OFFICIAL

Wai 2750, #D46

CONTROLLER AND AUDITOR-GENERAL
Tumuaki o te Mana Arotake

B.29[23h]

Leading New Zealand's approach to housing and urban development

RECEIVED
Waitangi Tribunal
19 Sep 23
Ministry of Justice
WELLINGTON

Photo acknowledgement:
iStock @ denizunlusu

Leading New Zealand's approach to housing and urban development

Presented to the House of Representatives under section 20 of the Public Audit Act 2001.

August 2023

Contents

Auditor-General's overview 3

Our recommendations 7

Those involved in housing and urban development 8

Part 1 – Introduction 10

New Zealand faces significant challenges with housing and urban development 10
The housing and urban development system is complex 10
System leadership is vital to address housing challenges 11
Why we did this audit 12
What we looked at 12
How we carried out our work 13
Structure of this report 13

Part 2 – Setting direction for the housing and urban development system 14

The Ministry has a mandate to provide system leadership and oversight 15
The Government Policy Statement sets a clear strategic framework for housing and urban development 16
Implementation plans clarify how outcomes will be achieved 22
The Ministry also has responsibilities for delivering initiatives 24

Part 3 – Monitoring and overseeing the housing and urban development system 28

The Ministry is increasing its system monitoring capability 29
The Ministry's approach to managing risk is maturing 33
System leadership relies on effective system governance 34

Part 4 – Increasing capability 40

The Ministry has started an organisational change programme 40
Approaches to relationship management are maturing 43

Figures

1 – Functions transferred to the Ministry of Housing and Urban Development 16
2 – The relationship between the different elements of the strategic framework 17
3 – Overview of the *Government Policy Statement on Housing and Urban Development* 18
4 – Two actions under Action Area 1: Reduce barriers to building in the Government Policy Statement's implementation plan 23
5 – Funding available through Vote Housing and Urban Development appropriations, 2018/19 to 2026/27 26
6 – Actual and budgeted staff numbers, 2018/19 to 2023/24 27
7 – Indicators under the Government Policy Statement outcome of "Wellbeing through housing" 30
8 – How the housing and urban development system is governed 35

Auditor-General's overview

E ngā mana, e ngā reo, e ngā karangarangatanga maha o te motu, tēnā koutou.

Access to healthy and affordable housing contributes to positive health, education, economic, and social outcomes. The Government's vision is that all New Zealanders can live in a home and a community that meets their needs and aspirations.

New Zealand has:

- a decreasing number of people who own their own home;[1]
- an increasing number of people waiting for public housing;[2] and
- inequalities in housing outcomes – poor housing outcomes (such as unaffordable or poor-quality housing) disproportionately affect Māori, Pasifika, unemployed people, one-parent families, and people with disabilities.[3]

The Treasury has stated that the wealth gap between people aged over 65 and those under 35 has more than doubled since 2000. Increasing house prices and different rates of home ownership between the two age groups have significantly contributed to this gap.[4]

New Zealand's housing and urban development system (the system) is complex. Many public and private groups and organisations are involved, for example in making land available, changing district plans, putting supporting infrastructure in place, seeking building and resource consent, giving building and resource consent, and finally building houses and communities. This also takes time. Effective and enduring leadership is needed to co-ordinate and align the different organisations' work so that it addresses the challenges with housing and urban development.

In 2018, a Cabinet paper from the then Minister of Housing and Urban Development described the system as lacking clear leadership, coherence, and effective long-term stewardship. In October of that year, the Government set up Te Tūāpapa Kura Kāinga – the Ministry of Housing and Urban Development (the Ministry) to lead the system.

The Ministry is responsible for:

- leading the design, implementation, and review of the government's strategy for housing and urban development;

1 Statistics New Zealand (2020), *Housing in Aotearoa: 2020*, page 28, at stats.govt.nz.

2 Based on Housing Register data from the Ministry of Social Development, at msd.govt.nz.

3 Statistics New Zealand (2020), *Housing in Aotearoa: 2020*, page 131, at stats.govt.nz.

4 The Treasury (2022), *Wellbeing in Aotearoa New Zealand 2022: Work towards Te Tai Wairoa (the Wellbeing Report)*, page 10, at treasury.govt.nz.

- providing strategic advice about all aspects of the system; and
- monitoring and reporting on progress.

The Ministry is also responsible for designing and delivering several housing and urban development initiatives, services, and regulatory functions. This adds to its work's overall complexity.

Providing system leadership to improve housing outcomes is not easy. The Ministry does not have many direct levers to influence the system's performance, and the groups and organisations that do have those levers have their own priorities and are not accountable to the Ministry. Even so, the Ministry faces pressure to deliver immediate improvements while it works with others to address the underlying causes for the challenges with housing and urban development.

My Office carried out a performance audit to understand how well-placed the Ministry is to carry out its system leadership role now and in the future. In my view, good system leadership includes:

- understanding how well the system is performing and knowing what changes are needed to improve outcomes;
- producing a strategy that has a vision and an action plan that all those in the system share and provides direction, prioritises initiatives, and aligns actions throughout the system;
- governance arrangements that have collective accountability for decision-making and risk management, where appropriate, and are supported by good management to co-ordinate action and resolve operational issues;
- regular reporting on the system's current and projected performance to identify any corrective actions and to support accountability and transparency; and
- building and maintaining effective relationships with people and organisations to support the system's strategic direction.

What we found

The Ministry has made some significant achievements in its five years leading the system.

The Ministry worked with the groups and organisations involved in housing and urban development to prepare a shared vision and outcomes, clear strategy, and implementation plans for improving the performance of the system. This is through the *Government Policy Statement on Housing and Urban Development* and *MAIHI Ka Ora – The National Māori Housing Strategy 2021-51*, and associated implementation plans. The Ministry is also preparing a monitoring framework,

maturing its strategic risk management, and improving its data and intelligence capability.

The Ministry set up system-level governance arrangements, including the Chief Executives' Housing Group – a group of chief executives of government agencies with the most influence over housing outcomes (such as the Ministry of Social Development, Kāinga Ora, Te Puni Kōkiri, and the Ministry for the Environment). The Ministry has also put in place governance arrangements to oversee the MAIHI Ka Ora strategy implementation and local partnerships. In my view, these governance arrangements will help to co-ordinate and build alignment throughout the system over time.

The Ministry also set up a dedicated business group to support governance arrangements, to identify priorities, and to ensure that initiatives affecting housing and urban development are aligned. The Ministry also has work under way to set up a strategic approach to managing key relationships and to improve its capability to lead system change.

These foundations were set up at the same time the Ministry was responsible for, or contributed to, a range of other housing and urban development initiatives. For example, the Ministry worked with others to prepare the *Aotearoa/New Zealand Homelessness Action Plan (2020-2023)*, which is the first comprehensive cross-agency plan to prevent and reduce homelessness.

In response to the Covid-19 lockdowns, the Ministry worked with others to provide accommodation in motels to more than 1000 homeless individuals and families/whānau.

What needs to happen next

The Ministry has largely set up the frameworks and governance arrangements to support its system leadership role. It now needs to focus on leading the delivery of its strategies and improving the system's performance.

I have made three recommendations to support this. The recommendations involve improving the Ministry's current and projected performance information, maturing its governance arrangements, and continuing to focus on improving its organisational capability.

One of the Ministry's main challenges is to ensure that work by the groups and organisations involved in housing and urban development is aligned and that they work together to improve housing outcomes for New Zealanders.

The role of the Chief Executives' Housing Group is critical to this. The chief executives in this group need to consider how to best use their organisations' influence and resources collectively and individually to improve housing outcomes. They also need to consider how to maintain this focus because it will take years to achieve substantive change in this system.

This challenge is not unique to housing. The public sector wants to work more collectively to deliver improved outcomes. To do this, public organisations need to be purposeful and deliberate about how they balance organisational and wider priorities, share information, align activity, and combine resources.

I am interested in public organisations achieving joint outcomes effectively, and my Office will continue to carry out work to understand and highlight the factors that support it.

I thank the many people who contributed to this report and took the time to talk with my staff.

