

Hon Judith Collins KC

Minister for the Public Service

Planning and infrastructure arrangements

Date of issue: 30 January 2026

Date: 30 January 2026

Title: Planning and infrastructure arrangements

Author: Te Kawa Mataaho Public Service Commission / RMA Reform

The Hon Judith Collins KC, Minister for the Public Service and the Hon Chris Bishop, Minister for RMA Reform are releasing the Cabinet paper and Cabinet Minute

Explanatory Note

Included in this release are the following documents:

- Cabinet Paper Planning and infrastructure arrangements
- Cabinet Minute CAB-25-MIN-0476
- Cabinet Minute CAB-25-MIN-0228



Cabinet

Minute of Decision

This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.

Report of the Cabinet Economic Policy Committee: Period Ended 12 December 2025

On 15 December 2025, Cabinet made the following decisions on the work of the Cabinet Economic Policy Committee for the period ended 12 December 2025:

out of scope

ECO-25-MIN-0218


Public Service Item

CONFIRMED

Portfolios: RMA Reform / Public Service

out of scope

out of scope



Diana Hawker
for Secretary of the Cabinet



Cabinet Economic Policy Committee

Minute of Decision

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Public Service Item

Portfolio **RMA Reform / Public Service**

On 10 December 2025, the Cabinet Economic Policy Committee:

Background

- 1 **noted** that the reforms in Resource Management planning, Local Water Done Well, transport funding, City and Regional deals, and housing will help address costs and delays in the current system, but require a Public Service that is well-positioned to deliver;
- 2 **noted** that New Zealand has many Public Service agencies by international standards, making financial sustainability challenging and making it hard to drive change;
- 3 **noted** that key levers influencing land use and infrastructure decisions are split between, and administered by, multiple agencies;
- 4 **noted** that current institutional arrangements do not incentivise the Public Service to work together to optimise and sequence investment, externalising costs to end users;

New agency

- 5 **agreed** to bring together the Ministry for the Environment, the Ministry of Housing and Urban Development, and the Ministry of Transport, along with the local government functions of the Department of Internal Affairs into a new Ministry of Cities, Regions and the Environment (the new agency) which will be legally established by April 2026;
- 6 **noted** that all staff and functions of the agencies listed in paragraph 5 above will transfer to the new agency by 1 July 2026;
- 7 **noted** that the new agency will provide joined-up advice to solve problems, with a regional focus on deals and delivery, backed by a strong economic engine and rich data and insights, with benefits for Ministers and end-users, including Councils and developers;
- 8 **noted** that the new agency will strengthen performance monitoring across interdependent systems, support technology-enabled planning and infrastructure through modern tools and offer broader career development for public servants across disciplines;
- 9 **noted** that the above proposals will create a vacancy for a new Chief Executive, and it is intended that this position will be appointed by April 2026;

- 10 **noted** the intention that a single responsible Minister for the Ministry of Cities, Regions and the Environment will be appointed by 1 April 2026;

Financial Implications

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



- 17 **approved** the following changes to appropriations to provide for the establishment of the Ministry of Cities, Regions and the Environment, with a corresponding impact on the operating balance and net core Crown debt:

	\$m – increase/(decrease)				
	2025/26	2026/27	2027/28	2028/29	2029/30 & Outyears
Vote Public Service Minister for the Public Service					
Departmental Output Expense: Leadership of the Public Management System	7.5000	-	-	-	-

- 18 **agreed** that the change to appropriations for 2025/26 above be included in the 2025/26 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply;
- 19 **agreed** that that the expenses incurred under paragraph 17 be charged against the between-Budget contingency established as part of Budget 2025;
- 20 **agreed** that any underspend in the amount approved under paragraph 17 be available for transfer to 2026/27, with the final amount for transfer to be agreed by Joint Ministers;

- 21 **noted** that there will be an opportunity to consolidate existing Votes and appropriations to give effect to the new structure, but that this work is best led by the incoming Chief Executive as part of the detailed organisational design of the new agency;
- 22 **agreed** that, in the interim, the existing Vote and appropriation structures under the affected departments remain on 1 July 2026, with the new Minister for Cities, Regions and the Environment as the appropriation Minister and the Vote and appropriation administrator from that date;
- 23 **authorised** Joint Ministers, and any other relevant appropriation Minister, to make technical changes to appropriations (including establishing appropriations and Votes, and agreeing any fiscally neutral adjustments) to give effect to decision in paragraph 5 above;

