

Office of the Minister of Housing and Urban Development, and Transport

Chair, Economic Development Committee

Housing and Urban Development Institutional Arrangements

Proposal

- 1 This paper proposes the establishment of institutional arrangements with effective and coherent leadership to drive the Government's housing and urban development agenda. It proposes to:
 - 1.1 establish a new Ministry of Housing and Urban Development with a set of initial functions,
 - 1.2 report back on the development of the Ministry's leadership role, wider functions, capability and funding beyond its establishment phase, and
 - 1.3 initiate the discussion on establishing a Housing Commission to facilitate urban development projects and the process to support those choices.

Executive Summary

- 2 Our Government has an ambitious housing and urban development programme to end homelessness, make room for growth in our urban centres, and help create thriving communities. This work programme is central to meeting many of our key priorities as set out in the accompanying strategic directions paper.
- 3 The institutional arrangements for housing and urban development need to enable development of the leadership, focus, capability and capacity of the system in order to contribute to thriving communities through housing policy that supports those in need, and integrated urban development to support access to opportunities for all.
- 4 There are two key issues with the current institutional arrangements which I believe will limit our ability to achieve our housing and urban development objectives:
 - 4.1 *fragmented leadership and advice*: at the Ministerial level we have put in place appropriate arrangements for leading the programme, but within the Public Service, at agency and system level, there is not the leadership or organisation to support ministers as well as is needed, and
 - 4.2 *no organisation has the mandate, scale and capability to deliver urban development*: a step change in activity is required to deliver urban development and KiwiBuild which requires building new capability alongside looking at how we organise the existing functions.
- 5 To address these issues, this paper proposes that Cabinet:
 - 5.1 agree to establish a new Ministry of Housing and Urban Development to provide a new system leadership role with the mandate to work across agencies to coordinate the social, economic and environmental aspects of housing and urban development, and
 - 5.2 note that there are two viable options for the pathway to establish the Housing Commission, and I intend to report back to Cabinet in August once I have received further advice on these options.

Part A: Establishing a Ministry to lead on housing and urban development

- 6 The role of the new Ministry of Housing and Urban Development will be built over time to mitigate risks and costs and provide time to establish new capability. I propose that the initial functions to transfer to the new Ministry be:

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- 6.1 the Ministry of Business, Innovation and Employment's (MBIE's) housing and urban policy functions, the KiwiBuild Unit and the Community Housing Regulatory Authority,
 - 6.2 the Ministry of Social Development's (MSD's) policy for emergency, transitional, public housing, and
 - 6.3 monitoring of Housing New Zealand (HNZ) and Tāmaki Redevelopment Company (TRC) currently in Treasury.
- 7 The provider-facing purchaser role for emergency, transitional and public housing will also transfer to the Ministry subject to further advice on the financial implications and implementation steps for the transfer.
- 8 These initial functions for the new Ministry have a strong housing focus. This will provide an integrated view on the strategy and policy for households throughout the housing continuum. This ranges from responding to homelessness to providing advice on the types of houses we need to build for a changing population.
- 9 Further work will be required after the Ministry is established to strengthen capability and leadership in the urban development space. I am proposing that:
- 9.1 a specific purpose board of urban development chief executives be established to strengthen collective leadership, with a report back on the arrangements for this board by the end of the year,
9(2)(f)(iv) confidentiality of advice
 - 9.2 [REDACTED]
 - 9.3 the wider set of capabilities and functions needed in the system to achieve our urban development objectives be reviewed jointly by agencies with urban development roles, and that this review be overseen by the urban development Ministers' group.
- 10 The new Ministry will also be expected to have a strong social policy role, which is emphasised in the mandate of the Ministry under recommendation 5.1 and will be included in the position description for the Chief Executive that Cabinet will see in June.

Part B: Delivering housing and increasing the urban development focus across the system

- 11 The Coalition Agreement commits to creating a Housing Commission to construct affordable homes for New Zealand families.
- 12 The proposed Housing Commission will play the key strategic role identifying, prioritising and coordinating the various development projects required to deliver our Government's commitment to KiwiBuild and to realise our other urban development commitments, including public transport and light rail.
- 13 There is no entity in the current system with the capability required for the future role of the Housing Commission. I intend to develop this role and the capability required to deliver it in parallel with the process to establish enabling development powers through legislation (currently being led by MBIE). 9(2)(f)(iv) confidentiality of advice
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- 14 9(2)(f)(iv) confidentiality of advice
[REDACTED]

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15 9(2)(f)(iv) confidentiality of advice

Background

16 To progress our housing and urban development objectives I have commissioned advice from officials across three parallel and related workstreams:

16.1 *strategic direction, priorities and delivery plan*: for the Housing and Urban Development portfolio over the next 10 years,

16.2 *new approach to urban development*: including the Urban Growth Agenda and the urban development legislation to provide the appropriate powers to undertake major projects, and

16.3 *institutional arrangements for Housing and Urban Development*: to choose the appropriate organisational form(s) and allocation of functions and powers to drive our housing, urban development and transport agenda.

