



Briefing

Providing Strategic Direction to the Housing and Urban Development Authority

Date:	22 February 2019	Security level:	In Confidence
Priority:	High	Report number:	BRF18/19010127

Action sought

	Action sought	Deadline
Hon Phil Twyford Minister of Housing and Urban Development	Agree to the recommendations in this briefing.	25 February
Hon Nanaia Mahuta Associate Minister of Housing and Urban Development	For your information.	
Hon Jenny Salesa Associate Minister of Housing and Urban Development		

Contact for discussion

Name	Position	Telephone		1 st contact
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Other agencies consulted

We have engaged with the State Services Commission, the Treasury, the Ministry of Transport, the Ministry for the Environment and Housing New Zealand in the policy development of this briefing. The Department of Prime Minister and Cabinet has been consulted.

Minister's office to complete

- ☐ Noted
 - ☐ Seen
 - ☐ Approved
 - ☐ Needs change
 - ☐ Not seen by Minister
 - ☐ Overtaken by events
 - ☐ Declined
 - ☐ Referred to (specify)
-

Comments

Date returned to MHUD:



Briefing

Providing Strategic Direction to the Housing and Urban Development Authority

For: Minister Twyford, Minister of Housing and Urban Development

Date: 22 February 2019

Security level: In Confidence

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Purpose

1. This briefing considers options to provide strategic direction to the Housing and Urban Development Authority (HUDA) once it is established and recommends this be achieved through the Government producing a *Statement of Priorities on Housing and Urban Development* (the Statement of Priorities).

Recommended actions

It is recommended that you:

- | | |
|--|-----------------------------|
| a) Agree that the housing and urban development legislation requires a <i>Statement of Priorities for Housing and Urban Development</i> (the Statement of Priorities) to be published by the responsible Minister within the first year of the legislation being enacted, and reviewed every five years thereafter | <i>Agree /
Disagree</i> |
| b) Agree that at a minimum, the Statement of Priorities: <ol style="list-style-type: none">i. sets out the overall direction for the housing and urban development systemii. outlines the Government's priorities for housing and urban developmentiii. establishes how the Government expects the HUDA to manage and deliver its multiple rolesiv. must be developed by a process that involves consultation with other persons who have an interest in housing and urban development in New Zealand or with organisations representing those persons | <i>Agree /
Disagree</i> |
| c) Agree that the HUDA legislation includes a provision that requires the HUDA's activities and operations to 'be consistent' with the Statement of Priorities | <i>Agree /
Disagree</i> |
| d) Note that HUD will further test the option of a requirement in legislation that infrastructure-providing agencies must 'have regard' to the Statement of Priorities | <i>Noted</i> |

e) **Indicate** whether you wish to discuss these issues with officials.

Yes/No



Caleb Johnstone
Manager, Urban Performance

22.2.19

Hon Phil Twyford
Minister of Housing and Urban
Development

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Background

2. In November 2018, Cabinet asked you to report back on how the Ministry of Housing and Urban Development (HUD) would provide strategic direction to the HUDA [CAB-18-MIN-0562].

A Statement of Priorities will be a useful way to give strategic direction to the HUDA

3. The HUDA will be a Crown agent. This will enable responsive decision-making while maintaining suitable accountability.
4. Managing the HUDA's performance and accountability is critical given its two core roles around public housing and urban development. It is important that no particular role dominates, synergies between them are optimised, and that the HUDA delivers effectively.

Why do we need a Statement of Priorities?

5. As a Crown agent, HUDA will be subject to the Crown Entities Act 2004 and need to respond to the usual tools of Ministerial direction. However, given HUDA's broad scope and the change needed across the housing and urban development system, we consider that these tools will be insufficient to ensure the outcomes that New Zealanders need.
6. We consider that strategic direction can best be provided through the Government producing a *Statement of Priorities on Housing and Urban Development* (the Statement of Priorities). This is consistent with approaches across other parts of government, including transport and education.
7. Advantages of producing a Statement of Priorities include that:
 - a) The urban development and housing system is complex and there is a wide range of objectives that need to be balanced. The Statement of Priorities will be an important opportunity to influence how that occurs, including by setting key priorities.
 - b) The HUDA's foundation is a merger of three organisations, each which has its own priorities and culture. The Statement of Priorities would clarify Government's expectations for the new organisation, and support the HUDA to be aligned and ready to deliver.
 - c) Across a number of housing and urban development programmes, government agencies will be working in regions with local government and Crown agencies. As a result, the Government will have information on how cities and regions are expected to grow and develop over time. The Statement of Priorities will be an opportunity to ensure this information is taken into account when the HUDA and other relevant agencies are planning their work programmes.
 - d) It would be an important tool for communicating with external stakeholders. It would provide transparency for customers of the HUDA; signal to likely partners about what they will need to work towards; and ensure that the voices of all relevant stakeholders are taken into account and that there is buy-in to the Government's aims and objectives.