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Legislative implications

- 28 **invited** the Minister for the Public Service to issue drafting instructions to the Parliamentary Counsel Office (PCO) for the Orders in Council to establish, by April 2026, the Ministry of Cities, Regions and the Environment by adding it to Part 1 of Schedule 2 of the Public Service Act 2020 and Schedule 1 of the Ombudsmen Act 1975;
- 29 **invited** the Minister for the Public Service to issue drafting instructions to the PCO for the Orders in Council to disestablish, by 1 July 2026, the Ministry of Transport, the Ministry of Housing and Urban Development, and the Ministry for the Environment, pending amendment of the Environment Act 1986, by removing them from Part 1 of Schedule 2 of the Public Service Act 2020 and Schedule 1 of the Ombudsmen Act 1975;
- 30 **invited** the Minister for the Public Service to issue drafting instructions to the PCO for the Orders in Council to remove, by 1 July 2026, the Ministry for the Environment, pending amendment of the Environment Act 1986, from the remit of, and as the servicing department for, the Climate Change Chief Executives Board and replace it with the Ministry of Cities, Regions and the Environment;
- 31 **invited** the Minister for the Public Service to issue drafting instructions to the PCO for the Orders in Council to remove, by 1 July 2026, the Ministry of Housing and Urban Development and the Ministry of Transport from the remit of the Climate Change Chief Executives Board;
- 32 **invited** the Minister for Housing to issue drafting instructions to the PCO for the Order in Council to transfer, by 1 July 2026, community housing regulatory authority and social housing purchaser roles from the Ministry of Housing and Urban Development to the Ministry of Cities, Regions and the Environment;

- 33 **noted** that the proposals outlined in the paper under ECO-25-SUB-0218 require narrow, focused amendment of the Environment Act 1986 as soon as practicable, and the intention is for these to be made by April 2026, and no later than 1 July 2026;
- 34 **authorised** the Minister Responsible for RMA Reform and the Minister for the Environment to make technical decisions to amend the Environment Act 1986 and other technical references in other legislation, as necessary;
- 35 **invited** the Minister for the Environment to issue drafting instructions to the PCO to amend the Environment Act 1986 by April 2026, and no later than 1 July 2026.

Rachel Clarke
Committee Secretary

Present:

Hon David Seymour
Hon Nicola Willis (Chair)
Hon Chris Bishop
Hon Brooke van Velden
Hon Shane Jones
Hon Paul Goldsmith
Hon Louise Upston
Hon Judith Collins KC
Hon Dr Shane Reti
Hon Tama Potaka
Hon Simon Watts
Hon Chris Penk
Hon Penny Simmonds
Hon Andrew Hoggard
Hon Nicola Grigg
Hon Mark Patterson
Hon James Meager
Hon Scott Simpson
Simon Court MP

Officials present from:

Office of the Prime Minister
Office of Hon Chris Bishop
Office of Hon Judith Collins KC
Office of Hon Simon Watts
Officials Committee for ECO



Cabinet Economic Policy Committee

Summary

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Public Service item

Portfolio RMA Reform / Public Service

Purpose This paper seeks agreement to establish, by April 2026, a new Ministry of Cities, Regions and the Environment (MCRE).

Previous Decisions None.

Proposal MCRE will bring together the Ministry for the Environment, the Ministry of Housing and Urban Development, the Ministry of Transport, and local government functions of the Department of Internal Affairs.

MCRE will solve the current significant problem of having multiple agencies responsible, and at the same time not responsible, for initiatives (eg: the Drury and City Rail Link problems), and the fragmentation and uncoordinated advice that stems from this. It will combine key levers across central and local government, reducing duplication and complexity, and be able to provide joined-up advice on complex problems.

Risks of the proposed merger are outlined in **paragraphs 41 to 46**.

Impact Analysis Not required.

Financial Implications

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

Legislative Implications

Legislative changes are required to implement this proposal. Drafting instructions are sought in **recommendations 28 to 32, and 35** below.

- Timing Matters** It is proposed that MCRE be established, with a Chief Executive in place, by 1 April 2026, with all staff in the current agencies to transfer to the new agency by 1 July 2026.
- Communications** A Ministerial announcement will be made, coordinated with statements from the affected Chief Executives to staff.
- Consultation** Paper prepared by PSC, DIA (Local Government), MfE (Environment, RMA Reform), MHUD, MoT and The Treasury were consulted. DPMC was informed.
- The Ministers indicate that the Minister of Finance, Minister for Auckland, Associate Minister of Housing, Minister of Local Government, Minister of Internal Affairs, Minister for Regional Development, Minister for the Environment, Associate Minister of Transport, and the Parliamentary Under-Secretary to the Minister Responsible for RMA Reform were consulted.
- The Ministers also indicate that the ACT Party and New Zealand First will be consulted.