17 This paper is part of the third workstream on institutional arrangements. It builds on the in-principle decision from December 2017 to establish a national urban development authority called the Housing Commission with cut through powers to achieve complex urban development projects [CBC-17-MIN-0100]. This paper accompanies the papers on the strategic direction, the Urban Growth Agenda and the framework for the urban development authority. 9(2)(f)(iv) confidentiality of advice

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Institutional change will support our housing and urban development priorities

18 We have an ambitious housing and urban development programme to end homelessness, make room for growth in our urban centres, and help create thriving communities. This work programme is central to meeting many of our key priorities as set out in the accompanying strategic directions paper.

19 The institutional arrangements need to enable development of the leadership, focus, capability and capacity of the system in order to contribute to thriving communities through housing policy that supports those in need, and integrated urban development to support access to opportunities for all. Accordingly, the proposals in this paper are designed to ensure that our programme is well and coherently led, that we have access to the best advice and expertise, and that policy decisions we make are implemented in an effective and timely way. There are two issues – the leadership of the housing and urban development sector and the delivery capability for urban development.

Fragmented leadership and advice is holding back the system

20 The first issue concerns the ability of the Public Service to support us with comprehensive and future focused analysis, advice and strategies and to align departments and agencies around the delivery of our policy programme.

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- 21 Housing is a central priority for the Government now. We want the provision of housing to occur in a way that is integrated with other aspects of urban design including provision of high quality infrastructure and services, to enable thriving communities. Consequently urban development is of central importance to us.
- 22 At the Ministerial level we have put in place appropriate arrangements for leading the programme. We have a Housing and Urban Development Ministers' Group in place and this is complemented by the Ministerial Group on the Construction Workforce, chaired by the Minister of Building and Construction.
- 23 However, within the Public Service, at agency and system level, there is not the leadership or organisation to support Ministers as well as is needed. There has been good work coming out of the cross-department strategy development process and the approach to collocation and collaboration coming through the Auckland Policy Office but it is notable that:
- 23.1 within the Public Service we do not have a designated leader or leaders with formal accountability to Ministers for delivery of the strategy and programme as a whole (as opposed to its component parts),
- 23.2 there is no formal leadership mandate or governance arrangement, sufficient to guarantee that agencies align and collaborate around a central strategy into the future, and
- 23.3 there is no comprehensive centre of expertise available to support leadership at the agency/system level. Housing capability is fragmented and urban development capability is significantly undeveloped.
- 24 The arrangements for leadership, mandate, and resourcing are unusually slight for a policy programme of such importance and complexity. In this situation there is a risk that strategies remain at the level of compilations of individual agency-level work programmes rather than being truly integrated strategies in which the inter-dependencies between different elements of the work programme are understood and well managed across agencies.

Delivering urban development will require a step change in the scale and nature of activity

- 25 The second issue with our current institutional arrangements is that we lack any organisation with the mandate, scale, and capability to deliver KiwiBuild and other complex urban development projects. For this reason we have already agreed in principle to establish the Housing Commission as a national urban development authority.
- 26 The proposals in this paper will address these two issues. The proposals are framed to minimise disruption to the current progress we are making for the delivery of housing.

Part A: Establishing a Ministry to lead on housing and urban development

Developing effective leadership of housing and urban development

- 27 The current housing and urban development system lacks clear leadership, coherence and effective long-term stewardship due to the fragmentation of capability, functions and accountabilities. We have already begun to address this problem at the Ministerial level through the establishment of the Housing and Urban Development Ministers Group, as discussed in the strategic priorities paper.
- 28 I propose the establishment of a new Ministry of Housing and Urban Development to support Ministers with strategy development, high quality analysis and advice, and to provide leadership across the range of agencies responsible for housing and urban-related work.