Nāku noa, nā

John Ryan
Controller and Auditor-General | Tumuaki o te Mana Arotake

23 August 2023

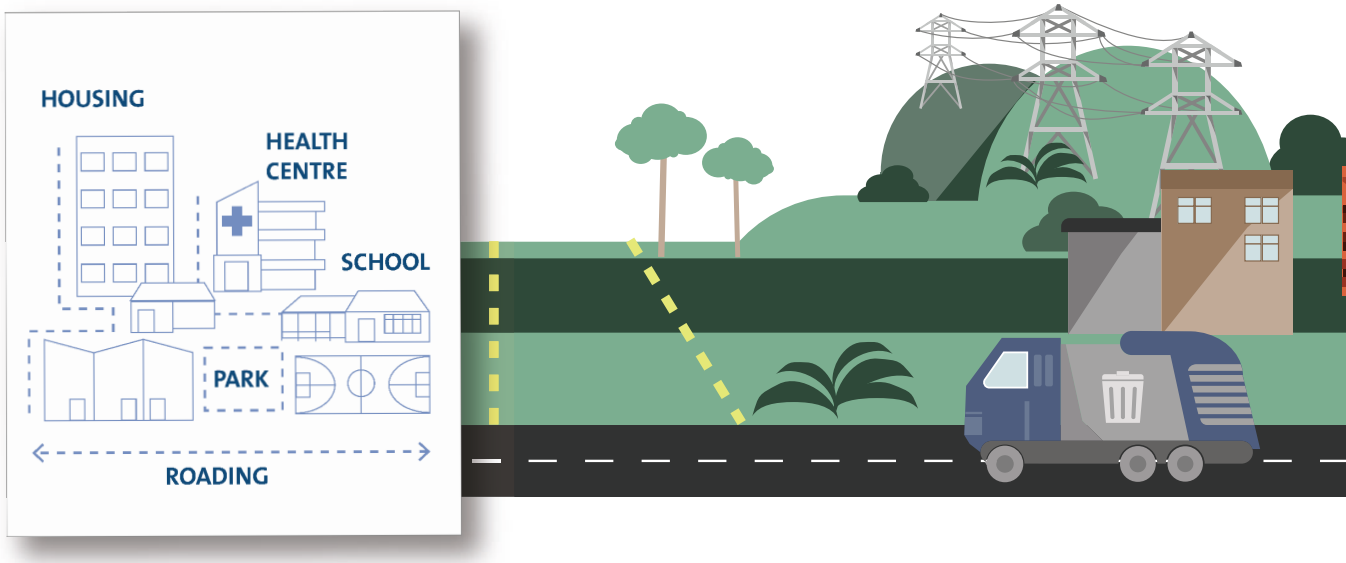
Our recommendations

We recommend that Te Tūāpapa Kura Kāinga – the Ministry of Housing and Urban Development:

1. continue to improve its understanding of the housing and urban development system's current and projected performance, and regularly report on it to the public and those responsible for influencing housing and urban development outcomes;
2. strengthen system governance by:
   - ensuring that the Chief Executives' Housing Group members agree on how they will provide collective oversight for achieving the *Government Policy Statement on Housing and Urban Development*; and
   - providing better reporting to support decision-making, including on current and expected housing and urban development outcomes, delivery milestones, and delivery and strategic risks; and
3. continue to regularly assess whether its systems, processes, and capabilities enable it to lead the housing and urban development system and, in particular, to monitor, understand, predict, and influence performance.

Those involved in housing and urban development

Many people and organisations are involved in housing and urban development. This snapshot gives an indication of who is involved at the different stages, although the list of those involved in each activity is not exhaustive.



1 Planning and policy

Councils, Ministry of Housing and Urban Development, Kāinga Ora, Ministry for the Environment, Infrastructure Commission, Department of Internal Affairs, Ministry of Transport, Waka Kotahi, Te Puni Kōkiri, submitters, environmental groups, iwi and hapū, community groups, and developers.

2 Preparing land for development

Councils, Kāinga Ora, Ministry of Housing and Urban Development, Ministry for the Environment, Land Information New Zealand, landowners, developers, businesses, and Tāmaki Regeneration Company.

3 Providing core infrastructure

Councils, Kāinga Ora, Waka Kotahi, Ministry of Transport, Ministry of Housing and Urban Development, the Infrastructure Commission, construction companies, Tāmaki Regeneration Company, developers, and infrastructure providers (such as electricity line companies and telecommunication providers).

4 Construction

Waka Kotahi, Kāinga Ora, Ministry of Business, Innovation and Employment, Ministry of Social Development, tertiary education institutions, building companies, plumbers, electricians, building material providers, non-government organisations, Tāmaki Regeneration Company, iwi and hapū, and developers.

5 Housing

Councils, community housing providers, private owners, Ministry of Business, Innovation and Employment, Ministry of Housing and Urban Development, Kāinga Ora, Tāmaki Regeneration Company, and iwi and hapū.

6 Social infrastructure

Councils, Ministry of Housing and Urban Development, Kāinga Ora, Tāmaki Regeneration Company, Ministry of Education, Te Whatu Ora, Ministry of Social Development, non-governmental organisations, clubs, iwi and hapū, community groups, and businesses.

1 Introduction

1.1 In this Part, we describe:

- the challenges with housing and urban development that New Zealand faces;
- the housing and urban development system (the system);
- the importance of system leadership;
- why we did this audit;
- what we looked at;
- how we carried out our work; and
- the structure of this report.

New Zealand faces significant challenges with housing and urban development

1.2 Adequate and affordable housing contributes to social and economic well-being. In 2021, the Government stated that "all New Zealanders deserve to live in a safe, warm, dry home that they can afford"[5] and identified housing as a priority.

1.3 New Zealand faces significant challenges with housing and urban development. These include increasing house prices and significant disparities in rates of home ownership. For example, 58% of New Zealanders identifying as Europeans own or partly own a house, compared to 31% of those identifying as Māori and 21% of those identifying as Pasifika.[6]

1.4 Inadequate and unaffordable housing leads to poor health, education, economic, and social outcomes. Māori and Pasifika communities, people with disabilities, unemployed people, and one-parent families are most likely to be negatively affected.

1.5 Strong leadership and effective co-ordination between a range of public and private organisations is needed for the system to work well. This would improve the lives of thousands of New Zealanders.

The housing and urban development system is complex

1.6 In its November 2020 *Briefing for Incoming Ministers*, Te Tūāpapa Kura Kāinga – the Ministry of Housing and Urban Development (the Ministry) highlighted four reasons why New Zealand is experiencing challenges with housing and urban development:

- Not enough houses have been built in the right places, for the right prices, or at the right time to meet people's needs.

5 New Zealand Government (2021), *Government Policy Statement on Housing and Urban Development*, page 3, at hud.govt.nz.

6 Based on Census 2018 housing data from Statistics New Zealand, at stats.govt.nz.

- Urban development has not been responsive enough, including to population increases, demographic change, and changing preferences and needs.
- Rising house prices have encouraged investors to treat housing as a commodity, leading to higher house prices and rents and fuelling inequality.
- The system needs to be co-ordinated to achieve the outcomes New Zealand needs.

1.7 Addressing these challenges is complex. Many different groups and organisations are involved in housing and urban development. They include:

- government agencies, such as the Ministry of Social Development;
- Crown entities and Crown companies (including Kāinga Ora and Crown Infrastructure Partners);
- councils;
- non-governmental organisations, such as community housing providers;
- iwi and hapū; and
- businesses.

1.8 This report's snapshot "Those involved in housing and urban development" provides an overview of the system and the groups and organisations involved.

1.9 The Ministry does not have many direct levers to improve the system's performance, and the groups and organisations that do have those levers have their own priorities and are not accountable to the Ministry.

System leadership is vital to address housing challenges

1.10 Effective system leadership is vital to setting up the public sector to respond to the challenges with housing and urban development. Several factors influence effective system leadership.[7]

1.11 In our view, the most important of these factors for the Ministry are:

- understanding how well the system is performing and knowing what changes are needed to improve outcomes;
- developing a strategy that has a vision and an action plan that all those in the system share, and that provides direction, prioritises initiatives, and aligns actions throughout the system;
- sound governance that has collective accountability for decision-making and risk management, where appropriate, and that is supported by good management to co-ordinate action and resolve operational issues;
- regularly reporting on the system's current and projected performance to identify corrective actions and support accountability and transparency; and

7 For example, see Controller and Auditor-General (2019), *Using "functional leadership" to improve government procurement*, Office of the Auditor-General, at oag.parliament.nz.

- building and maintaining effective relationships with people and organisations to support the system's strategic direction.

Why we did this audit

1.12 The Ministry was created in 2018. Because healthy and secure housing is important to New Zealanders' health and well-being, we wanted to:

- assess how well the Ministry has carried out its system leadership role since it was set up and how effectively it is planning its stewardship of the system; and
- identify any additional actions that would better support the Ministry to succeed in its system leadership role.