The Minister Responsible for RMA Reform and Minister for the Public Service recommend that the Committee:

- 1 note that the reforms in Resource Management planning, Local Water Done Well, transport funding, City and Regional deals, and housing will help address costs and delays in the current system, but require a Public Service that is well-positioned to deliver;
- 2 note that New Zealand has many Public Service agencies by international standards, making financial sustainability challenging and making it hard to drive change;
- 3 note that key levers influencing land use and infrastructure decisions are split between, and administered by, multiple agencies;
- 4 note that current institutional arrangements do not incentivise the Public Service to work together to optimise and sequence investment, externalising costs to end users;
- 5 agree to bring together the Ministry for the Environment, the Ministry of Housing and Urban Development, and the Ministry of Transport, along with the local government functions of the Department of Internal Affairs into a new Ministry of Cities, Regions and the Environment (the new agency) which will be legally established by April 2026;
- 6 note that all staff and functions of the agencies listed in paragraph 5 above will transfer to the new agency by 1 July 2026;
- 7 note that the new agency will provide joined-up advice to solve problems, with a regional focus on deals and delivery, backed by a strong economic engine and rich data and insights, with benefits for Ministers and end-users, including Councils and developers;

- 8 note that the new agency will strengthen performance monitoring across interdependent systems, support technology-enabled planning and infrastructure through modern tools and offer broader career development for public servants across disciplines;
- 9 note that the above proposals will create a vacancy for a new Chief Executive, and it is intended that this position will be appointed by April 2026;
- 10 note the intention that a single responsible Minister for the Ministry of Cities, Regions and the Environment will be appointed by 1 April 2026;

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- 17 approve the following changes to appropriations to provide for the establishment of the Ministry of Cities, Regions and the Environment, with a corresponding impact on the operating balance and net core Crown debt:

	\$m – increase/(decrease)				
Vote Public Service Minister for the Public Service	2025/26	2026/27	2027/28	2028/29	2029/30 & Outyears
Departmental Output Expense: Leadership of the Public Management System	7.5000	-	-	-	-

- 18 agree that the change to appropriations for 2025/26 above be included in the 2025/26 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply;
- 19 agree that that the expenses incurred under paragraph 17 be charged against the between-Budget contingency established as part of Budget 2025;

- 20 agree that any underspend in the amount approved under paragraph 17 be available for transfer to 2026/27, with the final amount for transfer to be agreed by Joint Ministers;
- 21 note that there will be an opportunity to consolidate existing Votes and appropriations to give effect to the new structure, but that this work is best led by the incoming Chief Executive as part of the detailed organisational design of the new agency;
- 22 agree that, in the interim, the existing Vote and appropriation structures under the affected departments remain on 1 July 2026, with the new Minister of Cities, Regions and the Environment as the appropriation Minister and the Vote and appropriation administrator from that date;
- 23 authorise Joint Ministers, and any other relevant appropriation Minister, to make technical changes to appropriations (including establishing appropriations and Votes, and agreeing any fiscally neutral adjustments) to give effect to decision in paragraph 5 above;

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- 28 invite the Minister for the Public Service to issue drafting instructions to the Parliamentary Counsel Office for the Orders in Council to establish, by April 2026, the Ministry of Cities, Regions and the Environment by adding it to Part 1 of Schedule 2 of the Public Service Act 2020 and Schedule 1 of the Ombudsmen Act 1975;
- 29 invite the Minister for the Public Service to issue drafting instructions to the Parliamentary Counsel Office for the Orders in Council to disestablish, by 1 July 2026, the Ministry of Transport, the Ministry of Housing and Urban Development, and the Ministry for the Environment, pending amendment of the Environment Act 1986, by removing them from Part 1 of Schedule 2 of the Public Service Act 2020 and Schedule 1 of the Ombudsmen Act 1975;
- 30 invite the Minister for the Public Service to issue drafting instructions to the Parliamentary Counsel Office for the Orders in Council to remove, by 1 July 2026, the Ministry for the Environment, pending amendment of the Environment Act 1986, from the remit of, and as the servicing department for, the Climate Change Chief Executives Board and replace it with the Ministry of Cities, Regions and the Environment;
- 31 invite the Minister for the Public Service to issue drafting instructions to the Parliamentary Counsel Office for the Orders in Council to remove, by 1 July 2026, the Ministry of Housing and Urban Development and the Ministry of Transport from the remit of the Climate Change Chief Executives Board;
- 32 invite the Minister for Housing to issue drafting instructions to the Parliamentary Counsel Office for the Order in Council to transfer, by 1 July 2026, community housing regulatory

authority and social housing purchaser roles from the Ministry of Housing and Urban Development to the Ministry of Cities, Regions and the Environment;

- 33 note that the proposals outlined in the paper under ECO-25-SUB-0218 require narrow, focused amendment of the Environment Act 1986 as soon as practicable, and the intention is for these to be made by April 2026, and no later than 1 July 2026;
- 34 authorise the Minister Responsible for RMA Reform and the Minister for the Environment to make technical decisions to amend the Environment Act 1986 and other technical references in other legislation, as necessary;
- 35 invite the Minister for the Environment to issue drafting instructions necessary to amend the Environment Act 1986 by April 2026, and no later than 1 July 2026.

