

**Security classification – In Confidence**

Office of the Minister for Urban Development  
Cabinet Economic Development Committee

**Appointing the facilitator, recommender and monitor roles for the Infrastructure Levy Model**

**Proposal**

- 1 This paper seeks agreement to:
  - 1.1 **appoint** the Ministry of Housing and Urban Development (HUD) to perform the monitor and recommender roles under the Infrastructure Funding and Financing Bill (the Bill), and issue drafting instructions for the necessary Order in Council; and
  - 1.2 **confirm** the appointment of Crown Infrastructure Partners (CIP) as the facilitator to support proposers wanting to access the infrastructure levy provisions established by the Bill.
- 2 The appointment of organisations to these roles is dependent on the successful passing of the Bill, currently before the Transport and Infrastructure Committee.

**Relation to government priorities**

- 3 The Urban Growth Agenda was set by Cabinet in 2018, a programme of work designed to improve outcomes for New Zealanders by addressing the fundamentals of land supply, development capacity, and infrastructure provision. The infrastructure funding and financing work under this programme (in which the Infrastructure Levy Model sits) directly contributes to the Government's Economic Plan: Shift 3 (Deeper pools of capital are available to invest in infrastructure and grow New Zealand's productive assets).
- 4 This paper is provided for the appointment of organisations to the new roles that will be established under the Infrastructure Levy Model, in order to begin implementing the Model on the successful passing of the Bill.

**Executive Summary**

- 5 In June 2019, Cabinet agreed the high-level intent of the Infrastructure Levy Model (the Model) as an alternative model to fund and finance large infrastructure projects [CAB-19-MIN-0263 refers]. Cabinet invited me to report back on the appropriate organisations to fulfil the new roles to be established by the Model (facilitator, recommender, monitor) as well as the associated funding requirements.

I N C O N F I D E N C E

- 6 The Infrastructure Funding and Financing Bill (the Bill) that enables the Model was introduced to Parliament in December 2019. It is currently before the Transport and Infrastructure Committee and is on track to be enacted before the House rises on 6 August 2020.
- 7 Based on compatibility with the organisation's present role, as well as its capability and capacity to carry out the role, I propose the following appointments:
- 7.1 **Facilitator:** CIP – This role involves assisting with the preparation of proposals to access the levy. CIP has recently changed its focus away from exclusively broadband towards the delivery of bulk housing infrastructure to deliver the Milldale transaction (which mirrors the use of the Levy). Since the facilitator role is commercially oriented and delivery focused, there is a strong synergy between the facilitator function and CIP's existing functions.
- 7.2 **Recommender:** HUD – The recommender role is to ensure Cabinet decisions on whether to use the levy are well informed and independent of any proposer of a project. Furthermore, HUD is able to:
- 7.2.1 co-ordinate timely second opinion advice from other agencies, this is particularly important with regard to protecting the interests of consumers and the Crown;
- 7.2.2 introduce efficiencies at the recommendation and approval stages as it is suitably positioned to coordinate the commercial and machinery of government aspects of the Model;
- 7.2.3 directly liaise with the Minister when making a recommendation, and perform the policy functions to support the required Cabinet processes;
- 7.2.4 the recommender role overlaps with HUD's responsibilities in relation to large scale projects progressed by Kāinga Ora - Homes and Communities. In addition, HUD is building capability to improve coordination of funding and financing to enable more urban development.
- 7.3 **Monitor:** HUD – The monitor role ensures that Special Purpose Vehicles (SPVs) comply with the terms of the Bill. The monitor role is strongly aligned with HUD's operating mandate, and it will also be able to take advantage of insights to better understand the wider housing and urban development system.
- 8 The Bill requires the recommender and monitor roles to be appointed by Order in Council. Upon your agreement, I will issue drafting instructions to the Parliamentary Council Office for the necessary Order in Council to be prepared for consideration by the Cabinet Legislation Committee on the passing of the Bill.

- 9 The facilitator is not provided for in legislation and as such does not require an Order in Council for CIP to take on the role. This can be achieved through updating their Letter of Expectations.
- 10 The Treasury will also have a role to negotiate and monitor the Government Support Packages (GSPs) required by the Model. To do this, the Treasury will need to expand the role it already has in monitoring financial risk to the Crown. This role is not provided for in legislation, so does not require an Order in Council.
- 11 CIP will fund the activities associated with the facilitator role from existing appropriations. For the first year, HUD will fund the recommender role from its baseline appropriation, as the initial focus will be on operationalising the process. Given that the uptake of use of the Model is expected to increase over the coming years, and that HUD will need to contract out the detailed technical assessments of each proposal, HUD will seek additional funding for the recommender role at a later stage.
- 12 HUD has secured funding to enable it to take on the monitor role through Budget 2020. This bid also secured funding for the Treasury to expand its existing capability and take on the monitoring of any GSPs.