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- 29 An initial leadership mandate is contained in this paper and it will be reflected in the position description for the Chief Executive. Over time the Chief Executive will be responsible for recommending any further measures needed to ensure alignment of agencies around the strategy.
- 30 My vision is that all individuals, family and whānau have healthy, secure and affordable homes that meet their needs, within thriving communities, which provide access to jobs, education, amenities and services. The Ministry of Housing and Urban Development (the Ministry) will provide leadership across housing and urban development to deliver on my vision. This will include a mixture of leading, facilitating and coordinating the Government's agenda for housing and urban development.
- 31 Once fully operational the role of the Ministry will be to:
- 31.1 lead the design, implementation, and review of our housing strategy, including advising on the social implications of housing settings and engaging with the social sector as the lead agency for responding to homelessness,
 - 31.2 provide joined up strategic advice on the full housing continuum, including responding to homelessness, ensuring affordable, warm, safe and dry rental housing in the private and public market, and the appropriate support for first home buyers
 - 31.3 lead the design, implementation, and review of urban development strategies which ensure the spatial planning and the provision of infrastructure and services contribute to thriving communities,
 - 31.4 lead a new Specific Purpose Board of chief executives to drive collective accountability for the delivery of the Government's housing and urban agenda,
 - 31.5 monitor and report on progress and, to that end, develop better data and data analysis capability for the system, and
 - 31.6 provide directly a range of services, regulatory functions and initiatives.
- 32 The Ministry will not change the building and construction regulatory work led by MBIE, Te Puni Kōkiri's role in Māori housing, or the administration of the Resource Management Act, which remains with the Ministry for the Environment (MfE). There are also no immediate decisions on urban functions in this paper.
- 33 I propose to build the role of the Ministry over time to mitigate the risks of disruption and provide time to establish new capability. Initially I propose to bring together the following functions:
- 33.1 MBIE's housing and urban policy roles, including the administration of funding for HomeStart, Welcome Home Loans, the legacy Social Housing Fund and Community Group Housing,
 - 33.2 MBIE's KiwiBuild responsibilities,
 - 33.3 MBIE's Community Housing Regulatory Authority,
 - 33.4 MSD's policy for emergency, transitional, public housing, and
 - 33.5 the monitoring of HNZ and TRC (currently in Treasury).
- 34 MSD has recommended moving its provider-facing purchaser role alongside the policy role, to ensure the Ministry is effective. This option would be preferable for the alignment of the activity and advice. However, there are additional costs and time involved in the transfer of additional staff and IT requirements that will need to be worked through in the report back to Cabinet on the appropriation changes and establishment of the Ministry. I propose the purchaser functions moves to the Ministry, subject to the financial and implementation requirements to be included in that July report back.

- 35 In total, agencies have identified over 200 FTE that are involved in the delivery of those functions. This does not include the corporate services required to support these roles. The staff numbers include 30 FTE for the MSD housing policy role and around 75 FTE for the provider-facing purchaser role and related evaluation functions. The 30 policy FTE currently working in the housing policy space at MSD are part cross-subsidised from the social development portfolio. MSD has reprioritised \$1.8 million of funding from within its Vote Social Development policy advice appropriation to supplement its housing advice capability. MSD will continue to make that resource available for housing policy support in 2018/19 before that resource returns to MSD by 1 July 2019 as discussed in paragraph 53 below. The exact number of FTE for the purchaser role will be provided in the July report back.
- 36 Under these changes the Treasury would retain a role for monitoring the fiscal implications of HNZ and TRC borrowing, and the Crown's balance sheet interest in those agencies (including HNZ borrowing from the Debt Management Office). Treasury and the Ministry will agree the details of the joint monitoring role once the Ministry is established.
- 37 MSD will continue to be the lead policy advisor on the Accommodation Supplement due to its links to the income support system. The new Ministry will advise me on the role of the Accommodation Supplement as a tool to support households to access and sustain housing that is warm, safe and dry. MSD and the Ministry will establish a memorandum of understanding to the effect that all MSD advice on Accommodation Supplement would be done in consultation with the Ministry and provided to joint Ministers for Social Development and Housing and Urban Development.
- 38 The Ministry will be the lead policy advisor on the client-facing engagement including eligibility and referral settings for housing support. In order to minimise disruption for tenants and provide joined-up services, MSD will continue to deliver its client-facing housing role. This includes MSD engaging with people on eligibility and referral to emergency, transitional and public housing, and the administration of support for housing costs through the Accommodation Supplement and Temporary Additional Support.

Development of the Ministry's leadership role, capability and functions

- 39 Achieving our urban development objectives will require us to leverage functions that are spread across multiple agencies, and build capability that does not currently exist in the system.
- 40 I propose that the leadership role for the Ministry be strengthened through the formal establishment of a Board of the relevant chief executives through the Specific Purpose Board model. A Specific Purpose Board is mandated by Cabinet and provides a mechanism to hold chief executives collectively accountable for working collectively on cross-cutting issues where there are interdependencies between the activities of constituent departments [CAB Min (12) 16/10 refers].
- 41 The relevant departmental chief executives who make up the Board are designated by the State Services Commissioner and have joint, collective responsibility for addressing complex cross-cutting issues. Specific Purpose Boards are established by Cabinet and have reporting arrangements as specified by Ministers. The new Chief Executive will work with the State Services Commissioner to report back to Cabinet by the end of 2018 on the establishment of the Board and its terms of reference.