Rachel Clarke
Committee Secretary

Hard-copy distribution:

Cabinet Economic Policy Committee
Minister for the Public Service

Budget Sensitive

Office of the Minister for RM Reform

Office of the Minister for the Public Service

Cabinet

Planning and infrastructure arrangements

Proposal

- 1 This paper proposes a new Ministry of Cities, Regions and the Environment, which will have a broad focus on looking after and unlocking the potential of New Zealand's cities and regions. This new agency will boost economic growth, improve housing and transport outcomes – while ensuring good environmental outcomes. It brings together the Ministry for the Environment, the Ministry of Housing and Urban Development, the Ministry of Transport, and local government functions of the Department of Internal Affairs.

Relation to government priorities

- 2 The proposals in this paper are intended to allow the Public Service to better support:
 - 2.1 the Government's Going for Growth agenda;
 - 2.2 our Going for Housing Growth agenda and the Housing Investment System;
 - 2.3 the new planning system (Resource Management Act reform);
 - 2.4 reforms in transport funding;
 - 2.5 Simplifying Local Government;
 - 2.6 Local Water Done Well; and
 - 2.7 City and Regional Deals and regional spatial plans.

Executive Summary

- 3 New Zealand's planning and infrastructure systems are underperforming. To address this, we propose establishing the Ministry of Cities, Regions and the Environment (MCRE), by bringing together the Ministry for the Environment (MfE), Ministry of Housing and Urban Development (MHUD), Ministry of Transport (MoT), and local government functions of the Department of Internal Affairs (DIA).
- 4 The merger of these ministries will solve two significant problems:
 - 4.1 Multiple principal problem, which dilutes accountability and can lead to policy paralysis and, ultimately, inaction. Grey areas like Transport Oriented Development, significant greenfield development, and local government are the responsibility of multiple agencies and no one at the same time. Agencies end up pointing the finger at each other when nothing gets done – “*The CRL problem*, and the *Drury problem*”.
 - 4.2 Incomplete and un-coordinated advice. Fragmentation (at times paired with a mismatch between agencies' functions/powers and expertise) has led to siloed, incomplete, and conflicting advice on the same matter. This is not creating value, instead it creates confusion and takes time to reconcile and fix, often requiring Ministers to play a co-ordination role.

- 5 MCRE will combine key levers across central and local government, reducing duplication and complexity. It will provide joined-up advice to solve complex problems, with a regional focus on deals and delivery, backed by a strong economic engine and high-quality data and insights.
- 6 The primary purpose of MCRE is to unlock the potential of New Zealand’s cities and regions. It will boost economic growth and productivity through lower transaction costs, a simpler and more responsive Public Service, and a more integrated planning and investment environment. This will support faster decisions and better outcomes across housing, transport, local government, and environmental systems.
- 7 We looked at the difference MCRE could have made to past projects. We found that a more integrated approach could have unlocked greater value in projects such as the City Rail Link, by aligning land use and transport planning. MCRE’s broad scope will help future-proof development against fiscal, environmental, and climate risks.
- 8 The investment case for this proposal indicates MCRE can deliver significant value as well as savings. 9(2)(f)(iv) confidentiality of advice
Retention of expertise, knowledge, and staff during the transition is critical to the success of our reform programmes, particularly the new planning system. As such, savings is not the objective of the merger – however, it is a positive flow-on effect of a more efficient Public Service.
- 9 To minimise disruption, implementation will be key. Following Cabinet agreement, an Integration Management Office will be set up to oversee planning, workforce transition, and legislative amendments. MCRE can be established, with a new Chief Executive, in April 2026. MCRE’s workforce will all be in place from 1 July 2026.
- 10 Legislative changes, particularly to the Environment Act 1986, are required to enable the transition. Drafting instructions need to be issued now to ensure timely delivery.
- 11 This reform is ambitious but necessary. It reflects lessons from past structural changes and international best practice. MCRE will be smaller and more focused than previous “mega-ministries,” with clear delegations and accountability. It represents a strategic shift toward a more agile, integrated, and future-ready Public Service.

Background

- 12 New Zealand’s current planning and infrastructure arrangements lag behind our global peers. Our investments and policy settings deliver less value, do not meet housing supply needs, and – as a result – we derive less agglomeration benefits. Our reform programme for Resource Management, housing growth, and transport funding will enable more flexible land use, unlock infrastructure funding tools, and align central and local government through City and Regional Deals.
- 13 While our reform programmes are urgent and necessary, the likely aren’t enough. To deliver better outcomes we need a Public Service well positioned to deliver for New Zealand. New Zealand has many Public Service agencies relative to population. While this enables specialisation it also fragments accountability and increases inefficiency – especially in planning and infrastructure delivery.
- 14 Machinery of government change that makes disparate functions work better, together, is a component of work to improve the Public Service operating model. This paper is strongly aligned with that work.