### **Background**

- 13 The Urban Growth Agenda was set by Cabinet in 2018, a programme of work designed to improve outcomes for New Zealanders by addressing the fundamentals of land supply, development capacity, and infrastructure provision.
- 14 Under this programme, in June 2019, Cabinet agreed the high-level intent of the Infrastructure Levy Model as an alternative model to fund and finance large infrastructure projects [CAB-19-MIN-0263 refers]. Policy work to operationalise the Model and identify organisations for the new roles has since been undertaken.
- 15 In June 2019, Cabinet also noted the Minister for Urban Development would report back on the appropriate organisations to fulfil the new roles required by the Model (facilitator, monitor and recommender), as well as the associated funding arrangements. This paper fulfils this report back requirement.
- 16 The Bill that enables the Model was introduced to Parliament in December 2019. It is currently being considered by the Transport and Infrastructure Committee which is due to report back by 26 June 2020.

### **The Infrastructure Levy Model**

- 17 The Model aims to make room for growth in our urban centres by improving the supply of local infrastructure, thereby enabling growth up (e.g. higher density housing near services and infrastructure) and out (e.g. well-connected houses in greenfield areas with good infrastructure). The Model does this by separating the financing decisions for specific infrastructure from councils'

usual financing processes and constraints. The Model aims to shift towards a system where:

- 17.1 the provision of infrastructure is financially sustainable, without a need for substantial or ad-hoc Crown/council support and that finance is readily available;
- 17.2 the viability of projects becomes the key determinant on whether they proceed;
- 17.3 a much greater quantity of debt can be leveraged from revenue streams than would be possible through a local authority;
- 17.4 the costs of growth are properly allocated so that they fall on the communities and homeowners who benefit from the new infrastructure;
- 17.5 there is greater rigour and transparency in the allocation of risk and costs to the appropriate parties; and
- 17.6 price signals are provided to help ensure investment occurs where the market demands are.

**The Model requires the establishment of new roles**

- 18 The Model requires the establishment of new roles. The roles to be established include:
  - 18.1 **Facilitator** – to assist with the preparation of proposals to access the levy;
  - 18.2 **Recommender** – to ensure Cabinet decisions on whether to use the levy for an infrastructure project are well informed and independent of any proposer of a project; and
  - 18.3 **Monitor** – to ensure that SPVs comply with the terms of the Infrastructure Funding and Financing Act and the Order in Council that authorises a levy.

19 Figure 1 below outlines how the roles relate. While the diagram is sequential, some underlying inputs and processes will overlap.



**Figure 1: Process for roles' involvement in the Model**

20 The Bill requires the recommender and monitor roles to be appointed by Order in Council. The facilitator is not provided for in legislation and as such does not require an Order in Council for CIP to take on the role. This can be achieved through updating their Letter of Expectations.

- 21 To ensure the monitor and recommender roles are established as soon as practicably possible after the enactment of the Bill, I recommend the Parliamentary Council Office draft the relevant Order in Council to appoint both the monitor and recommender roles proposed by this paper.
- 22 I intend to take the drafted Order in Council to the Cabinet Legislative Committee immediately on the passing of the Bill and before the House rises.

### **Assessing organisations to appoint to the facilitator, recommender and monitor roles**

#### *Criteria used for assessment*

- 23 Potential organisations for the facilitator and monitor roles were assessed against three criteria:
- 23.1 **Fit for purpose:** compatibility with the agency's present role and functions.
  - 23.2 **Capability:** whether the agency has, or could acquire, what it would need now and, in the future, to deliver the required functions and outputs.
  - 23.3 **Impact on host activity:** whether the expansion of functions would be cost effective without jeopardising the efficient, effective and economical management of the activities of the host agency or the new activities to be established.
- 24 Given the significance of the role, the organisations considered for the recommender role underwent further analysis. This included assessing the organisations':
- 24.1 Independence;
  - 24.2 Incentives;
  - 24.3 Capability – commercial, infrastructure and policy;
  - 24.4 Procurement expertise (time, cost, competition);
  - 24.5 Access (information);
  - 24.6 Early engagement;
  - 24.7 Speed;
  - 24.8 Productive efficiency; and
  - 24.9 Allocative efficiency.