42 9(2)(f)(iv) confidentiality of advice

- 43 In order to ensure we harness capabilities effectively to deliver on our urban development goals, there is a need to review the capability and allocation of functions related to urban development, and plan for the capability increases required to deliver these functions. The current system and statutory framework is based on separate sectors and it does not

clearly identify and integrate urban issues. This review should happen alongside the Urban Growth Agenda work on system settings. I propose that such a review be coordinated by the Chief Executive of the new Ministry, working closely with the Chief Executives of MBIE, MfE, Ministry of Transport (MoT), Department of Internal Affairs (DIA) and the Treasury.

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Chief executive appointment and legal establishment of the Ministry

46 I consider that the size, range and importance of the functions of the new Ministry justify establishing it as a stand-alone public service department. I propose that the new Ministry be legally established on 1 August 2018, with the initial set of functions (set out in paragraph 32 above) to transfer to the Ministry on 1 October 2018.

47 The proposed name for the new Ministry is the Ministry of Housing and Urban Development. However, I also intend to consult with Ta Taura Whiri: the Māori Language Commission on a suitable name in te reo which can be added to, and used interchangeably with, the English title. I propose Cabinet agree that I will decide the full name of the department following consultation with the Minister of State Services.

48 Cabinet is asked to agree that the Minister of State Services issue drafting instructions to the Parliamentary Counsel Office for Orders in Council which will make the amendments to the State Sector Act 1938 and Ombudsmen's Act 1975 necessary to establish a new department. The transfer of the 9(2)(f)(iv) confidentiality of advice and the regulator role also require an Order in Council under the Housing Restructuring and Tenancy Matters Act 1992. Cabinet is asked to agree that the Minister of Finance and I issue drafting instructions for the transfer of the regulatory functions. We will submit the completed Orders in Council to Cabinet for agreement prior to submission to the Executive Council.

49 The State Services Commission will prepare a position description for the role of Chief Executive of the new Ministry based on the decisions in this paper. I will report back to Cabinet to agree the recruitment process and position description and subsequently agree the appointment. I think it desirable that the State Services Commissioner appoint an acting Chief Executive, prior to the establishment of the Ministry on 1 August 2018 as is possible to do under section 40(1A) of the State Sector Act 1988. This will give the incoming Chief Executive additional lead time prior to the transfer of functions.

50 The shift of the public housing roles includes a risk that the new agency does not include an explicit social policy focus and is not as well connected with the broader social sector. I have emphasised the social policy mandate of the ministry as set out in recommendation 5.1. In addition, the Chief Executive position description will identify the social policy aspect of this role as one of my priorities. For instance, I will be seeking advice from the Chief Executive on social outcomes such as increasing HNZ's tenant mandate.

Managing the risks and costs through a staged process

- 51 The staged approach is intended to mitigate the following risks to the extent possible. The initial establishment of a Ministry involves risks of disruption to the current housing work programme and the retention and recruitment of staff during the transition. I consider that the benefit of centralised housing expertise and leadership outweighs the potential costs associated with these risks. Agencies will be required to establish a change process to mitigate disruption. The decision on the date for the commencement of the Ministry is intended to minimise the period of uncertainty for staff while providing sufficient time to implement the transition.
- 52 Further development of the Ministry's role and capability will need to be considered as part of Budget 2019. In the meantime, I have asked MBIE, MSD and Treasury, to report back on the implementation of the new Vote structure and the appropriation transfers for the initial establishment and operation of the Ministry. This report back will include confirmation of the shared services arrangements between MBIE and the Ministry and the funding arrangements for the initial functions listed in paragraph 32 above. An indication of the range of financial implications is set out in paragraphs 93 to 99. I expect agencies to consider options and trade-offs for reprioritising funding from within baselines.
- 53 In particular, MSD has said there are 14 FTE funded for emergency, transitional and public housing policy. The funding for the social development portfolio has been cross-subsidising MSD's housing role with up to a further 16 FTE. The funding associated with the 14 FTE will transfer on a permanent basis but retaining the current level of social policy resource (equivalent to 30 FTE) will depend on additional funding for the Ministry. ^{9(2)(f)(iv) confid}
[REDACTED] In the interim MSD will provide support to the new Ministry through access to the equivalent of 16 FTE during 2018/19. The resource equivalent of 16 FTE will return to MSD by 1 July 2019.
- 54 MSD considers that the risks associated with moving the purchaser role are lower when it is shifted at the same time as the policy function, and mitigations can be put in place. The risks to service continuity for housing clients and providers and the clarity of role between the two ministries can be mitigated through planning through the establishment process as well as investing in the connection interface and processes between the ministries. The advantage of moving the purchaser role at the same time as the policy functions will need to be assessed alongside the information on the cost and timing of that implementation.