Options and Analysis

The current system of separate agencies will hinder delivery of our reforms

- 15 We are focussed on improving environmental, housing and transport outcomes. This requires sustained, coordinated effort and investment from central and local government, and the private sector. Planning and infrastructure investment must be integrated at place to enable growth.
- 16 Key levers to deliver our reforms are spread across many agencies and tiers of government, with misaligned incentives and fragmented effort. This leaves Ministers and end-users such as councils, developers and taxpayers, to navigate this complexity.
- 17 Fragmentation undermines productivity and economic growth. Poor coordination creates uncertainty for investors, delays development and weakens efforts to attract high-value industries. For example, an OECD study on the role of urban governance found fragmented governance is associated with a 3-6% reduction in productivity. Fragmentation also poses broader risks. For example, poorly sequenced development may increase flood risks and environmental degradation.
- 18 The status quo is not fit for purpose, with structural arrangements resulting in silos which cannot be adequately resolved without change. We have considered whether to merge key Public Service agencies to administer planning, infrastructure and investment decisions together, under common leadership.
- 19 Moving to a joined-up approach is more in line with how other jurisdictions have grappled with similar issues. There is a strong case for New Zealand to do the same.

We recommend establishing a Ministry of Cities, Regions and the Environment

- 20 To effectively deliver our reforms, we recommend establishing a new Ministry of Cities, Regions and the Environment (MCRE). MCRE will merge the following agencies and functions:
 - 20.1 the Ministry for the Environment (MfE)
 - 20.2 the Ministry of Housing and Urban Development (MHUD)
 - 20.3 the Ministry of Transport (MoT)
 - 20.4 the local government functions of the Department of Internal Affairs (DIA).
- 21 In making this recommendation, we have assessed whether MCRE will:
 - 21.1 drive significant value for New Zealand, relative to the status quo
 - 21.2 generate net savings while ensuring continued delivery of key work programmes, relative to the status quo
 - 21.3 be well placed to attract and grow talent and future leaders.
- 22 To support our assessment, officials undertook an assessment and assurance exercise. This informed our recommendations.
- 23 MCRE offers significant improvements on the status quo. It will deliver joined-up advice with a regional focus on deals and delivery, powered by strong economic analysis and rich data. Ministers and end-users such as councils, and developers, will benefit from lower transaction costs and better, faster decision-making. It will also:
 - 23.1 enable lower cost delivery, with net savings 9(2)(f)(iv) confidentiality of advice

BUDGET SENSITIVE


- 23.2 strengthen performance monitoring across multiple, interdependent systems
- 23.3 support technology-enabled planning and infrastructure through modern tools
- 23.4 offer attractive career development for public servants across disciplines and a place where people can deliver integrated solutions for some of New Zealand's greatest challenges.

MCRE will deliver better results for New Zealand, and New Zealanders

- 24 Current arrangements lead to fragmented decision-making and can lead to agencies promoting competing land use, resource, and infrastructure options.
- 25 This is costly and inefficient. For example, treating the City Rail Link (CRL) solely as a transport project missed opportunities for integrated planning and value capture. A joined-up approach could have unlocked \$3.3 billion in value uplift and enabled 800 new apartments on CRL land. MCRE will help prevent such missed opportunities.
- 26 MCRE will integrate insights across housing, transport, and the environment, enabling faster, better decisions and a more predictable planning system, backed by clear rules and rich data. It will also bring together oversight of delivery bodies like Kāinga Ora, NZTA, and councils.
- 27 MCRE promises more coordinated governance to interact with local government. This will be better for New Zealand, helping to mitigate the 3-6% productivity loss identified by the OECD arising from fragmented governance, thereby boosting economic growth.

MCRE is projected to make net financial savings

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MCRE will empower innovation and leadership within the Public Service

- 31 The creation of MCRE is a chance to build a future-ready, digitally enabled agency that fosters innovation and streamlines operations. Cross-functional teams will drive interdisciplinary collaboration, unlocking solutions to complex challenges.
- 32 MCRE's scale and scope will benefit Public Service leaders and staff by opening up broader career pathways across closely connected domains. A simple structure configured to create value for end-users will also help empower people to lead, grow, and make a greater impact.