- 25 The following sections outline how the organisations considered for the roles performed against the criteria above, and the resulting proposed appointments. For a more detailed assessment see Appendix A.

*Appointing the Facilitator*

- 26 The role of the facilitator is to assist with the preparation of proposals to access the levy. Two organisations were assessed for the facilitator role – CIP and the New Zealand Infrastructure Commission, Te Waihanga (Infracom).
- 27 I propose to confirm CIP as the facilitator. CIP has recently changed its focus away from exclusively broadband towards the delivery of bulk housing infrastructure to deliver the Milldale transaction (which the Model design is based on).
- 28 As the facilitator role is more commercially oriented and delivery focused, there is better overlap between the facilitator role and CIP's existing functions than there is with Infracom.
- 29 Given that the facilitation role only aligns with one of a multitude of other functions of Infracom, and it could distract Infracom from functions that are more strategic and policy-oriented in nature, I have ruled out Infracom at this stage.

*Appointing the Recommender*

- 30 The role of the recommender is to provide independent and robust advice to Ministers on the levy proposal. The recommender supports Ministerial discretion by reviewing levy proposals, independent of the proposer, facilitator and potential SPV owner, and so ensures that Cabinet decisions on whether to use the levy are well-informed (covering all relevant considerations) and independent.
- 31 The recommender will be required to assess the merits of a proposal with the requirements of the Bill (when passed) and within the context of the government's wider objectives for urban/infrastructure development.
- 32 It will provide a recommendation report to Cabinet to approve or decline to use of a levy. The report will include an assessment of, and second opinion advice on:
- 32.1 the time and place of infrastructure provision and wider costs and benefits, including environmental impact;
  - 32.2 consumer protection (pricing, allocation of risk, level of the levy);
  - 32.3 implications for local government (asset specifications, affordability and equity of the levy);
  - 32.4 the Government Support Package (GSP) (allocation of risk and Crown cover).

- 33 HUD and Infracom are the two most suitable organisations to perform the recommender role at this time. Analysis against the criteria outlined in paragraph 20 shows a decision between HUD and Infracom is balanced (see Appendix A).
- 34 Early analysis ruled out the Treasury and CIP on the grounds of there being potential conflicts of interest that undermine their independence, making them unsuitable for the role as recommender. Options were explored to mitigate the potential conflicts but were considered to be less effective than desirable to provide levy payers and Ministers with sufficient comfort (see Appendix A for more detail).
- 35 I propose to appoint HUD as the recommender. The main advantage for having HUD as the recommender is that it is embedded in the machinery of government policy process and so able to:
- 35.1 introduce efficiencies at the recommendation and Cabinet approval stages as it is suitably positioned to coordinate the commercial and machinery of government aspects of the Model;
  - 35.2 directly liaise with the Minister when making a recommendation, and perform the policy functions to support the required Cabinet processes;
  - 35.3 facilitate early engagement, coordinate interagency working groups as needed and support agencies providing second opinion advice.
- 36 The recommender role also overlaps to some degree with HUD's responsibilities in relation to large scale projects progressed by Kāinga Ora – Homes and Communities (Kāinga Ora). HUD is also building capability to improve coordination of funding and financing for the purpose of enabling more urban development.
- 37 While HUD has limited standing commercial and procurement capability at this time to assess the commercial aspects of a levy proposal and whether the most suitable procurement model has been chosen, relevant capability can be contracted when required.
- 38 Infracom has the advantage of having experience with commercial dealings, major infrastructure procurement and delivery. However, Infracom is a new organisation that is already carrying a large workload. Infracom has limited capacity, while starting up, to take on additional functions without considerable implications to its focus on existing obligations.
- 39 Additionally, being at arm's length from Ministers and not embedded in the machinery of government means that Infracom is not as easily able to integrate second opinion advice from other organisations. Of particular note is the second opinion advice from agencies such as the Ministry of Business, Innovation and Employment and the Commerce Commission that are specialists in competition and consumer protection.

- 40 HUD could enter an arrangement with Infracom to support HUD with the more technical aspects of the role. Infracom has expressed willingness to provide such expertise. This approach would be consistent with Infracom's mandate and the work they already do to support agencies with major infrastructure procurement and delivery.