Timeline for Ministry implementation and report backs

Date	Item	Lead agency
June	Report to Cabinet on Chief Executive recruitment	SSC
End of June	Order in Councils for establishment of Ministry	SSC for Ministry
July	Report to Cabinet on the appropriation transfers and ^{9(2)(f)(iv) confidentiality of advice} [REDACTED]	MBIE, MSD and Treasury
July	Acting Chief Executive appointed to lead cross-agency establishment team	SSC to report back on appointment
1 August	Legal establishment of Ministry 28 days after the Order in Council is gazetted	
1 October	Commencement date for functions in the new Ministry	

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End of 2018	Report to Cabinet on terms of reference for a Specific Purpose Board for housing and urban development	Ministry of Housing and Urban Development in consultation with SSC
February	Interim Report to the Housing and Urban Development Ministers' group on the allocation and capability for urban functions	Ministry of Housing and Urban Development in conjunction with urban agencies (MfE, DIA, Treasury, MoT)

Part B: Delivering housing and increasing the urban development focus across the system

- 55 Cabinet agreed in-principle in December 2017 to the establishment of a Housing Commission to play the key strategic role identifying, prioritising and coordinating the various development projects required to deliver our Government's commitment to KiwiBuild and to realise our other commitments, 9(2)(f)(iv) confidentiality of advice This complements the strategic leadership role of the Ministry of Housing and Urban Development.
- 56 There is no entity in the current system with the capability required for the future role of the Housing Commission. I intend to develop this role in parallel with the legislative process that sets out the more enabling development powers for the Housing Commission.
- 57 This paper starts the discussion about the institutional arrangements for urban development, which includes consideration of our housing and transport activity. After Cabinet has confirmed the urban development framework I am proposing to report back with a review of the two pathways for establishing the Housing Commission to lead on the delivery role for urban development.

Thriving communities will depend on a system-wide focus on urban development

- 58 Our Government has a target of 16,000 affordable homes in three years and 1600 public houses a year. The current delivery approach is being led by the KiwiBuild Unit and the HNZ/ HLC work in the Auckland Housing Programme.
- 59 However, the development of 100,000 affordable homes cannot happen in isolation from an integrated urban development approach. We want to create thriving communities that connect to the places people live, work, learn and play.
- 60 In my transport portfolio I am shifting the system to consider the role of transport and land-use planning to support liveable cities. Well-connected and accessible cities are critical to our economic and social prosperity. Creating liveable cities supports economic productivity and access to opportunities.
- 61 Transport supports urban growth through opening access to new housing developments and existing housing. Our transport agenda is supportive of increasing economic access in high growth areas by encouraging integration between land use and transport planning and the delivery of transport investments, supporting new mixed-use housing developments and the implementation of the Auckland Transport Alignment Project.

Capability for urban development is spread across the system

- 62 The Housing Commission will be working in a challenging environment and its role goes beyond what any current entity in central or local government is doing. I am looking for a Housing Commission that can take the urban development powers and provide the leadership and culture to partner with communities, iwi and local government, provide quality urban design, ensure the effective delivery of multiple complex urban development projects and support the implementation of the Urban Growth Agenda.

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Report back on the options for establishing the Housing Commission

87 I have asked officials to report back to me with an assessment of the two main options:

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87.2 9(2)(f)(iv) confidentiality of advice

88 MBIE will chair the cross-agency report back as the lead agency for advice on the urban development powers for the Housing Commission ahead of the establishment of the Ministry of Housing and Urban Development. The cross-agency report back will include MoT, MfE, MSD, HNZ and NZTA in consultation with SSC and Treasury. The new Chief Executive of the Ministry of Housing and Urban Development will have oversight of the final report, once they are appointed.

89 The report back will consider:

89.1 the initial functions of the Housing Commission,

89.2 risks to the delivery of housing 9(2)(f)(iv) confidentiality of advice work-programmes in the short term,

89.3 capability and operating model that is appropriate for the future urban development role of the Housing Commission,

89.4 responsibilities for engaging with iwi in relation to Treaty claims associated with decisions around the use of Crown land,

89.5 pathways to establish and build capability, and the appropriate entity form for each stage in the pathway,

89.6 governance capability (for arm's length entity forms where applicable),

89.7 link to the cross-agency arrangements to ensure the Housing Commission and the Chief Executive of the Ministry of Housing and Urban Development are able to get support from participating agencies for the good of the system, and

89.8 9(2)(f)(iv) confidentiality of advice

90 A clear articulation of the functions of the Housing Commission depends on the decisions under the workstream on the urban development framework and powers. The advice on the pathway to establish a Housing Commission will need to consider and anticipate areas where there is some uncertainty while providing for a means to consolidate and develop key areas of capability.