Implementation

We recommend all the functions of affected agencies transfer to MCRE by 1 July

- 33 Machinery of government change can be disruptive and the entities comprising MCRE still need to deliver our reforms. We must minimise disruption.
- 34 We considered phasing mergers or delaying work until after the election. Bringing the agencies together now will reduce uncertainty, clarify MCRE’s mission, enable earlier alignment, and support reform delivery better than a phased or delayed approach.
- 35 We also recommend transferring all functions together. Partial transfers are costly, complex and often unsustainable. For example, moving MoT’s infrastructure investment functions alone would leave MoT too small to be viable.

MCRE will be established in April 2026, and all staff and functions transferred by 1 July

- 36 We think it is feasible to establish MCRE in April 2026 and to have the new structure implemented by 1 July 2026. We will need to move quickly with a tightly coordinated approach which combines programme mobilisation, structural design, legislative readiness, and workforce transition. Key steps are outlined below:

Milestone/ Activity	Indicative timeframe
Cabinet agreement (this paper)	December 2025
Advertise for Chief Executive (CE)	December 2025
Integration Management Office established	December 2025
Legislation and Orders in Council, CE appointed	April 2026
MCRE established	April 2026
MCRE staff transferred, new structure implemented	1 July 2026

- 37 Following Cabinet agreement, an Integration Management Office will be established in the Public Service Commission to lead planning and delivery. A Chief Executive should be appointed by April 2026, with remuneration to be recovered from MCRE.
- 38 We will also need to deliver enabling legislation to confirm the legal basis for MCRE’s operation and allow implementation. The Environment Act 1986 (the Act) establishes MfE. It needs to be amended to disestablish MfE and transfer its functions. Other minor amendments to support this change will also be needed. We propose making the necessary minor and technical amendments to the Act as soon as possible, ideally by next April and no later than 1 July 2026.
- 39 We must move quickly. We recommend this committee invite the Minister for the Environment to issue the necessary drafting instructions and authorise the Minister for RM Reform and Minister for the Environment to make necessary decisions to amend the Act and technical references in other legislation as required.
- 40 Further decisions on funding transfers may be needed before April 2026. We recommend authorising the Minister of Finance, Minister for the Public Service, and Minister for RM Reform, and any other relevant appropriation Minister, to make technical changes to appropriations

Risks and mitigations


- 41 While assessment and assurance have identified expected costs and savings, transition costs may be underestimated. This will be mitigated by strong financial oversight by the Integration Management Office and, when in place, the Chief Executive.
- 42 Next year is critical for reform delivery across Resource Management, transport and housing. Delivery risks can be mitigated by clear sequencing, strong communication, and a focus on removing duplication and enabling digital efficiencies.
- 43 Some stakeholders may fear environmental priorities will be diluted. Others may worry they will hinder growth. These concerns are unfounded. MCRE improves delivery. It does not change what is delivered. Other countries successfully integrate similar functions. New Zealand can too.
- 44 We have learnt from the creation, and risks, of ‘mega-ministries’ such as the Ministry of Business Innovation and Employment. Currently, MCRE would report to five Ministers and have fourteen output appropriations. We think this could be simplified, with a single Minister responsible for the entity and a single Vote, while retaining individual portfolios. This is consistent with the approach taken in other, similar, agencies such as the Ministry of Foreign Affairs and Trade, and DIA.
- 45 Talent retention and culture building are essential to success. It could be put at risk during implementation by uncertainty, skill gaps, and differing agency cultures. Such risks will be addressed through targeted retention plans, leadership visibility, digital uplift, and co-designed culture initiatives.
- 46 Maintaining the status quo also carries real risk. Fragmentation will continue to block integrated outcomes, inefficiencies will persist, and workforce contraction will erode capability and morale. If baseline funding continues to shrink, fiscal risks will grow, affecting the ability of agencies to deliver on Government priorities. Establishing MCRE is a clear opportunity to mitigate these risks. We recommend taking it.

Cost-of-living Implications

- 47 There are no immediate impacts on the cost of living from the proposals in this paper.

Financial Implications

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Legislative Implications

52 As noted, amendments to the Environment Act 1986 will be needed.

Impact Analysis

Regulatory Impact Statement

53 These proposals require minor and technical amendments to legislation. These will not amend any legal rights and responsibilities but will allow them to be held and exercised by MCRE as the successor agency to MfE.

Climate Implications of Policy Assessment

54 No assessment of climate implications is required for this paper.

Population Implications

55 The proposals in this paper will support the delivery of our ambitious planning and infrastructure work programme. They will not change that work programme in itself.

Human Rights

Use of external Resources

56 A team was established to undertake assessment and assurance, supported by PricewaterhouseCoopers.

Consultation

57 This paper was prepared by the Public Service Commission. The following agencies were consulted: the Ministry for the Environment, the Ministry for Housing and Urban Development, the Ministry of Transport, the Department of Internal Affairs and the Treasury. The Department of the Prime Minister and Cabinet was informed.

Communications

58 Following Cabinet decisions, a Ministerial announcement will be made, coordinated with statements from the Chief Executives of MfE, MHUD, MoT and DIA to staff.

Proactive Release


- 59 We propose this paper be proactively released as soon as practicable following notification of affected staff.

Recommendations

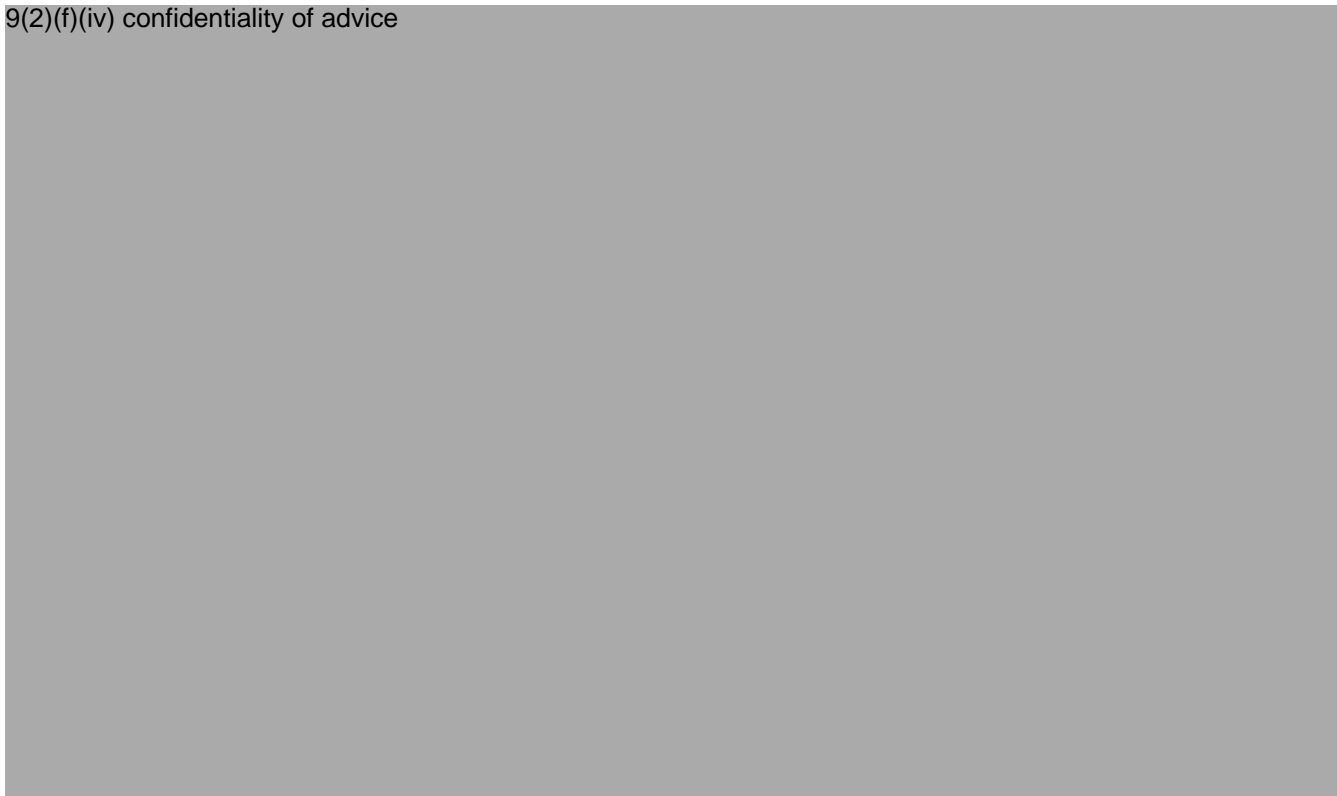
The Ministers for RM Reform and the Public Service recommend that the Committee:

- 1 **note** that our reforms in Resource Management planning, Local Water Done Well, transport funding, City and Regional deals, and housing will help address costs and delays in the current system, but require a Public Service well positioned to deliver;
- 2 **note** that New Zealand has many Public Service agencies by international standards making financial sustainability challenging and making it hard to drive change;
- 3 **note** that key levers influencing land use and infrastructure decisions are split between, and administered by, multiple agencies;
- 4 **note** that current institutional arrangements do not incentivise the Public Service to work together to optimise and sequence investment, externalising costs to end users;
- 5 **agree** to bring together the Ministry for the Environment, the Ministry of Housing and Urban Development and the Ministry of Transport together with the local government functions of the Department of Internal Affairs into a new Ministry of Cities, Regions and the Environment which will be legally established by April 2026;
- 6 **note** that all staff and functions of the agencies listed in recommendation 5 will transfer to the Ministry of Cities, Regions and the Environment by 1 July 2026;
- 7 **note** the new agency will provide joined-up advice to solve problems, with a regional focus on deals and delivery, backed by a strong economic engine and rich data and insights with benefits for Ministers and end-users including Councils, and developers;
- 8 **note** the new agency will strengthen performance monitoring across interdependent systems, support technology-enabled planning and infrastructure through modern tools and offer broader career development for public servants across disciplines;
- 9 **note** that these proposals will create a vacancy for a new Chief Executive, and we anticipate that this position will be appointed by April 2026;
- 10 **note** that we anticipate that a single responsible Minister for the Ministry of Cities, Regions and the Environment will be appointed by 1 April 2026;