*Appointing the Monitor*

- 41 The monitor role ensures that SPVs comply with the terms of the Infrastructure Funding and Financing legislation. The Treasury (Commercial Operations Group) and HUD are the two most suitable organisations for the monitor.
- 42 Earlier analysis ruled out the Ministry of Transport because its focus is primarily on transport rather than wider infrastructure and housing. The Department of Internal Affairs was also ruled out early as its monitoring role is comparatively minor.
- 43 I propose to appoint HUD as the monitor. Assigning HUD as the monitor would enable HUD to integrate this role into its wider monitoring requirements as steward of the housing and urban development system and as the monitor of Kāinga Ora. This wider role will lead to HUD building capability that overlaps with the IFF monitoring needs. The monitor role is strongly aligned with HUD's operating mandate and it will also be able to take advantage of insights to better understand the wider housing and urban development system.
- 44 There are also advantages in having the same organisation as both recommender and monitor. The monitoring should be more efficient given the existing institutional knowledge about a project.
- 45 The Treasury has standing capability and capacity to monitor commercial agency. However, the wider objectives of the Bill are not as aligned to the mandate of the Treasury as they are to HUD's role to assess the impact of such tools on the wider housing and urban system.

*An expanded role for the Treasury in monitoring financial risk to the Crown*

- 46 The Model will require the Treasury to expand the role it already has in monitoring financial risk to the Crown.
- 47 For the Model to be successful and overcome local authority balance sheet constraints, each SPV's obligations must be ring-fenced from local authority balance sheets. The credit rating agencies require there is no (or limited) recourse back to local authorities should projects using the Model experience difficulties or fail. If there is such recourse, credit rating agencies will treat the finance SPV's debt as that of the local authority.
- 48 It is for these reasons that, when approving the Model, Cabinet noted that a Government Support Package would be provided for the projects funded by the Model [CAB-19-MIN-0263 refers]. The purpose of the GSP is to cover



certain contingent risks that would normally sit with the local authority in order to meet rating agencies' requirements.

- 49 As mentioned above, the appropriate shape and scope of any GSP will be included in the relevant recommendation report. A GSP will be granted as an indemnity, given by the Minister of Finance in accordance with Section 65ZD of the Public Finance Act 1989.
- 50 The Treasury already has commercial capability, monitors financial risk to the Crown as part of its core business, and has an existing relationship with the Minister of Finance, who will consider the indemnities. Therefore, the Treasury will expand its existing capability to both negotiate and monitor the GSPs. Funding for the additional resource required has been secured through Budget 2020.

**Financial Implications**

- 51 The roles in the Model are new functions and consequently require funding, the details of which are outlined below. As the roles will be imposed by the Crown through statute, it is appropriate to consider an independent funding source from levy payers.

*Facilitator*

- 52 CIP will fund the requirements of taking on the facilitator role within its existing appropriations, specifically its Multi-Year Non-Departmental Capital appropriation: Crown Infrastructure Partners Limited – Equity Injection.

*Recommender*

- 53 For the first year, HUD will fund the recommender role from its baseline appropriation, as the initial focus will be on operationalising the process. Given that the uptake of use of the Model is expected to increase over the coming years, and that HUD will need to contract out the detailed technical assessments of each proposal, HUD will seek additional funding for this role at a later stage.

*Monitor*

- 54 HUD can fund the monitor role through the sustainable baseline bid secured through Budget 2020, integrating it into the wider monitoring capacity it is building.
- 55 This bid also secured funding that will be allocated to the Treasury to resource the negotiation and monitoring of the Government Support Packages.

Budget 2020 Request	2020/21	2021/22	2022/23	2023/24
IFF monitoring – Statutory role	\$950,000	\$500,000	\$650,000	\$910,000
IFF – Government Support	\$500,000	\$300,000	\$300,000	\$300,000

Package			
---------	--	--	--

**Legislative Implications**

- 56 The Bill (currently before the Transport and Infrastructure Committee) requires both the monitor and recommender roles to be appointed by Order in Council.
- 57 The Bill is scheduled to be passed before the House rises, with Royal Assent anticipated for late July 2020.
- 58 I propose the Parliamentary Council Office commence drafting the relevant Order in Council to implement the decisions in this paper. This will ensure the monitor and recommender roles can be established as soon as practicably possible after the enactment of the Bill.
- 59 I intend to take the Order in Council to the Cabinet Legislative Committee for approval immediately on the passing of the Bill, and before the House rises.
- 60 I note that the enactment of this Order in Council is subject to the enactment of the Bill.