91 9(2)(f)(iv) confidentiality of advice

92 Following receipt of officials' advice on the two options I will return to Cabinet for a final decision including any legislative implications for institutional arrangements. Due to the timeframe for establishing the urban development powers this approach will allow the establishment of an entity with the relevant capability, relationships and systems to be in place so that it is equipped to undertake the complex urban development projects alongside other KiwiBuild projects.

Consultation

93 The Treasury, Ministry for Business, Innovation and Employment, Ministry of Social Development, Ministry for the Environment, Department of Internal Affairs, Ministry of Transport, New Zealand Transport Agency, Housing New Zealand Corporation, and Parliamentary Counsel Office, Te Puni Kōkiri and the Office of Treaty Settlements were consulted on these proposals. The Department of Prime Minister and Cabinet was informed.

Financial Implications

- 94 This proposal initiates a programme of work on the establishment and development of two new entities – the Ministry of Housing and Urban Development and the Housing Commission. The financial implications will depend on the options and financial implications included in further stages of work 9(2)(f)(iv) confidentiality of advice
- 95 This paper recommends the initial transfer of the policy, monitoring and regulatory functions listed in paragraph 32 above. The range of costs for the transfer, establishment and additional corporate services support could range from \$3.8 million to \$8 million with some costs ongoing. Cabinet will make decisions about funding through the July report back, including an expectation for agencies to examine the trade-offs involved in reprioritising the existing departmental funding.
- 96 The initial costs are based on transition costs and ongoing operating costs, including a chief executive with support staff and strategic advisors to support the ongoing change process. The transition costs are for a cross-agency establishment team (approximately 12 FTE for three to six months), establishing shared services arrangements, IT costs for the transfer of data, and the creation of a new website. There are also choices about when to incur additional operating costs for leasing an extra floor and how to allocate or change the existing policy resource funding.
- 97 MSD has identified 30 FTE for its housing policy advice function. The ability for the new Ministry to offer permanent positions will depend on the level of funding it receives in the Cabinet decision in July. I propose that Cabinet agree to transfer the funding for 14 FTE that MSD has identified as being fully funded. 9(2)(f)(iv) confidentiality of advice
9(2)(f)(iv) confidentiality of advice
In the interim, MSD will support the policy advice capability for the Ministry (e.g. through secondment arrangements) equivalent to 16 FTE in 2018/19 to ensure continuity of the work programme.

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Human Rights

- 101 The proposals in this paper are consistent with the requirements of the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993.

Legislative Implications

- 102 The establishment of a new department, the Ministry of Housing and Urban Development, requires an Order in Council. The Order in Council will:
- 102.1 bring the new department into legal existence on a specified date by naming it in Schedule 1 of the State Sector Act 1988,
 - 102.2 ensure the new department is included under the Ombudsmen Act 1975 by naming it in Schedule 1 of that Act,
 - 102.3 provide for a transitional period relating to any transfer of functions from other agencies (if applicable) as well as any change in responsibility for functions from the Chief Executives of MSD and MBIE to the Chief Executive of the new department, and
 - 102.4 transfer public housing functions set out in the Housing Restructuring and Tenancy Matters Act 1992.
- 103 There is already a legislative bid related to the establishment of the Housing Commission. If appropriate the drafting instructions for its establishment will be included in the report back to Cabinet.

Regulatory Impact Analysis

- 104 A regulatory impact analysis is not required for this paper.

Gender Implications

- 105 There are no gender implications of this paper.

Disability Perspective

- 106 There are no disability perspectives relevant to this paper.

Publicity

- 107 The responsible Minister will make a public statement about the decision to establish a Ministry of Housing and Urban Development.

Recommendations

The Minister recommends that the Committee:

- 1 **note** that the Government has an ambitious housing and urban development programme to end homelessness, make room for growth in our urban centres, and help create thriving communities
- 2 **note** that the current housing and urban development system lacks clear leadership due to the fragmentation of capability, functions and accountabilities across agencies and does not have any organisation with the mandate, scale and capability for complex urban development projects

New Ministry of Housing and Urban Development with leadership mandate

- 3 **note** that the establishment of a dedicated Ministry focused on housing and urban development outcomes, would provide leadership and have responsibility for project management and delivery of the Government's agenda while supporting Ministers through the provision of expert analysis and advice
- 4 **agree** to establish a Ministry of Housing and Urban Development as a public service department, from 1 August 2018 with the commencement of initial functions from 1 October 2018

