs from standard governance practice by enabling the Minister, rather than the board, to appoint members of the infrastructure committee. Where committees are not board-established or board-controlled, there is a risk of misalignment between the committee's work and the board's governance objectives, assurance processes and strategic direction.

To support governance integrity, we recommend that the legislation require clear terms of reference for all statutory committees established under the Act, including:

- defined lines of accountability to the full board
- conflict-of-interest and independence safeguards
- reporting requirements consistent with the board's risk and assurance systems.

This approach ensures that committee structures strengthen governance capacity while preserving the board's legal accountability and coherence within the Crown entity model.

Attendance by the director-general at board and executive meetings

Clause 22 of the Bill introduces a new provision allowing the Director-General of Health, or a delegate, to attend any meeting of the board, a committee of the board, or any executive meeting of Health New Zealand. This includes full access to agendas and related materials.

We recognise the importance of coordination between the Ministry of Health and Health New Zealand, particularly on matters of national planning and system performance. However, this arrangement departs from the standard Crown entity model by giving a central government official the right to attend internal governance and executive meetings without clear boundaries.

From a public governance perspective, this raises several concerns:

- **Role clarity:** Crown entities are designed to operate at arm's length from Ministers and departments. Boards are legally accountable for the entity's performance and are expected to exercise independent judgement. Regular attendance by the Director-General risks blurring the respective roles of policy advisor, funder and service provider.

- **Governance integrity:** If board deliberations are routinely attended by Ministry officials, there is a risk that board dynamics and decision making may be unduly influenced by central government priorities. This could dilute the board's ability to govern independently or challenge assumptions.
- **Administrative complexity:** Providing full access to materials and meetings may create significant administrative overhead and introduce uncertainty around confidentiality, especially when the board is managing sensitive performance, commercial or personnel matters.

While Crown observers or advisory roles can support system visibility in defined contexts, their presence can also create ambiguity if not clearly delineated from formal governance structures. We are not aware of any equivalent provision in other Crown entity settings that provides an open-ended right of attendance to the chief executive of a public service department or their delegates.

We recommend that clause 22 be considered further to ensure any Ministry attendance at governance or executive meetings is clearly defined, proportionate to its purpose, and structured in a way that preserves the board's independence, legal accountability and ability to operate within the Crown entity framework. In that context, we note also that in a corporate governance context (e.g. under the Companies Act 1993) there would be potential for the Director-General of Health to be considered a "deemed director" in certain circumstances, based on the current drafting of the Bill. This should also be considered and the Bill amended as necessary.

Board capability and composition

Board capability is central to the effectiveness of any governance model. Crown entity boards operate as collective decision-making bodies, responsible for overseeing performance of the entity, ensuring accountability, and providing strategic guidance within a complex and evolving environment. Their effectiveness depends on whether, as a whole, they bring the knowledge, judgement and perspective required to govern well.

The Bill proposes to remove section 17(3) of the Pae Ora Act, which currently requires the board of Health New Zealand to collectively demonstrate capability in areas relevant to its functions and delivery context. These include health system funding and planning, delivery of services, regulation, long-term conditions, public sector operations, stakeholder engagement, equity, and understanding of Te Tiriti o Waitangi and hauora Māori.

In its place, the Bill introduces a more general requirement that members must, in the Minister's opinion, have appropriate knowledge, skills and experience. This is supported by section 29(1)(b) of the Crown Entities Act, which places a duty on Ministers to ensure, when appointing board members, that the board has the capability to govern the entity effectively. We recognise this is an appropriate and established mechanism for Crown entities, and it provides flexibility to ensure appointments are suited to the strategy and stage of the entity's development.

At the same time, there can be value in making visible the kinds of capabilities expected for governing a system of this scale. It helps support public confidence in the appointments process, especially where services are delivered nationally and operate under sustained public and political scrutiny. Capability areas do not need to be detailed in legislation, but where they are transparent and consistently applied, they clarify what the role involves and why particular skills matter.

Health New Zealand is responsible for more than \$25 billion in public spending and plays a central role in national service delivery, workforce planning and system investment. Governance of this kind requires familiarity with financial management, long-term planning, risk oversight, and the system-

level factors that affect access, quality and equity. These considerations remain relevant regardless of whether they are codified in statute or reflected through other appointment mechanisms.

Conclusion

The Institute appreciates the opportunity to provide this submission. Our comments are intended to support a strong and resilient governance framework for Health New Zealand by drawing on established Crown entity practice and the principles that underpin effective board performance. In our view, the proposed legislative settings would benefit from clearer reinforcement of the board's governance role, including its strategic function, its relationship with the Minister, and the systems that support transparent, capable oversight.

We are available to discuss this submission with you, if you wish.

Ngā mihi



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