**Impact Analysis**

**Regulatory Impact Statement**

- 61 A regulatory impact assessment was undertaken to inform Cabinet’s decisions to proceed with the Model. The decisions sought in this paper are consistent with the *Infrastructure Funding and Financing Regulatory Impact Assessment*.

**Climate Implications of Policy Assessment**

- 62 Not applicable.

**Population Implications**

- 63 The policy proposals in this paper do not have specific implications for particular population groups.

**Human Rights**

- 64 The policy proposals in this paper do not have human rights implications.

**Consultation**

- 65 The Department of the Prime Minister and Cabinet, the Department of Internal Affairs, the Treasury, the Ministry of Business, Innovation and Employment, Te Puni Kōkiri, Te Arawhiti, Land Information New Zealand, the Ministry for the Environment, the Ministry of Transport and the New Zealand Transport Agency were consulted during the development of this paper.

- 66 Crown Infrastructure Partners and the New Zealand Infrastructure Commission, Te Waihangā were consulted on the development of the proposals in this paper.

### Proactive Release

- 67 I intend to proactively release this Cabinet paper in line with the Cabinet Office circular *Proactive Release of Cabinet Material: Updated Requirements* [CO (18) 4].

### Recommendations

- 68 The Minister for Urban Development recommends that the Committee:
- 1 **note** that in June 2019, Cabinet agreed the high-level intent of the Infrastructure Levy Model as an alternative model to fund and finance aspects of large infrastructure projects [CAB-19-MIN-0263 refers];
  - 2 **note** that the Infrastructure Funding and Financing Bill that enables the Infrastructure Levy Model was introduced to the House of Representatives in December 2019. It is currently being considered by the Transport and Infrastructure Committee which is due to report back by 25 June 2020;
  - 3 **note** that this paper fulfils the report back requirement to provide advice on the appropriate organisation to fulfil the new roles required by the Infrastructure Levy Model (facilitator, recommender and monitor), as well as the associated funding arrangements [CAB-19-MIN-0263 refers];
  - 4 **agree in principle**, subject to the enactment of the Infrastructure Funding and Financing Bill:
    - 4.1 **to appoint** the Ministry of Housing and Urban Development to perform the recommender and monitor roles under the Infrastructure Funding and Financing Bill; and
    - 4.2 **to confirm** the appointment of Crown Infrastructure Partners as the facilitator to assist with the preparation of proposals to access the levy.
  - 5 **note** that the Treasury will have a role to negotiate and monitor the Government Support Packages required by the Infrastructure Levy Model. To do this, the Treasury will expand the role it already has in monitoring financial risk to the Crown;
  - 6 **note** that the Infrastructure Funding and Financing Bill requires the recommender and monitor roles be appointed by Order in Council;
  - 7 **invite** the Minister for Urban Development to issue drafting instructions to Parliamentary Counsel Office for the relevant Order in Council to make the appointments referred to in recommendation 4.1;

**I N C O N F I D E N C E**

- 8 **note** I intend to take the Order in Council to the Cabinet Legislative Committee for approval immediately on the passing of the Bill, and before the House rises to enable the Infrastructure Levy Model to be operationalised;
- 9 **note** that Crown Infrastructure Partners will fund the activities associated with the facilitator role from existing appropriations;
- 10 **note** that HUD will fund the recommender role from baseline for the first year and seek additional funding at a later stage, as use of the Infrastructure Levy Model increases;
- 11 **note** that HUD has secured funding to enable it to take on the monitor role through Budget 2020, this includes funding for the additional resource required by the Treasury to negotiate and monitor the Government Support Packages.