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- 17 **approve** the following changes to appropriations to provide for the establishment of the Ministry of Cities, Regions and the Environment, with a corresponding impact on the operating balance and net core Crown debt:


Vote Public Service Minister for the Public Service	\$m – increase/(decrease)				
	2025/26	2026/27	2027/28	2028/29	2029/30 & Outyears
Departmental Output Expense: Leadership of the Public Management System	7.5000	-	-	-	-

- 18 **agree** that the proposed change to appropriations for 2025/26 above be included in the 2025/26 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply;
- 19 **agree** that that the expenses incurred under recommendation 17 be charged against the between-Budget contingency established as part of Budget 2025;
- 20 **agree** that any underspend in the amount approved under recommendation 17 be available for transfer to 2026/27, with the final amount for transfer to be agreed by the Minister of Finance, Minister for the Public Service, and Minister for RM Reform;
- 21 **note** that there will be an opportunity to consolidate existing Votes and appropriations to give effect to the new structure, but that this work is best led by the incoming Chief Executive as part of the detailed organisational design of the new agency;
- 22 **agree** that, in the interim, the existing Vote and appropriation structures under the affected departments remain on 1 July 2026, with the new Minister of Cities, Regions and the Environment as the appropriation Minister and the Ministry of Cities, Regions and the Environment as the Vote and appropriation administrator from that date;

B U D G E T S E N S I T I V E

- 23 **authorise** the Minister of Finance, Minister for the Public Service, and Minister for RM Reform, and any other relevant appropriation Minister to make technical changes to appropriations (including establishing appropriations and Votes, and agreeing any fiscally neutral adjustments) to give effect to decisions in recommendation 5;

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



- 28 **invite** the Minister for the Public Service to issue drafting instructions to the Parliamentary Counsel Office for the Orders in Council to establish by April 2026 the Ministry of Cities, Regions and the Environment by adding it to Part 1 of Schedule 2 of the Public Service Act 2020 and Schedule 1 of the Ombudsmen Act 1975;
- 29 **invite** the Minister for the Public Service to issue drafting instructions to the Parliamentary Counsel Office for the Orders in Council to disestablish by 1 July 2026 the Ministries of Transport and Housing and Urban Development, and the Ministry for the Environment pending amendment of the Environment Act 1986, by removing them from Part 1 of Schedule 2 of the Public Service Act 2020 and Schedule 1 of the Ombudsmen Act 1975;
- 30 **invite** the Minister for the Public Service to issue drafting instructions to the Parliamentary Counsel Office for the Orders in Council to remove by 1 July 2026 the Ministry for the Environment, pending amendment of the Environment Act 1986, from the remit of, and as the servicing department for, the Climate Change Chief Executives Board and replace it with the Ministry of Cities, Regions and the Environment;
- 31 **invite** the Minister for the Public Service to issue drafting instructions to the Parliamentary Counsel Office for the Orders in Council to remove by 1 July 2026 the Ministry of Housing and Urban Development and the Ministry of Transport from the remit of the Climate Change Chief Executives Board;
- 32 **invite** the Minister for Housing to issue drafting instructions to the Parliamentary Counsel Office for the Order in Council to transfer by 1 July 2026 community housing regulatory authority and social housing purchaser roles from the Ministry of Housing and Urban Development to the Ministry of Cities, Regions and the Environment;

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- 33 **note** that the proposals outlined in this paper require narrow, focused amendment of the Environment Act 1986 as soon as practicable and that we intend for these to be made by April 2026, and no later than 1 July 2026;
- 34 **authorise** the Minister for RM Reform and the Minister for the Environment to make technical decisions to amend the Environment Act 1986 and other technical references in other legislation as necessary;
- 35 **invite** the Minister for the Environment to issue drafting instructions necessary to amend the Environment Act 1986 by April 2026, and no later than 1 July 2026.

Authorised for lodgement

Hon Chris Bishop
Minister for RM Reform

Hon Judith Collins KC
Minister for the Public Service