What should be in the Statement of Priorities?

8. Our view is that the Statement of Priorities should have a broader focus than just the HUDA. Although much of its specific content will be directed towards the new agency, there is a wide range of organisations and individuals that play important roles in the urban development

and housing system, and outlining how these can and should contribute is necessary for achieving system outcomes. Such an approach – a strategic document targeted at a specific agency but encompassing the wider sector – aligns with similar strategies such as the Health and Safety at Work Strategy and the Tertiary Education Strategy.

9. Although the Statement of Priorities' exact content would be determined as part of its development, we propose that it:
 - a) establish the Government's medium-to-long vision on the housing and urban development system
 - b) provide strategic direction to the HUDA, including on how the Government expects their statutory objectives to be met
 - c) provide guidance to the wider sector, including to other agencies that are critical to urban development
 - d) highlight key focus areas, including by providing information on how regions are expected to grow and change over time.

We propose that the legislation require that the Statement of Priorities is produced

10. Although a Statement of Priorities could be implemented through non-legislative means, we recommend that the HUDA legislation specifically requires that it is developed and published. There will be an enduring need for the Government to provide this type of leadership, and an established name and legislative requirement to produce it is likely to generate an ongoing level of public engagement.
11. While ensuring that the legislation is not overly prescriptive, specifying the following text would ensure that the Statement of Priorities is successful as a strategic direction setting tool:
 - a) the responsible Minister is required to publish the Statement of Priorities
 - b) at a minimum, its contents must include:
 - i. the overall direction of the housing and urban development system
 - ii. the Government's priorities for housing and urban development
 - iii. how the Government expects the HUDA to manage and deliver its objectives
 - c) the first Statement of Priorities must be published within one year of enactment of the legislation
 - d) it must be reviewed at least every five years
 - e) it must be developed by a process that involves consultation with other persons who have an interest in housing and urban development in New Zealand or with organisations representing those persons.

It is important that the Statement of Priorities be given an appropriate weight in legislation

12. It is important that the Statement of Priorities be given an appropriate weight in the legislation to ensure that it is considered by the HUDA, and implemented to the extent feasible. At the same time, it cannot in any way override the agency's operational independence. To meet these competing needs, we recommend that the legislation specify that the activities and operations of the HUDA must 'be consistent' with the Statement of Priorities.

13. A further question is the circumstances in which other departments and Crown agencies should take the Statement of Priorities into account. A number of agencies play important roles in delivering the infrastructure that makes communities thrive (including delivering hospitals, schools and transport links) and these agencies will be critical to the Government achieving its urban development aims. At the same time, the Statement of Priorities is likely to outline information that these agencies will need to take into account if their activities are going to be successful, particularly how the Government expects regions and cities to grow and develop over time.
14. To ensure infrastructure-providing agencies' activities are appropriately aligned, the legislation could require certain agencies to 'have regard to' the Statement of Priorities when they undertake strategic infrastructure planning. 'Have regard to' is a reasonably weak requirement, which would mean that nominated agencies would have to read the Statement of Priorities and consider its applicability to any relevant work.
15. Although the requirement for agencies undertaking infrastructure planning 'to have regard' to the Statement would have clear benefits, this is a complex area and HUDA needs to undertake further analysis and consultation to be able to recommend an option. For this reason, we suggest you signal in the Cabinet paper that you plan to test this option further with the possibility of including it through an SOP or other legislative opportunity.

Other performance management tools would operate alongside the Statement of Priorities

16. As outlined above, we consider that the standard toolkit for directing Crown Agents, including under the Crown Entities Act, is insufficient given the role and functions of HUDA. However, these tools will provide a useful way of reinforcing and maintaining the direction, and ensuring the performance of the organisation is high.
17. These tools include:
 - a) the ability to provide feedback as part of the Statement of Intent (SOI) and Statement of Performance Expectations (SPE) process
 - b) engagement with the Board, including through letters of expectation
 - c) the production of policy statements and formal directions if circumstances require.

Next steps

18. If you approve the approach outlined in this paper:
 - a) we will draft content for the Cabinet paper on outstanding policy issues related to HUDA, scheduled to be lodged in March 2019
 - b) continue to undertake analysis and consultation regarding the potential for a requirement for infrastructure-providing agencies 'to have regard to' the Statement of Priorities.
19. We are also available to discuss these issues with you in more detail.