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- 5 **agree** that when fully operational the Ministry of Housing and Urban Development will provide end-to-end leadership and delivery and will:
- 5.1 lead the design, implementation, and review of our housing strategy, including advising on the social implications of housing settings and engaging with the social sector as the lead agency for responding to homelessness
 - 5.2 provide strategic advice on the full housing continuum, including responding to homelessness, ensuring affordable, warm, safe and dry rental housing in the private and public market, and the appropriate support for first home buyers
 - 5.3 lead the design, implementation, and review of urban development strategies which ensure the spatial planning and the provision of infrastructure and services contribute to thriving communities
 - 5.4 lead a new Specific Purpose Board of chief executives to drive the delivery of the Government's housing and urban agenda
 - 5.5 monitor and report on progress and, to that end, develop better data and data analysis capability for the system
 - 5.6 provide directly a range of services, regulatory functions and initiatives

Initial functions of the Ministry

- 6 **note** that a sequenced approach to the progressive development of the Ministry's role will minimise disruption to existing programmes of work
- 7 **agree** that, initially, the Ministry of Housing and Urban Development will bring together the following functions:
- 7.1 Ministry of Business, Innovation and Employment's housing and urban policy roles, including the administration of funding for HomeStart, Welcome Home Loans, the legacy Social Housing Fund and Community Group Housing
 - 7.2 Ministry of Business, Innovation and Employment's KiwiBuild responsibilities
 - 7.3 Ministry of Business, Innovation and Employment's Community Housing Regulatory Authority
 - 7.4 Ministry of Social Development's housing policy for emergency, transitional, public housing and
 - 7.5 the monitoring of Housing New Zealand and Tāmaki Redevelopment Company (currently in Treasury)
- 8 **note** that the Ministry of Social Development has identified 30 FTE are involved in the housing policy function but only 14 FTE are funded for housing
- 9 **note** that the funding transfers will be confirmed by Cabinet in July and I propose to transfer the funding that currently relates to 14 FTE 9(2)(f)(iv) confidentiality of advice
- 10 **note** that the Ministry of Social Development will provide support in the interim for the Ministry of Housing and Urban Development to receive policy advice equivalent to 16 FTE in 2018/19 before that resource returns to the Ministry of Social Development by 1 July 2019
- 11 **note** that the Ministry of Social Development recommends that the provider-facing purchaser role for emergency, transitional and public housing shifts at the same time as the policy role to support the effectiveness of the Ministry of Housing and Urban Development
- 12 **note** the provider-facing purchaser role may involve extra costs for the transfer of IT and increased scale of shared services

IN CONFIDENCE

- 13 **agree-in-principle** that the provider-facing purchaser role shifts to the Ministry of Housing and Urban Development subject to advice on the funding and implementation of the transfer in the July Cabinet report back
- 14 **note** that the Accommodation Supplement is closely integrated into the broader income support system and associated legislative settings administered by the Ministry of Social Development
- 15 **agree** that the Ministry of Social Development has the lead policy responsibility for Accommodation Supplement, with the expectation that a Memorandum of Understanding be established to the effect that all advice on Accommodation Supplement would be done in consultation with the Ministry of Housing and Urban Development and provided to joint Ministers for Social Development and Housing and Urban Development
- 16 **agree** that client-facing delivery of housing support remains with the Ministry of Social Development, providing the Ministry of Social Development certainty to invest in improving and further integrating housing support delivery with income and employment support
- 17 **note** the client-facing delivery of housing includes supporting people to access emergency, transitional and public housing, and support access to financial support through the Accommodation Supplement and Temporary Additional Support
- 18 **note** that Treasury will retain a role in monitoring the balance sheet impacts for Housing New Zealand and Tāmaki Redevelopment Company
- 19 **direct** the Ministries of Social Development and Business, Innovation and Employment and the Treasury, to report back to Cabinet in July on the:
- 19.1 proposed appropriation structure for a new Vote Housing and Urban Development
- 19.2 appropriation transfers from Vote Building and Housing, Vote Social Development, Vote Finance and Vote Social Housing to establish the Ministry of Housing and Urban Development with the functions in recommendation 7
- 19.3 implementation, timing and financial implications for the transfer of the provider-facing purchaser role for emergency, transitional and public housing
- 20 **note** that the establishment process and initial operating costs for the Ministry of Housing and Urban Development could range from \$3.8 million to \$8 million with some costs ongoing
- 21 **note** that I expect agencies to examine the trade-offs involved in reprioritising existing funding