What we looked at

1.13 Our main audit question was *How well-placed is the Ministry to lead the housing and urban development system now and in the future?*

1.14 We looked at how well the Ministry was set up to lead the system. We wanted to understand whether the Ministry has a system-wide strategy, an implementation plan, appropriate governance arrangements, clear roles and responsibilities, and the resources and capabilities it needs for its leadership role.

1.15 We also looked at the Ministry's oversight of the system. We wanted to understand whether the Ministry has effective arrangements to monitor and report on system performance, identify and manage significant risks and opportunities, and guide and support others working in housing and urban development.

1.16 We did not look at:

- the Ministry's effectiveness in delivering individual projects and programmes, including procurement and contract management (although we refer to some projects and programmes for context); or
- the Ministry's monitoring of Kāinga Ora – Homes and Communities or Tāmaki Redevelopment Company.

How we carried out our work

1.17 We reviewed more than 200 documents, including strategies, reports on activity and programmes, Cabinet papers and minutes, and accountability documents. We also did a targeted literature review of system leadership and the housing market in New Zealand and overseas.

1.18 We talked to more than 60 people in 37 interviews. Of these, 14 interviews were with the Ministry's staff. We also carried out 23 interviews with people from 18 other organisations – 11 central government agencies and seven local government or non-governmental organisations. People we interviewed included chief executives, managers, advisors, and planners.

1.19 We analysed financial and performance data from 2016 to mid-2023, including Budget information and public housing statistics. We also assessed the Ministry's process for collating and using data.

1.20 We carried out much of our fieldwork in 2021 and 2022. Since then, to keep our findings and recommendations current, the Ministry has provided us with regular updates on progress in developing its approach to its system leadership.

Structure of this report

1.21 In Part 2, we discuss how the Ministry sets the system's direction and plans to achieve its strategic outcomes.

1.22 In Part 3, we discuss how the Ministry uses its information and governance arrangements to monitor and oversee the system.

1.23 In Part 4, we describe how the Ministry is increasing its leadership capability.

2 Setting direction for the housing and urban development system

2.1 In this Part, we discuss:

- the Ministry's role and mandate;
- the system's strategic framework;
- implementation plans for achieving housing and urban development outcomes; and
- the work the Ministry has done to start addressing the challenges with housing and urban development.

2.2 The Ministry is a relatively new organisation, and was set up to provide leadership of a complex system under intense pressure. We expected the Ministry, as a system leader, to have:

- a good understanding of the system and the critical stakeholders it needs to work with;
- a shared vision and a clear, well-informed strategy that sets the system's direction; and
- a coherent plan to achieve that strategy's outcomes.

Summary of findings

2.3 The Ministry led the process to develop the *Government Policy Statement on Housing and Urban Development* (the Government Policy Statement). It also worked with Te Puni Kōkiri to develop *MAIHI Ka Ora – The National Māori Housing Strategy 2021-51* (MAIHI Ka Ora).

2.4 To prepare both documents, the Ministry used its understanding of the system's current state and engaged significantly with groups and organisations involved in housing and urban development. This engagement broadened the Ministry's understanding of who else it should engage with in the future. People we spoke to mostly supported the strategic framework that these two documents set.

2.5 Taken together, the Government Policy Statement and MAIHI Ka Ora set out a clear long-term vision for the system, as well as focuses and priorities for the medium term. Implementation plans that further define the medium-term priorities and actions to achieve them support these documents.

The Ministry has a mandate to provide system leadership and oversight

2.6 In May 2018, the then Minister of Housing and Urban Development prepared a Cabinet paper that described the system as lacking clear leadership, coherence, and effective long-term stewardship.

2.7 The Cabinet paper said that although housing was a central priority for the Government and it had a significant work programme under way, the current leadership arrangements, mandate, and resourcing did not reflect that programme's importance and complexity. There was no:

- designated leader or leaders with accountability to Ministers for delivering the strategy and the programme as a whole;
- formal leadership mandate or governance arrangements to ensure that agencies were aligned and collaborating on a central strategy; or
- comprehensive centre of expertise to support leadership for individual agencies and at the system level.

2.8 In response, Cabinet agreed to set up the Ministry and gave it a mandate to lead the system. This leadership role included:

- leading the design, implementation, and review of the housing and urban development strategy;
- providing strategic advice about all aspects of the system;
- leading the design, implementation, and review of urban development strategies; and
- monitoring and reporting on progress, including collecting better data and improving data-analysis capability.

2.9 The Ministry began operating on 1 October 2018. As well as the Ministry's system leadership responsibilities, it was also responsible for housing and urban development services, regulatory functions, and initiatives that had previously been carried out by other public organisations (see Figure 1).

Figure 1
Functions transferred to the Ministry of Housing and Urban Development

Agency	Functions
Ministry of Business, Innovation and Employment	Housing and urban policy roles, including the administration of funding for HomeStart, Welcome Home Loans, the legacy Social Housing Fund, and Community Group Housing
	KiwiBuild
	Community Housing Regulatory Authority
Ministry of Social Development	Housing policy for emergency, transitional, and public housing
	Housing Business Group (responsible for purchasing emergency, transitional, and public housing)
The Treasury	Monitoring of Housing New Zealand (now part of Kāinga Ora – Homes and Communities) and Tāmaki Redevelopment Company

2.10 None of the groups and organisations involved in housing and urban development are accountable to the Ministry, and each have their own priorities. The Ministry cannot direct them to work in a collaborative or aligned way. However, collaboration and alignment are crucial for the system to effectively address challenges with housing and urban development.

2.11 The Ministry formed relationships with groups and organisations working in different areas of housing and urban development. One of the ways it has done this is through developing the Government Policy Statement and MAIHI Ka Ora.

The Government Policy Statement sets a clear strategic framework for housing and urban development

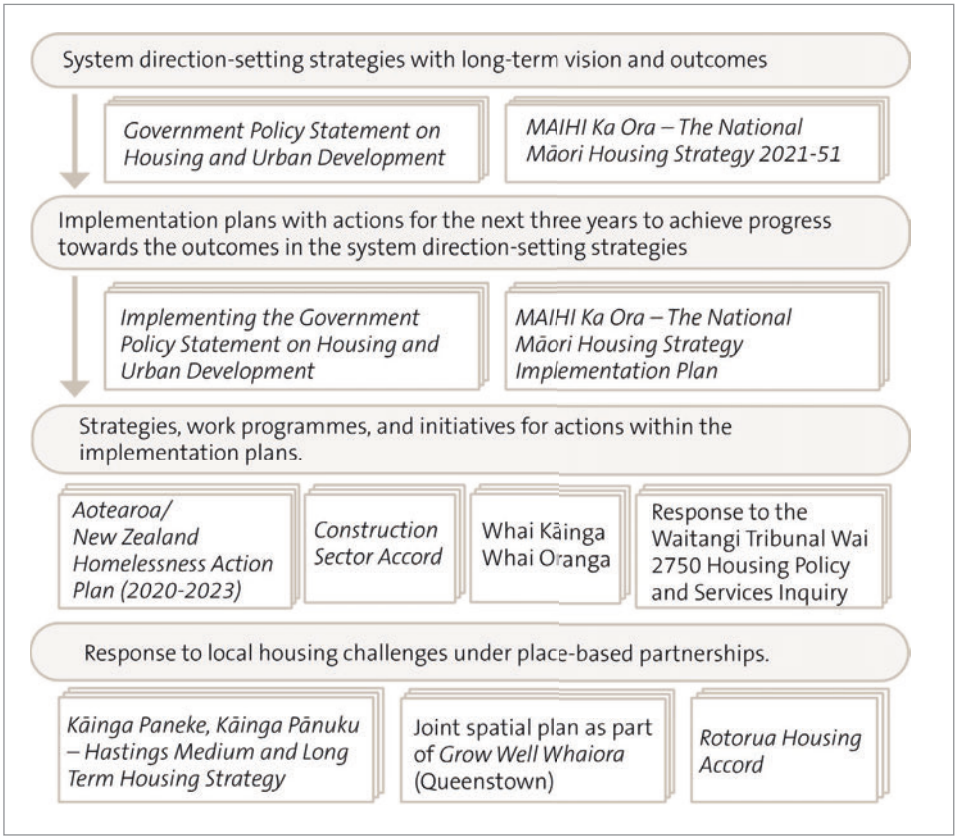
2.12 When leading a complex system, it is important to have a clear strategic vision, long-term outcomes, medium-term objectives, and well thought-out plans to achieve them. This gives groups and organisations involved in housing and urban development clarity about what they need to achieve, what role they play, and how their role might need to change over time.

2.13 To get groups and organisations to support the system's strategic vision, they need to be consulted when the strategy is being developed.

2.14 During our audit, we expected to see that the Ministry has the key elements of an overarching strategic framework for housing and urban development. We expected the strategic framework to include an agreed vision and long-term outcomes. We also expected the strategic framework to set out medium-term objectives or priorities for action.

2.15 These elements were in various documents that the Ministry prepared or contributed to at different times. Figure 2 summarises where these elements can be found, how they fit together, and their relationship to individual initiatives.

Figure 2
The relationship between the different elements of the strategic framework



Note: The documents listed in the lower half of this figure are examples, not a complete set.

2.16 In our view, the Government Policy Statement and MAIHI Ka Ora together provide a shared strategic vision and shared outcomes for the system. Therefore, the Ministry can use these documents to support the groups and organisations in housing and urban development to work together. These documents were published on 28 September 2021.

The Ministry consulted widely to develop the Government Policy Statement

2.17 Ministers must issue a Government Policy Statement under section 22 of the Kāinga Ora – Homes and Communities Act 2019. The purpose of the Government Policy Statement is to:

- state the Government's overall direction and priorities for housing and urban development; and
- inform and guide the decisions and actions of groups and organisations involved in housing and urban development and the necessary or desirable activities.

2.18 The Government Policy Statement sets out a clear vision for the overall system:

Everyone in Aotearoa New Zealand lives in a home, and within a community, that meets their needs and aspirations.

2.19 Figure 3 shows that this vision is supported by four outcomes, six focus areas, and four ways of working.

Figure 3
Overview of the *Government Policy Statement on Housing and Urban Development*

Vision	**Everyone in Aotearoa New Zealand lives in a home, and within a community, that meet their needs and aspirations.**
Outcomes	Thriving and resilient communities – Everyone is living in communities that meet their needs. The places where people live are accessible and connected to employment, education, social and cultural opportunities. They grow and change well within environmental limits, support people's culture and heritage, are resilient to natural hazards, and help us reduce emissions and adapt to the impacts of a changing climate.
	Wellbeing through housing – Everyone lives in a home, whether rented or owned, that is stable and affordable. The quality, accessibility, size, and features of our homes support people and families to live healthy, successful lives.
	Māori housing through partnership – Māori and the Crown are working together in partnership to ensure all whānau have safe, healthy affordable homes with secure tenure. Māori housing solutions are led by Māori and are delivered locally. Māori are able to use their own assets and whenua Māori to invest in and support housing solutions.
	An adaptive and responsive system – The system is integrated, self-adjusting and delivers in response to emerging challenges and opportunities. Land-use change, infrastructure and housing supply is responsive to demand, well-planned and well-regulated.

Focus areas	Ensure more affordable homes are built
	Ensure houses meet needs
	Enable people into stable, affordable homes
	Plan and invest in our places
	Support whānau to have safe, healthy, affordable homes with secure tenure
	Re-establish housing's primary role as a home rather than a financial asset
Ways of working	Te Maihi o te Whare Māori (MAIHI) – Acknowledges the history of Māori housing and responds to these needs through kaupapa Māori approaches. MAIHI sets a precedent for collaborating between agencies and working with Māori to increase housing supply.
	Place-based approaches – Communities access and develop housing and urban solutions that work for them in each place. Solutions are developed collaboratively and are targeted to meet their needs.
	Genuine and enduring relationships – Effective relationships, and co-ordinated planning, investment and decision-making deliver outcomes and support capability and capacity building throughout the system.
	Sustainable and reliable funding – Long-term certain and sustainable public and private funding is paired with regulatory and system reforms to support and incentivise housing and urban development outcomes.

Source: Adapted from New Zealand Government (2021), *Government Policy Statement on Housing and Urban Development*.

2.20 The Ministry started discussing the process for developing the Government Policy Statement with Ministers from August 2019. In developing the Government Policy Statement, the Ministry had to consult Kāinga Ora and people or groups interested in housing and urban development.[8]

2.21 The Ministry consulted with these people and groups over a period of 18 months. Although the consultation process was interrupted by the Covid-19 pandemic, it included:

- three online workshops, with one focused on issues of interest to iwi and Māori;
- workshops with particular stakeholders on specific issues; and
- engagement with individuals, organisations, and Kāinga Ora.

2.22 The Ministry wanted to take a broad view of the issues facing the system. Therefore, its workshops encouraged different groups of stakeholders to talk to each other and the Ministry about the challenges their communities faced.

2.23 The Ministry also consulted with the public on its *Discussion Document: Government Policy Statement on Housing and Urban Development* in June and July 2021. The discussion document was informed by the Ministry's understanding and monitoring of the system. For example, the Ministry included data about the current state of the system and the housing outcomes New Zealanders were experiencing.

8 Section 24 of Kāinga Ora – Homes and Communities Act 2019.

2.24 The Ministry also identified "megatrends" that the Government Policy Statement needed to consider. These trends included population increase and distribution, climate change, empowered Treaty relationships, and urban and regional dynamics. The Ministry published a summary of these trends for the public and asked for feedback as part of the consultation process for the discussion document.

2.25 The Ministry received more than 540 submissions from a range of sectors, age groups, regions, and ethnicities.

2.26 We spoke to people who participated in the consultation process. They expressed a range of views. Most felt they were engaged with well and at the right level. Others felt they were engaged too late in the process. However, all those we spoke to broadly supported the intent of the Government Policy Statement. They told us it said many of the right things and had the right objectives.

2.27 Ministry staff told us that the number and range of responses they received helped them to broaden their thinking about the scope of the Ministry's engagement on the Government Policy Statement and its other responsibilities.

MAIHI Ka Ora sets out a strategy for Māori housing

2.28 In 2018, the Government identified achieving equitable housing outcomes for Māori as a priority. In 2020, the Ministry worked with Te Puni Kōkiri and Te Matapihi he tirohanga mō te iwi Trust on an approach called *Maihi o te Whare Māori – the Māori and Iwi Housing Innovation Framework for Action* (MAIHI Framework for Action) – to respond to urgent and long-term issues Māori were facing.

2.29 The Ministry, supported by Te Puni Kōkiri, developed MAIHI Ka Ora, which builds on the MAIHI Framework for Action. MAIHI Ka Ora guides how the government will work and where it will focus its energy and resources to help improve housing outcomes for Māori. MAIHI Ka Ora also describes how Māori and the Crown can work in partnership towards these goals.

2.30 The vision of MAIHI Ka Ora is:

> *All whānau have safe, healthy, affordable homes with secure tenure, across the Māori housing continuum.*

2.31 MAIHI Ka Ora identifies six priority areas for Māori housing. The priorities, and their associated goals, are:

- Māori Crown partnerships – The Crown and Māori work in partnership to achieve balance through a collaborative work programme that strengthens housing solutions for whānau.
- Māori-led local solutions – There is a significant increase in the number of

quality, locally-led Māori housing solutions that meet the needs of whānau.

- Māori housing supply – The number of Māori-owned homes and iwi- and hapū-owned houses meet the housing needs of all Māori.
- Māori housing support – Whānau have better access to effective support that is fit for purpose and enables them to attain and maintain their preferred housing option.
- Māori housing system – The system supports Māori to accelerate Māori-led housing solutions.
- Māori housing sustainability – Whānau are supported to achieve mana-enhancing housing solutions on their whenua. Māori are able to sustain a connection to their own land through housing, and their housing is innovative and responsive to the effects of climate change.

2.32 Recognising the need to work in partnership with Māori to address housing inequities, the Ministry prepared a set of principles to guide the Ministry's, and other agencies', work on Māori housing over the next 30 years. These principles recognise the need to work in partnership with Māori to address housing inequities. They place te Mauri o te whānau, the life force of the whānau, at the centre to build strength and resilience from within. The principles are:

- Mauri – Enabling the life force, an essence for revival and fulfilment to be sustained in wellbeing.
- Whakamana – Empowering whānau intergenerationally.
- Manaakitanga – Key mechanisms of engaging and building relationships.
- Tino Rangatiratanga – Self-determination of self-sufficiency through creating your own sense of belonging.
- Whanaungatanga – Delivery services for Māori through a whakapapa lens.
- Tikanga – Doing things right, being in the right place at the right time.

2.33 When developing MAIHI Ka Ora, the Ministry and Te Puni Kōkiri drew lessons from:

- the previous *He Whare Āhuru He Oranga Tangata – The Māori Housing Strategy*;
- claims made under the Waitangi Tribunal Wai 2750 – Housing Policy and Services Kaupapa Inquiry;
- the *Aotearoa/New Zealand Homelessness Action Plan (2020-2023)*; and
- the *National Policy Statement on Urban Development 2020*.

2.34 After receiving feedback on its engagement in preparing the MAIHI Framework for Action, the Ministry engaged more widely in preparing MAIHI Ka Ora. The Ministry and Te Puni Kōkiri engaged with the National Iwi Chairs Forum, hapū, iwi, whānau,

Te Matapihi he tirohanga mō te iwi Trust, marae, and Māori housing providers, and ran six regional wānanga. The Ministry and Te Puni Kōkiri also consulted with relevant central government agencies, including the Ministry of Social Development, Kāinga Ora, and the Department of Internal Affairs.

2.35 We heard mixed views about the quality of the consultation on MAIHI Ka Ora. These ranged from the view that MAIHI Ka Ora was widely-consulted, to the view that time for face-to-face discussions was too short and that there should have been greater emphasis on co-designing MAIHI Ka Ora. Some participants we spoke to also emphasised the importance of the Ministry having the right capability to apply the MAIHI principles.

2.36 Overall, we heard that there was broad support for the strategic framework for addressing Māori housing inequities, including the intention of working in partnership with Māori.

Implementation plans clarify how outcomes will be achieved

2.37 Implementation plans break down a strategy's long-term vision and desired outcomes into short to medium-term actions.

2.38 Six months after MAIHI Ka Ora was published, its implementation plan was released. The Government Policy Statement's implementation plan was released 12 months after the Government Policy Statement was published. Both implementation plans focus on the actions to be delivered over three years to advance their strategic visions.

2.39 Some stakeholders told us that the gap between publishing the strategy documents and the implementation plans meant it was sometimes hard to understand what was expected of them, who they needed to work with, and how to plan their own work programmes. This lack of clarity risked undermining the value that people saw in developing the common vision and strategy for the system.

2.40 Some of the actions in the implementation plan for MAIHI Ka Ora are included in the Government Policy Statement's implementation plan. This is because the repeated actions are important for improving the system's overall performance. In our view, this indicates that the two plans are designed to work together.

2.41 As the Ministry starts to lead the implementation of the strategic framework, it will need to ensure that MAIHI Ka Ora and the Government Policy Statement remain aligned.

2.42 The Ministry also has 10 place-based partnerships that allow central government and local partners to work together to address challenges with housing and urban development in their community.[9]

2.43 In each of these 10 locations the Ministry worked with local partners, such as councils and iwi, and other government agencies, such as Waka Kotahi, to develop actions, plans, and strategies to help address the housing challenges in that particular area. These include the *Kāinga Paneke, Kāinga Pānuku – Hastings Medium and Long Term Housing Strategy*, the *Rotorua Housing Accord*, and a joint spatial plan that is part of *Grow Well Whaiora* in Queenstown.

2.44 The implementation plans for MAIHI Ka Ora and the Government Policy Statement outline significant initiatives, deliverables, and estimated time frames. The implementation plans also describe, at a high level, the roles and responsibilities of groups and organisations leading the delivery of the initiatives (see Figure 4).

Figure 4
Two actions under Action Area 1: Reduce barriers to building in the Government Policy Statement's implementation plan

Action	Deliverables	Who is involved	Timeframe
Reviewing barriers to building on whenua Māori – Government will review the barriers that make it difficult for Māori to use their land for housing development, which prohibit them from establishing a physical connection to their own whenua.	Assessment of barriers to Māori utilising their whenua with recommendations for change. Work programme to reduce barriers will be developed and piloted.	**The Ministry (lead)**. Te Puni Kōkiri. Input from Te Kooti Whenua Māori and Councils.	2023 to 2024.
Establishing a Long-Term Funding and Investment Approach – Long-term work programme to make housing and urban development funding more reliable, sustainable, and strategic. Will increase funding stability and encourage long-term investment in housing and urban development	There will be an initial focus on making investing for outcomes and providing expert strategic advice on value for money and realising benefits throughout the system a key capability for the Ministry. Longer-term deliverables will be identified when this work programme starts.	**The Ministry (lead)**. Kāinga Ora. The Treasury. Community Housing sector. Consultation with other system partners.	Start in 2022.

Source: Adapted from New Zealand Government (2022), *Implementing the Government Policy Statement on Housing and Urban Development*.

9 These are in Northland-Te Tai Tokerau, Auckland, Hamilton-Auckland corridor, Tauranga-Western Bay of Plenty, Rotorua, Gisborne-Tairāwhiti, Hastings, Wellington-Horowhenua, Greater Christchurch, and Queenstown Lakes.

2.45 In our view, the implementation plans will help groups and organisations understand what is expected of them, help them plan their own work programmes, and understand who they need to work with.

2.46 The implementation plans will also help the public understand how the desired outcomes will be achieved and provide a basis for holding groups and organisations to account for progress.

2.47 The actions in the implementation plans for the Government Policy Statement and MAIHI Ka Ora are broadly aligned with their outcomes and priorities. However, the actions in the implementation plan for MAIHI Ka Ora are more clearly linked to the outcomes in the strategy. This makes it easier to understand which priorities the actions are helping to advance.

2.48 The Kāinga Ora – Homes and Communities Act 2019 requires the Ministry to review the Government Policy Statement at least every three years. This means the Ministry needs to review it in 2024. The Ministry also intends to review the Government Policy Statement's implementation plan and the MAIHI Ka Ora implementation plan at the same time.[10]

2.49 We suggest that as part of updating the Government Policy Statement and its implementation plan, the Ministry considers how it can more clearly link the actions in the Government Policy Statement implementation plan to the outcomes.

2.50 In our view, the Ministry could usefully align the process for updating and seeking comment on the Government Policy Statement and the implementation plans for the Government Policy Statement and MAIHI Ka Ora. This will help stakeholders to better understand the connections between the different documents and to provide comment on the complete strategic framework for setting direction and prioritising actions for the system.

The Ministry also has responsibilities for delivering initiatives

2.51 At the same time as setting itself up as an organisation and developing the strategic direction for the system, the Ministry has also been required to deliver a range of services, regulatory functions, and initiatives.

2.52 When the Ministry was set up, it became responsible for delivering several initiatives and programmes previously delivered by three other public agencies. One of the programmes the Ministry assumed responsibility for was KiwiBuild, which, at the time, was expected to build 100,000 houses by 2028. The Ministry

10 The priority actions in the MAIHI Ka Ora implementation plan are reviewed annually by the MAIHI Whare Wānanga.

also became responsible for expanding access to transitional housing by increasing the number of places available for people in need.

2.53 From 2018/19 to 2022/23, the Ministry became responsible for more initiatives, including:

- expanding the Housing First programme – The programme aims to improve the social and housing outcomes for chronically homeless people. The Government provided funding to increase available placements for homeless people into accommodation and for associated social services;
- expanding transitional housing – The Government has provided additional funding to increase the supply of long-term transitional housing places in areas with the highest need, and to provide associated social services;
- setting up the Progressive Home Ownership scheme – A scheme to help people into their own homes through arrangements like rent-to-buy, shared ownership, or leasehold schemes. In 2020, the Government provided funding that included $85 million over five years to deliver the scheme, and $400 million for the Progressive Home Ownership Fund;
- setting up Kāinga Ora – Homes and Communities – This involved drafting new legislation and merging Housing New Zealand, its subsidiary Homes, Land, Community, and the Ministry's KiwiBuild Unit to form a new Crown entity. This new Crown entity is the Government's provider of public housing and urban development agency, with the Ministry as the monitoring department;
- work on supporting improved housing outcomes for Māori, including developing the MAIHI Framework for Action, working with Te Puni Kōkiri on Whai Kāinga Whai Oranga, and preparing MAIHI Ka Ora;
- setting up the Housing Acceleration Fund – In 2021, the Government provided $3.8 billion over four years to increase the pace and scale of new housing supply through supporting the provision of infrastructure and housing and expanding the Land for Housing programme; and
- responding to the Covid-19 pandemic, including working with other agencies and public housing providers to support vulnerable people and house homeless people during the pandemic. The Ministry also worked with others to prepare for expected pandemic impacts, such as an increase in unemployment.