Authorised for lodgement

Hon Phil Twyford

Minister for Urban Development

## Appendix A: Analysis of organisation options for the facilitator, recommender and monitor roles

### Analysis to support the decision to appoint facilitator

	Fit for purpose	Capability	Impact on host activity
<b>Option A</b> <b>CIP</b>	<b>High</b> CIP has been repurposed to deliver and coordinate funding for bulk housing infrastructure.  Facilitator role would require constitutional refresh to broaden focus from roads and water.	<b>Medium</b> CIP has facilitated housing infrastructure to deliver the Milldale transaction (which mirrors the use of a Levy).  CIP has also coordinated working relationships with high growth councils when facilitating commercial models.  CIP will need to build capability for the Facilitator function.	<b>Low</b> CIP is ready to be repurposed but remains involved in other commercial activities (some are winding down, like broadband).  New role is anticipated by CIP.  CIP has a budget appropriation in place for this activity.
<b>Option B</b> <b>NZIC</b>	<b>High</b> Proposed function aligns with intended role to support 'infrastructure project procurement and delivery'.	<b>Medium</b> Not yet established, but support procurement and delivery as well as agencies in the preparation of business cases for major infrastructure projects and their delivery. NZIC will muster commercial and procurement expertise and policy capability.	<b>High</b> – will be building up capacity and capability and this role is likely to distract from strategic requirements.

### Further criteria to assess organisations for the recommender role

Assessment Criteria	Definition/Description
Independence	The positioning of the organisation in the model, its prerogatives and the forces acting on it ensure it has no pecuniary interest. Its ability to objectively assess the commercial viability of projects, their suitability in respect to wider outcomes, and their impact on levy payers; and on this basis provide free and frank recommendations to Ministers on whether or not to approve the use of the Model.
Incentives	The organisation's interests align with the recommender role to provide independent and objective advice to Ministers that considers (being responsive to) the long-term interests of levy payers.
Capability - Commercial	Ability to coordinate stakeholders, identify and progress commercially viable of projects through facilitating commercial dealings and infrastructure transactions.
Capability - Infrastructure	Ability to audit/quality assurance costings.
Capability - Policy	Ability to advise on wider outcomes, distributional impacts and options to manage, with consideration of the long-term interests of Model levy payers.
Procurement Expertise (Time, Cost, Competition)	Ability to assess and advise on procurement, particularly strategic and business planning.
Access (Information)	How well does the option provide for access to relevant information to make informed judgments and sound recommendations?
Early Engagement	How well does the option enable the recommender to be engaged early enough in the process to guarantee relevant level of oversight/insight?
Speed	How quickly can commercial deals be made from initial proposal to the facilitator to financial close (approval of the use the Model)?
Productive efficiency	Costs to execute the model (time, funding, administration). How efficient is the Model as an operationally closed process (within itself) to deliver output?
Allocative efficiency	Costs and benefits of all things considered: within-model and beyond (e.g. right projects at the right time and appropriate level of risk to Model levy payers). How will the option likely impact wider outcomes?

**Weightings of criteria (darker = more critical):**

- Critical to ensuring long-term success of the Model
- Important to fulfilling the role/function and/or operation of the Model
- Impacts on efficiency: valuable but can be traded off as there are market solutions for timeframes

Analysis to support the decision to appoint recommender

Assessment Criteria	Option A Ministry of Housing and Urban Development (HUD)	Option B New Zealand Infrastructure Commission (Infracom)
Independence	✓✓	✓✓
Incentives	✓✓	✓✓
Capability – Commercial	✓	✓✓
Capability – Infrastructure	✗	✓✓
Capability – Policy	✓✓✓	✗
Procurement Expertise (Time, Cost, Competition)	✗	✓✓✓
Access (Information)	<b>Must be facilitated</b> through policy, regulation or legislation	<b>Must be facilitated</b> through policy, regulation or legislation
Early Engagement	<b>Must be facilitated</b> through policy, regulation or legislation	<b>Must be facilitated</b> through policy, regulation or legislation
Speed	✓✓	✓✓
Productive efficiency	✓✓✓	✓✓
Allocative efficiency	✓✓✓	✓✓
<b>Total</b>	✓✓	✓✓

	Depth of commercial and procurement expertise	Embeddedness in the machinery of government policy process	Fit and resourcing requirements
<b>Option A</b> HUD	<b>Low capability</b> HUD has expertise in procurement of public housing but low expertise in procurement of infrastructure (e.g. no ability to assess match of procurement model with type of project).	<b>Well embedded</b> HUD can directly liaise with the Minister on a recommendation. HUD can also write and submit Cabinet papers.  HUD is well placed to facilitate early engagement, coordinate an interagency working group and support agencies providing second opinion advice.	<b>Acceptable fit</b> <b>Moderate impact</b> The recommender role overlaps to some degree with HUD's responsibilities relation to large scale projects progressed by Kāinga Ora. However, HUD is not currently resourced or funded to respond to the technical demands of the

	<p>HUD will unlikely be able to attract and maintain relevant in-house capability. HUD will likely have to rely on contracting at higher prices.</p> <p>However, given the project pipeline, standing capacity is not needed and would be inefficient. Contracting may be a more cost-effective solution.</p>	<p>HUD could offer efficiency gains at the recommendation and approval stages, because it is suitably positioned to coordinate commercial and machinery of government aspects of the Model's end-to-end process.</p>	<p>recommender role despite HUD building capability to improve coordination of investment of infrastructure for urban development and housing.</p>
<p><b>Option B</b> Infracom</p>	<p><b>Moderate capability</b></p> <p>Infracom is a newly established organisation that is still building capacity but it can already offer expertise in key areas, especially commercial dealings and procurement best practices, including matching procurement models to different projects.</p> <p>Infracom is still in the process of recruiting relevant expertise for its existing capacity needs.</p> <p>However, given the IFF project pipeline, standing capacity is not needed and would be inefficient. Contracting in this specialist expertise may be a more cost-effective solution.</p>	<p><b>Not embedded</b></p> <p>Infracom has an independent board and so is at arm's length from Ministers. Should Infracom fulfil the role of recommender, then a process would have to be developed that enables the board to either delegate responsibility down to senior leadership or itself approve recommendations, impacting efficiency.</p> <p>Since Infracom cannot write Cabinet papers, it will have to coordinate with the Minister and HUD, and then hand over the process to HUD to proceed with the machinery of government decision-making process for and Order in Council.</p>	<p><b>Good fit</b> <b>Moderate to High impact</b></p> <p>While the recommender role falls into existing responsibilities and capability, further work would be required to assess whether Infracom could carry out this role under existing legislation. There are also potentially significant implications of undertaking this role for Infracom's existing mandate in relation to major infrastructure procurement and delivery.</p> <p>Infracom is not resourced or funded to take on additional roles (= capacity).</p> <p>At this stage, the recommender role would likely derail Infracom's attention from existing obligations during a phase when it is still starting up.</p>

*Conflict of interest for CIP and the Treasury*

Both CIP and the Treasury were ruled out as options for carrying out the recommender roles. Both organisations would have conflicts of interests that create disincentives when considering the long-term interest of levy payers, which

establishes direct tensions between interest groups and raises consumer protection concerns:

- A conflict of interest would arise if CIP fulfilled the roles of the facilitator and recommender as this would comprises its ability to independently assess the proposal, and could be further exacerbated by the likely prospect that CIP will take an ownership interest in SPVs when the Model is implemented. Appointment to both roles would enable CIP to develop projects, review and assess its own work, recommend the projects it has developed (including the setting of levies) and then make a commercial return from those projects.
- The Treasury will primarily represent the Crown’s commercial interests in the proposal negotiations as provider of the Government Support Package, which might not be well aligned with the interests of the levy payers.

*Analysis to support the decision to appoint monitor*

	Fit for purpose	Capability	Impact on host activity
Option A HUD	<p><b>High</b></p> <p>The Model’s monitoring function matches with HUD’s existing functions.</p> <p>The Model is also highly aligned with HUD’s roles the monitor and steward of the wider housing and urban development system.</p>	<p><b>Low</b> (currently, but high in future)</p> <p>HUD’s monitoring unit is still being established, but the monitoring function will be a natural fit once the monitoring in HUD is resourced. HUD’s role in similar capacity as the Monitor of Kāinga Ora.</p> <p>HUD will need to build capability, but this joins up with current capability building underway to monitor the wider system and Kāinga Ora.</p>	<p><b>Low</b></p> <p>Capacity will complement rather than detract from HUD’s responsibility and functions.</p> <p>Could impact HUD if no new Crown funding is provided through Budget 2020 or Budget 2021.</p> <p>New monitoring role anticipated by HUD.</p>
Option B The Treasury	<p><b>High</b></p> <p>The monitoring function would sit well with the Treasury’s already existing monitoring functions, especially in relation to commercial entities.</p>	<p><b>Medium</b></p> <p>The monitoring function is focused on the design of the Levy and the Treasury has experience and capability to monitor this. The Treasury also monitors a range of commercial and mixed objective entities.</p> <p>However, there is little in-house capacity to use insights to assess impacts of the Levy on wider system.</p>	<p><b>High</b></p> <p>Capacity is contingent upon appropriation of funding being provided, relocation of existing funding.</p>