Establishing the Ministry of Housing and Urban Development

- 22 **agree** that the Minister of Housing and Urban Development, following consultation with Te Taura Whiri: the Māori Language Commission, and the Minister of State Services may decide on an additional name in *te reo* for the Ministry of Housing and Urban Development
- 23 **invite** the Minister of State Services to issue drafting instructions to the Parliamentary Counsel Office to draft Orders in Council:
- 23.1 under the State Sector Act 1988 to add the name Ministry of Housing and Urban Development to Schedule 1 of that Act
- 23.2 under the Ombudsmen Act 1975 to add the name Ministry of Housing and Urban Development to the list of Government departments in Schedule 1 of that Act
- 24 **agree** that the new Orders in recommendation 23 come into force by 1 August 2018
- 25 **note** that the functions in recommendation 7 will commence on 1 October 2018
- 26 **invite** the Minister of Finance and Minister of Housing and Urban Development to issue drafting instructions to the Parliamentary Counsel Office to draft Orders in Council under

the Housing Restructuring and Tenancy Matters Act 1992 to transfer the Community Housing Regulatory Authority functions under recommendation 7.3 to the Ministry of Housing and Urban Development

27 **agree** that the new Order in recommendation 26 come into force by 1 October 2018

28 **note** that the State Services Commission will prepare a position description for the Chief Executive of the Ministry of Housing and Urban Development based on the decisions in this paper

29 **note** that I will report back to Cabinet in June on the chief executive recruitment process

30 **note** it is desirable to appoint an acting Chief Executive role prior to 1 August 2018 and that this is possible under section 40(1A) of the State Sector Act 1988

Developing the Ministry's leadership role, functions and capability

31 **note** that the Specific Purpose Board model provides a mechanism to hold chief executives accountable for working collectively on cross-cutting issues

32 **direct** the State Services Commissioner and the Chief Executive of the Ministry of Housing and Urban Development to report back to Cabinet by the end of 2018 on the terms of reference for a Specific Purpose Board of the relevant chief executives to provide joint accountability for delivering housing and urban outcomes

33 **direct** the Chief Executive of the Ministry of Housing and Urban Development to coordinate a review of the urban development functions and capability necessary to deliver our objectives, working closely with Chief Executives of the Ministry for the Environment, Department of Internal Affairs, Ministry of Transport and the Secretary of the Treasury, and provide an interim report to the Housing and Urban Development Ministers' Group in February 2019

34 **note** that I intend to ask the Specific Purpose Board of chief executives to manage the dependencies between the review of urban capability, the Urban Growth Agenda and the Infrastructure Institutional Settings Review

35 9(2)(f)(iv) confidentiality of advice

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Options to leverage capability in the establishment of the Housing Commission

38 **note** that Cabinet has previously agreed:

38.1 to develop legislation that enables selected urban development projects to operate with more enabling development powers and land use rules

38.2 in principle, to establish the Housing Commission as a national urban development authority that has responsibility for exercising the development powers in the new legislation (among other potential functions)

39 **note** that no single Crown agency has a mandate to carry out integrated urban development at pace and scale, including the delivery of KiwiBuild

40 9(2)(f)(iv) confidentiality of advice

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

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RELEASED BY SSC UNDER OUR COMMITMENT TO OPEN GOVERNMENT

IN CONFIDENCE

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

- 49 **note** that the Ministry of Business, Innovation and Employment will chair the cross-agency report back ahead of the establishment of the Ministry of Housing and Urban Development and work with the Ministries of Transport and Social Development, Ministry for the Environment , Housing New Zealand HNZ and New Zealand Transport Agency in consultation with the Treasury and the State Services Commission
- 50 **note** the new Chief Executive of the Ministry of Housing and Urban Development will have oversight of the final report, once they are appointed
- 51 **note** the report back will consider:
- 51.1 the initial functions of the Housing Commission
 - 51.2 risks to the delivery of housing 9(2)(f)(iv) confidentiality of advice work-programmes in the short term
 - 51.3 capability and operating model that is appropriate for the future urban development role of the Housing Commission
 - 51.4 responsibilities for engaging with iwi in relation to Treaty claims associated with decisions around the use of Crown land
 - 51.5 pathways to establish and build capability, and the appropriate entity form for each stage in the pathway
 - 51.6 governance capability (for arm's length entity forms where applicable)
 - 51.7 link to the cross-agency arrangements to ensure the Housing Commission and the Chief Executive of the Ministry of Housing and Urban Development are able to get support from participating agencies for the good of the system
51. 9(2)(f)(iv) confidentiality of advice
- 52 **note** that I plan to report back to Cabinet in August to seek agreement to the establishment of the Housing Commission once I have received the report from officials on the establishment pathway.

Authorised for lodgement

Hon Phil Twyford
Minister of Housing and Urban Development
Date: