

The Treasury

Phase 1 RBNZ Act Review Information Release

April 2019

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Key to sections of the Act under which information has been withheld:

- [1] 9(2)(a) - to protect the privacy of natural persons, including deceased people
- [2] 9(2)(d) - to avoid prejudice to the substantial economic interests of New Zealand
- [3] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
- [4] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
- [5] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice
- [6] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice
- [7] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage
- [8] Not relevant

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Treasury Report: Draft APH paper to seek fee exception under the Cabinet Fees Framework for external members of the MPC

Date:	6 September 2018	Report No:	T2018/2399
		File Number:	MC-1-7-6

Action Sought

	Action Sought	Deadline
Minister of Finance (Hon Grant Robertson)	Provide feedback on the enclosed draft APH paper seeking a fee exception for external members of the proposed Monetary Policy Committee (MPC) of the Reserve Bank.	By Monday 10 September to allow: (1) time for officials to provide you with an updated APH paper on 12 September (incorporating your feedback); and (2) you to undertake consultation ahead of lodging the paper on 20 September 2018 (for APH consideration on 26 September).

Contact for Telephone Discussion (if required)

Name	Position	Telephone	1st Contact	
Nicholas Cross	Analyst, Macroeconomic and Fiscal Policy	[1,7]	N/A	✓
Renee Philip	Manager, Macroeconomic and Fiscal Policy	[1,7]	[1,7]	

Actions for the Minister's Office Staff (if required)

Return the signed report to the Treasury.

Provide feedback from the Minister of Finance on the enclosed draft APH paper.

Subject to the Minister of Finance's decision, **refer** a copy of this report and the enclosed draft APH paper to the Associate Ministers of Finance (Hon Parker, Hon Jones and Hon Shaw) for their information.

Note any feedback on the quality of the report

Enclosure: Yes - [Reserve Bank \(Monetary Policy\) Amendment Bill - Fee Exception Under the Cabinet Fees Framework for Monetary Policy Committee Members \(Treasury:4000144v2\)](#)

Treasury Report: Reserve Bank (Monetary Policy) Amendment Bill – Draft APH paper to seek fee exception under the Cabinet Fees Framework for external members of the MPC

Purpose of Report

1. The purpose of this report is to seek your feedback on the enclosed APH paper seeking a fee exception under the Cabinet Fees Framework outlined in Cabinet Office Circular CO(12)6 (the Framework) for the external members of the proposed Monetary Policy Committee (the MPC) of the Reserve Bank.

Decisions to date on the MPC appointment process

2. On 19 March 2018, Cabinet agreed to amend the Reserve Bank of New Zealand Act 1989 (the Act) through the Reserve Bank (Monetary Policy) Amendment Bill (the Bill). The Bill establishes an MPC for the formulation of monetary policy and to include supporting maximum sustainable employment in the Reserve Bank's monetary policy objectives [CAB-18-MIN-0086 refers].
3. In the same paper Cabinet agreed that under the Bill the Minister of Finance (the Minister) will appoint all of the MPC members on the recommendation of the Board of the Reserve Bank (the Board). You indicated to Cabinet that it is your intention that the MPC will initially have seven members: the Governor; the Deputy Governor; two members from the Reserve Bank's staff; and three members external to the Reserve Bank.
4. In early May you agreed to set the remuneration of external members of the MPC through the Framework [T2018/1036 refers]. Later that month we provided a report that outlined a process for appointing members to the MPC [T2018/1265]. In that report you agreed to send a letter of expectations to the Board that records your expectations for the appointment process.
5. In August we informed you that under the Framework the MPC falls into a "Group 4 – Level 1" classification and the maximum daily fee payable is \$800. We provided advice that we considered a daily fee of \$800 unlikely to be sufficient to attract suitably qualified members to the MPC and based on research of comparative roles recommended a daily fee of ^[5,6] [T2018/2023 refers]. Following that advice, you sent a letter to the Minister of State Services seeking his support at APH to a daily fee of ^[5,6]
6. The Minister of State Services recently wrote back to you accepting the view that fees permissible under the Framework are unlikely to be sufficient to attract suitable candidates and accepted the rationale to set the ^[5,6]

The enclosed draft APH paper

7. The Framework allows for Cabinet to agree a different fee from the Framework when a compelling case exists. The enclosed APH paper seeks agreement from Cabinet for this different fee and outlines the case for why it is appropriate.
8. [5,6]
9. Once the Bill is passed and appointment process for the first appointees to the MPC complete, the final daily fee will be confirmed in the report informing Cabinet of the appointments to the MPC that is scheduled to occur in February 2019.

Communicating the fee level to the Board

10. Subject to your approval we will provide a copy of the final APH paper to the Board along with the APH minute, once it is approved.^[5,6]

Appointment timeline and next steps

11. We will send you an updated version of the enclosed APH paper that reflects any feedback you give us on 12 September. This gives you one week to undertake ministerial and coalition consultation before you are required to lodge the APH paper on 20 September (for consideration by APH on 26 September).
12. The timeline in the table below is taken from our previous advice to you on our approach to implement the Bill (T2018/2188 refers). The timeline is based on the Bill receiving Royal assent in early 2019.

Date	Description
September 2018	The Board begins recruitment for external MPC members - started.
September 2018	You take a Cabinet paper to APH seeking agreement to MPC member fee levels. <i>This is scheduled for the APH meeting on 26 September, which means you are required to lodge the APH paper on 20 September.</i>
October 2018	Shortlist of external MPC candidates discussed between the Board Chair and the Minister.
November/ December 2018	The Board makes informal recommendations for MPC members (internal and external) to the Minister ahead of Royal assent of the Bill.
January 2019	After Royal assent of the Bill, the Board make formal recommendations for MPC members (internal and external) to the Minister.
February 2019 <i>(Assuming Royal assent of the Bill)</i>	Cabinet paper taken to APH noting the external MPC member appointments and confirming their final daily fee.
February 2019 <i>(Assuming Royal assent of the Bill)</i>	The Minister appoints external MPC members based on nominations from the Board. We recommend coordinating the announcement of the internal and external members of the MPC.

Date	Description
March 2019	The Minister notifies external members in writing and notifies appointments in the <i>Gazette</i> .
April 2019 <i>(Assuming Royal assent of the Bill)</i>	MPC operational.

Consultation

13. The Reserve Bank and the State Services Commission have been consulted on the contents of the enclosed draft APH paper and are comfortable with the paper.

Recommended Action

We recommend that you:

- a **note** the attached draft APH paper seeks agreement to an exception under the Cabinet Fees Framework in order to pay external members of the Monetary Policy Committee ^[5,6]
- b **provide** any feedback on the attached draft APH paper;
- c **note** the final fee payable to external members of the Monetary Policy Committee will be confirmed in the report to Cabinet early next year noting individual appointments, following passage of the Bill;
- d **refer** to the associate Ministers of Finance (Hon Parker, Hon Jones, and Hon Shaw) for their information;

Refer/not referred.

- e **agree** that the Treasury refer a copy of the final APH paper and APH minute, once approved, to the Reserve Bank Board to inform them of the decision.

Agree/not agreed.

Renee Philip
Manager

Hon Grant Robertson
Minister of Finance