2.54 The Ministry had to increase both its capacity and capability to progress these initiatives. The Ministry needed to:

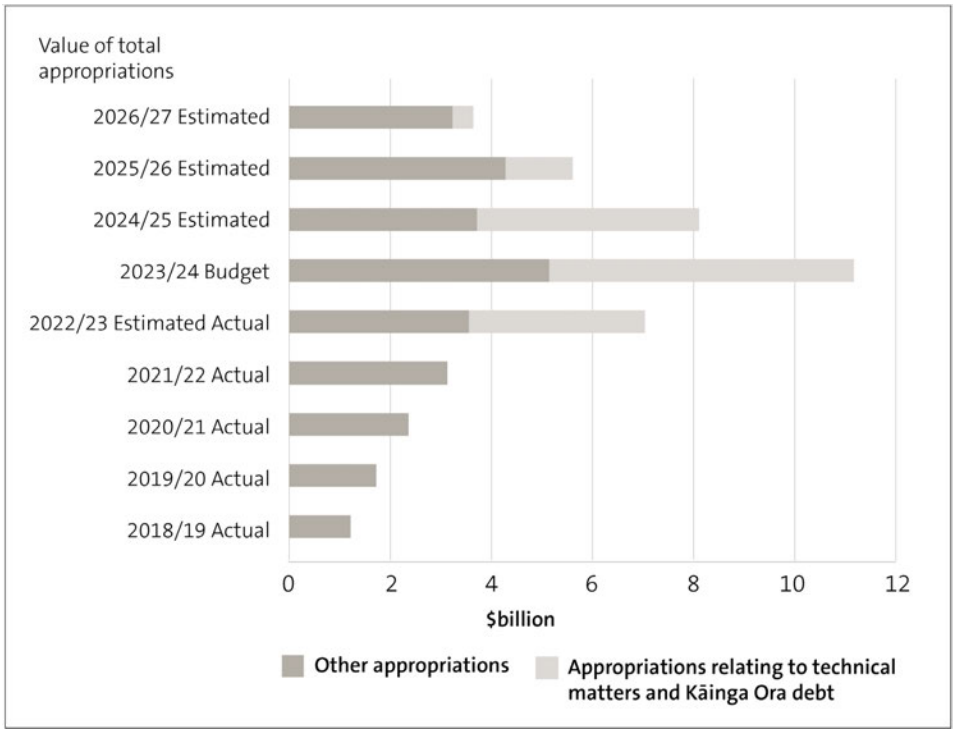
- engage with other agencies, councils, and non-governmental organisations to develop options and work programmes associated with these new initiatives;
- seek feedback and approval from Cabinet;

- request additional funding; and
- deliver these initiatives, either independently or in co-ordination with other organisations.

2.55 The increase in responsibilities is reflected in the increase in funding administered by the Ministry through Vote Housing and Urban Development appropriations. Figure 5 shows funding increased from $1.22 billion in 2018/19 to a budgeted $5.14 billion in 2023/24 (excluding appropriations for technical matters and Kāinga Ora debt).

Figure 5
Funding available through Vote Housing and Urban Development appropriations, 2018/19 to 2026/27

Actual and budgeted funding available to the Ministry through Vote Housing and Urban Development appropriations (excluding those for technical matters and Kāinga Ora debt) increased by about 320% between 2018/19 and 2023/24, from $1.22 billion to $5.14 billion. Total appropriations are estimated to then decrease to $3.66 billion in 2026/27.

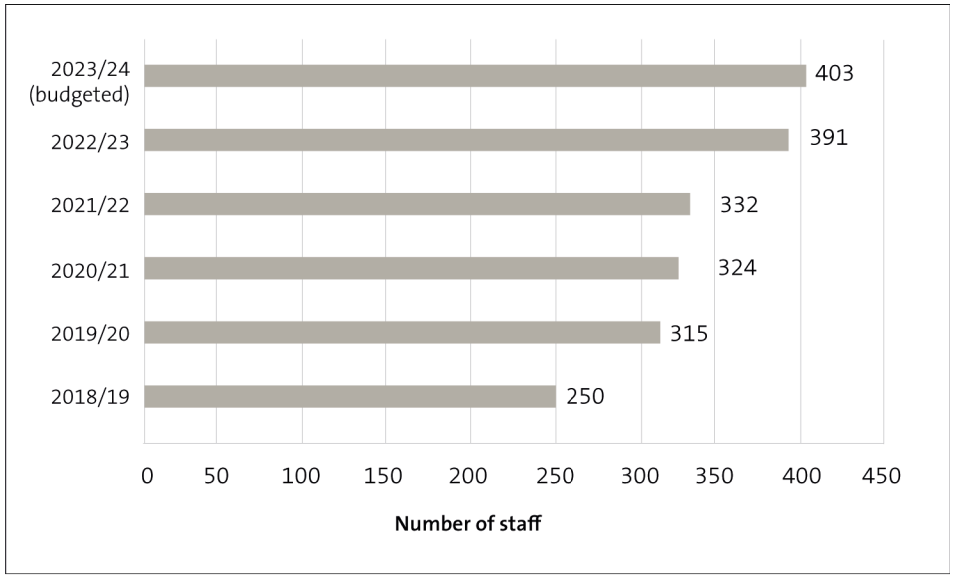


Source: Based on data from the Ministry of Housing and Urban Development.
Note: Overall funding from Vote Housing and Urban Development appropriations decrease in later years mainly because current funding for some initiatives is time-bound, such as for the Housing Infrastructure Fund Loans and the Progressive Home Ownership scheme, and funding for Kāinga Ora and Tāmaki Regeneration Company.

2.56 The increase in responsibilities is also seen in the number of staff (permanent and fixed term) at the Ministry, which increased from 250 in 2018/19 to a budgeted 403 in 2023/24 (see Figure 6).

Figure 6
Actual and budgeted staff numbers, 2018/19 to 2023/24

The number of actual and budgeted staff has increased by over 50% between 2018/19 and 2023/24.



Source: Based on data from the Ministry of Housing and Urban Development.

2.57 These responsibilities (delivering services, regulatory functions, and initiatives), alongside the Ministry's strategic leadership responsibilities, show the complexity of the Ministry's work.

2.58 We discuss how effectively the governance of the system is set up to deal with this complexity in Part 3 and the work the Ministry is doing to further increase its organisational capability in Part 4.

3 Monitoring and overseeing the housing and urban development system

3.1 In this Part, we discuss:

- how the Ministry understands and monitors how the system is performing;
- how the Ministry understands, monitors, and manages risks to the system; and
- how the system is governed.

3.2 We carried out this audit when the Ministry's leadership of the system was changing from setting the strategic objectives to delivering on them. This shift is challenging because although the Ministry has a mandate to lead the system, it cannot tell other groups and organisations involved in housing and urban development what to do. The Ministry must use its influence to achieve change in the system.

3.3 We wanted to understand whether the Ministry had effective oversight of the system, including whether it had arrangements in place to influence system performance. We expected the Ministry to:

- understand and monitor the system's current and projected performance, using relevant and reliable information;
- publicly report on the system's performance and identify any need for improvements;
- identify and manage system-wide risks; and
- have effective governance arrangements to oversee the system.

Summary of findings

3.4 During our audit, the Ministry published the first iteration of a monitoring framework that would help it to assess progress against the outcomes of the Government Policy Statement and MAIHI Ka Ora. The Ministry was also working with other organisations to set milestones for tracking progress against the Government Policy Statement's implementation plan. The Ministry is making further improvements to its understanding of the performance of the system, including by building a data model to understand future housing needs.

3.5 The Ministry is also maturing its approach to risk management by improving its strategic risk register and setting up an enterprise risk management and assurance framework. We encourage the Ministry to continue to build on the improvements it has already made to monitoring information and managing risk. This work is important to better inform decision-making by governors, and to support transparency and accountability to stakeholders.

3.6 It is important for the Ministry to use its detailed knowledge about the system to improve its reporting to the main system-wide governance group (the Chief Executives' Housing Group). To provide collective oversight in achieving the Government Policy Statement, chief executives in the Chief Executives' Housing Group and the organisations they are responsible for will need to provide deliberate focus and engagement.

The Ministry is increasing its system monitoring capability

3.7 Sharing good information about the system is critical to planning, measuring progress, and monitoring outcomes. Making that information publicly available also contributes to transparency and accountability.

Monitoring and reporting progress against the strategic aims of the Government Policy Statement and MAIHI Ka Ora

3.8 During our audit, the Ministry prepared and published the first iteration of the monitoring framework it will use to measure progress towards outcomes in the Government Policy Statement and MAIHI Ka Ora. The Ministry states that the indicators in this framework:

- have a strong connection to the outcomes of the Government Policy Statement and MAIHI Ka Ora;
- measure change in the whole system, rather than specific policies or programmes; and
- measure change at a national level, with information for population, geographic, and tenure groups,[11] where appropriate.

3.9 We support this system-wide monitoring approach. As the public sector increasingly works in a more unified and collaborative way to manage long-term issues and outcomes, there might be value in more sector-based or outcomes-based monitoring and reporting.[12]

3.10 However, certain aspects of the Ministry's current framework are incomplete.

11 Tenure groups are used to organise data by how long people have lived at a specific address.

12 Controller and Auditor-General (2021), *The problems, progress, and potential of performance reporting*, Office of the Auditor-General, paragraph 4.55, at oag.parliament.nz.

3.11 Figure 7 shows an example of the monitoring framework under the Government Policy Statement outcome of "Wellbeing through housing".

Figure 7
Indicators under the Government Policy Statement outcome of "Wellbeing through housing"

Objective	Indicator	Desired direction
Everyone lives in a home, whether rented or owned, that is stable and affordable	Reporting the number of people estimated to be experiencing Severe Housing Deprivation illustrates the number of people who are experiencing homelessness. This estimate helps the Ministry understand the extent to which homelessness is becoming rare, brief, and non-recurring.	Decrease
	Tracking the percentage of people living in an owner-occupied dwelling provides information on whether housing affordability is improving for those who are able to own their home. This indicator helps the Ministry understand whether the housing market is providing a more diverse range of stable and affordable housing.	Increase
	Comparing changes in rental prices with changes in median household disposable income helps the Ministry understand the affordability of rental properties throughout the country. This indicator helps the Ministry understand whether the housing market is providing a more diverse range of stable and affordable housing.	Increase
	Reporting the percentage of households paying 30% or more of household income on housing costs provides information on the affordability of housing, for a range of tenures. This indicator illustrates whether people have enough income, after direct and indirect living costs, to meet their needs.	Decrease
The quality, accessibility, size and features of our homes support people and families to live healthy successful lives	Reporting the percentage of people who report living in a warm, dry home which does not require repairs shows how residents perceive the quality of their housing. This indicator helps the Ministry understand the extent to which people are living in houses that are safe, warm, and dry.	Increase
	Reporting the percentage of people living in a severely crowded home illustrates the number of people who are living in homes that need two or more extra bedrooms. This indicator highlights whether houses are meeting the needs of New Zealand's changing and diverse populations.	Decrease

Source: Based on information from *He Oranga Kāinga, He Oranga Hapori – Housing and Urban Development Indicators*, at hud.govt.nz.

3.12 The Ministry intends to make changes to the monitoring framework over time as priorities change and better information becomes available. For example, the Ministry is currently preparing indicators for the priority area of Māori housing sustainability. We encourage the Ministry to prioritise this work so that all elements of the Government Policy Statement and MAIHI Ka Ora are covered.

3.13 For most indicators, the Ministry focused on a desirable trend instead of setting a specific target. For example, one of the indicators in the Government Policy Statement to understand progress in achieving the outcome of an "adaptive and responsive system" is "increasing the proportion of building consents granted for higher-density housing in urban areas".

3.14 Although trend information can show change over time, it is not clear what the "right proportion of building consents" would be to prove that urban change is responding to housing needs and climate change. We encourage the Ministry to consider using clearer targets linked to impacts to provide more focus for the system.

3.15 The Ministry intends to publicly report on progress against outcome indicators for the Government Policy Statement and MAIHI Ka Ora in October each year. The Ministry expects to publish the first annual system update in late 2023. The update will include progress made against outcomes and the implementation plans for the Government Policy Statement and MAIHI Ka Ora. The annual system update will be provided to relevant Ministers, and the MAIHI Whare Wānanga will review progress against the MAIHI Ka Ora indicators and implementation plan at its annual hui.

Monitoring the implementation plans

3.16 During our audit, the Ministry was working with organisations responsible for actions in the Government Policy Statement's implementation plan to create milestones that could be used to track progress.

3.17 High-quality reporting will support the Ministry to influence the changes needed in the system. More detailed monitoring of the implementation plans will help the Ministry identify where it needs to work with individual agencies or responsible governance groups to overcome obstacles and mitigate risks to achieving the outcomes in the Government Policy Statement. In our view, this reporting needs to happen as soon as possible.

The Ministry is looking to improve data capability

3.18 Since 2018, the Ministry has been improving data and information about how the system is working. For example, to provide good contextual information, the Ministry prepared a report on the housing market that brings together commentary and data on aspects of the market, such as the property market, the rental market, and residential construction.

3.19 The Ministry is making this information more accessible to stakeholders and the public. For example, the Ministry is responsible for an urban development dashboard that provides insights on local markets. This dashboard provides market indicators (such as dwelling sales prices) and price efficiency indicators (such as the extent to which construction costs or land costs contribute to house prices). The Ministry has made the dashboard publicly available. Councils are required to monitor and use the dashboard when implementing the *National Policy Statement on Urban Development 2020*.

3.20 The Ministry reports other information and data publicly, such as in the Public Housing Quarterly Report and its interactive housing dashboard, which is on its website. The interactive housing dashboard includes data about the Housing Register[13] and progress in adding new public housing by Kāinga Ora and Community Housing Providers.

3.21 The Ministry also commissioned or carried out data analysis to inform its work (such as its work on homelessness or work to identify specific regions or communities where it should roll out its place-based approach).

3.22 Councils and government agencies told us they welcomed the information and data the Ministry makes available. One person told us they appreciated how the Ministry was building data sets that were previously unavailable to their organisation. Another person told us they used information from the Ministry's housing dashboard to inform their agency's housing strategy. However, most people we spoke to, including senior Ministry staff, thought the Ministry could do more to collate, integrate, and share data throughout the system.

3.23 The Ministry recognises that it needs to continue improving its collection and collation of data. For example, there are some gaps in the available data for housing outcomes for Māori and people who receive social services and housing assistance.

3.24 During our audit, the Ministry was considering:

- a model that would help the Ministry get a more detailed picture of future housing need versus supply for specific groups of people;

13 The Housing Register includes people not currently in public housing who have been assessed as eligible by the Ministry of Social Development and who are ready to be matched to a suitable property.

- how it could build its data capability and capacity, including by refocusing the Ministry's Impact and Evaluation Team to assess system outcomes and impact;
- what further reports and analysis were needed to inform decision-making (for example, the recently published "Homelessness Outlook") to provide more information about the impact of those programmes; and
- making more of its data and evidence publicly available.

3.25 These are all steps in the right direction.

The Ministry's approach to managing risk is maturing

3.26 Identifying, understanding, and managing risk is fundamental to the Ministry's system leadership role. When a risk is not managed effectively, projects and interventions can fail to meet their objectives and undermine their intended impact. Understanding system-wide risks also supports effective decision-making and enables the Ministry to work with others to reduce the likelihood of the risks eventuating.

3.27 The Ministry's strategic risk register helps it to focus on risks to long-term objectives and outcomes. The risk register includes descriptions of each strategic risk, what could trigger it, the preferred mitigation, and risk ratings based on likelihood and impact. The Ministry's senior leadership team reviews the strategic risk register quarterly and uses it to monitor trends and identify emerging opportunities and priorities.

3.28 During our audit, the Ministry set up an improved enterprise risk management and assurance framework and shifted the strategic risk function to the Office of the Chief Executive. These are positive developments. However, more time will be needed to embed and mature the Ministry's risk management and assurance systems so that the Ministry can manage its own risks and system-wide risks.

3.29 The Ministry receives independent advice from its Strategic Advisory Committee. This Committee consists of members external to the Ministry. It advises, supports, and challenges the chief executive and the senior leadership team on matters about the system, including a particular focus on investment and delivery risks.

3.30 In our view, the Ministry could usefully consider how it can best involve other organisations in identifying and managing strategic risks to the system. This would help the Ministry get a more complete understanding of those risks, whether those risks are increasing or decreasing, and help it influence other organisations to mitigate those risks. It would also help create a culture of shared ownership for managing strategic risks.

3.31 The Ministry could also ensure that the Chief Executives' Housing Group is responsible for risks to the system, to encourage collective oversight. The Ministry could, for example, have a standing agenda item to have a detailed discussion on individual risks, which would, in turn, encourage joint responsibility for mitigation or management actions. We discuss the effectiveness of the Ministry's governance arrangements in paragraphs 3.34 to 3.59.

3.32 Our recent work on audit and risk committees highlights the importance of discussion and personal experience in managing risks. It concentrates on improving the ability to influence others. We said:

> *Although there is immense capability in the public service, issues will arise that have no obvious answers or require experience and skills outside what is already available in the government department. The Committee offers a confidential forum to speak openly, test ideas, receive direct feedback, and to have free and frank conversations on issues and risks the department is facing.*[14]

3.33 We encourage the Ministry to continue developing its approach to system-wide risk management with this guidance in mind.

Recommendation 1

We recommend that Te Tūāpapa Kura Kāinga – the Ministry of Housing and Urban Development continue to improve its understanding of the housing and urban development system's current and projected performance, and regularly report on it to the public and those responsible for influencing housing and urban development outcomes.

System leadership relies on effective system governance

3.34 Because the Ministry does not have direct responsibility for most parts of the system, it needs to influence others to make changes. We wanted to know whether the Ministry has appropriate governance arrangements to influence strategic action throughout the system.

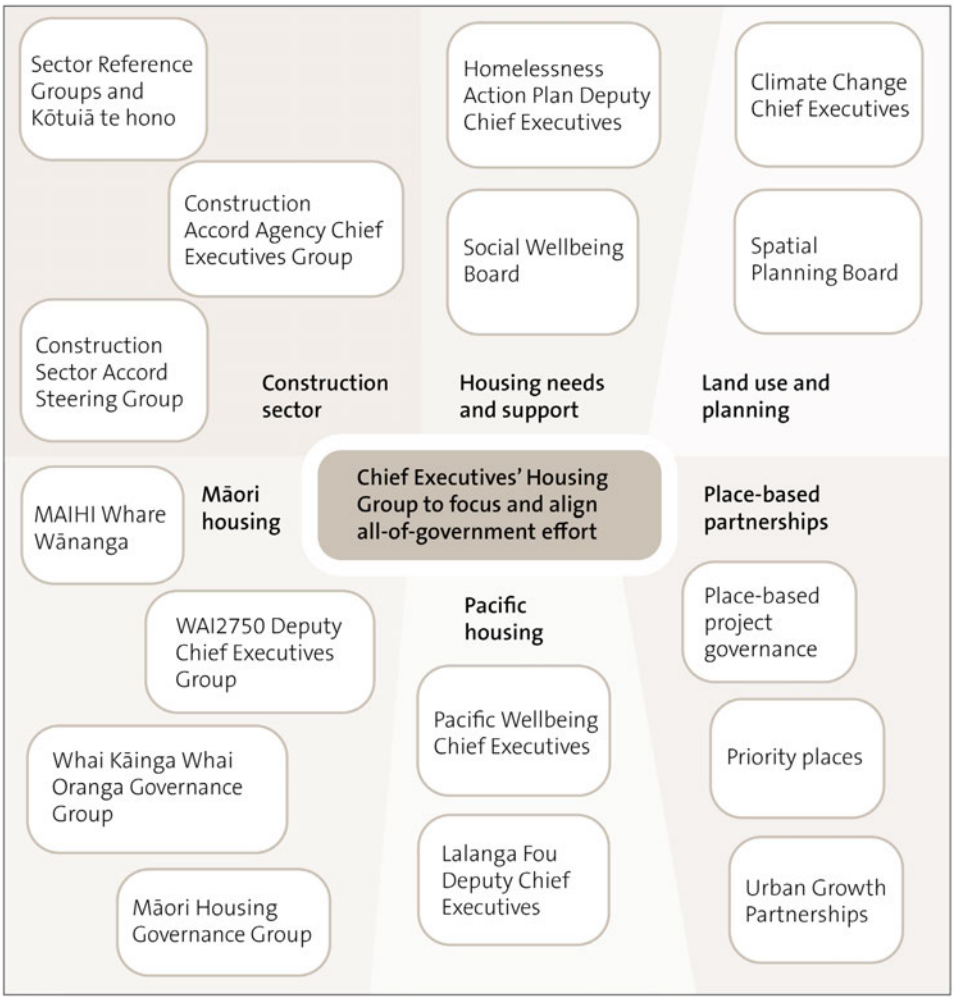
3.35 Because the system involves multiple groups, organisations, and work programmes, governance is required at several different levels. We were not looking for "one" system. Instead, we focused on whether the types of arrangements felt broadly appropriate and whether there was effective system-level governance supported by a good flow of information about the way the system was functioning.

3.36 There is system-level governance, and there are arrangements to oversee the implementation of MAIHI Ka Ora and individual work programmes and support the 10 place-based partnerships (see Figure 8). The Ministry set up, or has been

14 See *Getting the most out of your department's Audit and Risk Committee*, at oag.parliament.nz.

involved in setting up, some of these arrangements, such as the Chief Executives' Housing Group. It is also involved in governance arrangements for housing and urban development that other agencies, such as the Social Wellbeing Board, are responsible for. Most of these arrangements were set up before the Ministry had developed, with others, the strategic framework for the system.

Figure 8
How the housing and urban development system is governed



Source: Based on information from the Ministry of Housing and Urban Development.

3.37 We discuss these different governance arrangements below.

Sub-system governance is generally seen as effective

3.38 The Ministry is involved in several governance arrangements that focus on either a particular sub-system or a particular location. These are:

- bespoke governance arrangements for the Māori housing programme;
- place-based governance arrangements; and
- other governance arrangements.

3.39 Recognising the need for a strong and enduring partnership between Māori and the Crown, the Ministry and Te Puni Kōkiri set up bespoke governance arrangements for the work to improve housing outcomes for Māori. This includes setting up:

- a forum called MAIHI Whare Wānanga, which intends to improve collaboration and partnership between whānau, hapū and iwi, and the Crown to address Māori housing inequities. The forum is considered the main oversight and steering mechanism for MAIHI Ka Ora. It first met in December 2020 and now meets annually; and
- joint governance arrangements for activities related to the Whai Kāinga Whai Oranga investment programme, which include representatives from the National Iwi Chairs' Forum, the Ministry, and Te Puni Kōkiri.

3.40 Place-based governance arrangements have been set up in 10 priority locations (see paragraph 2.42). These governance groups agree on actions to address specific housing challenges and monitor progress. For example, the Wellington Regional Leadership Committee, which involves seven local authorities in Wellington-Wairarapa-Horowhenua and several iwi, has developed a Wellington Regional Growth Framework that looks at issues such as access to, and affordability of, housing.

3.41 These place-based governance groups are at various levels of maturity – some are still working to agree roles and responsibilities and others are delivering agreed work programmes.

3.42 There are also bespoke governance arrangements for some sub-systems of the system. This includes work programmes led by the Ministry, such as the *Aotearoa/New Zealand Homelessness Action Plan (2020-2023)*, and work programmes that involve or affect housing and urban development (such as the Ministry for the Environment-led Resource Management Act reforms) that are led by other agencies.

3.43 Many of these individual arrangements are generally seen as effective by people we spoke to. For example, we were consistently told that the governance

arrangements for the *Aotearoa/New Zealand Homelessness Action Plan (2020-2023)* were effective at examining initiatives and facilitating information sharing and discussion. We also heard positive feedback about the place-based governance arrangements and the Ministry's involvement in the Spatial Planning Board leading the Resource Management Act reforms.

3.44 Some staff from the Ministry and other government agencies told us that although there was effective sub-system governance for work programmes (such as for homelessness), there were no effective mechanisms to bring together emerging themes and issues from these governance groups to give the Ministry a system-wide view. We were told that there was no fully functioning system for reporting the risks of particular projects or sharing what had been learned.

System-level governance is in transition

3.45 The Ministry set up system-level governance that seeks all-of-government alignment towards achieving outcomes through the Chief Executives' Housing Group. Now that the system has a strategic framework, the Ministry is supporting a change in the Chief Executives' Housing Group's focus to improve collective oversight for leading and driving cross-system action towards achieving the outcomes in the Government Policy Statement.

3.46 The Chief Executives' Housing Group was set up in 2019. In 2021, the Ministry refined the group's terms of reference, intending for a smaller group of chief executives of nine central government agencies to oversee the work programme, and a wider group, which includes a further 10 central government agencies, to be kept informed and have input when required.[15]

3.47 During the last 12 months, only the wider group has met about every six months.

3.48 We heard mixed views about the value of the Chief Executives' Housing Group, including that it was a useful forum that helped align the work of the different agencies, that it provided useful information that could inform the different work programmes, and that the Ministry could do more to use the Group to influence the system.

3.49 The Ministry is working to change the Chief Executives' Housing Group into a more deliberate and focused decision-making body, with active collective

15 The core group consists of the Chief Executives of the Ministry of Housing and Urban Development (Chair), Ministry of Social Development, Kāinga Ora, Ministry for the Environment, Department of Internal Affairs, and Te Puni Kōkiri. The core group also includes the Chief Executives or representatives from the Department of the Prime Minister and Cabinet, the Treasury, and Te Kawa Mataaho. In addition to the core group, the wider group includes Te Arawhiti, the Inland Revenue Department, the Ministry of Transport, Land Information New Zealand, the Ministry of Business, Innovation and Employment, Oranga Tamariki, the Police, the Ministry of Health, the Ministry for Pacific Peoples, and the Department of Corrections.

oversight of the work programme to achieve the Government Policy Statement's outcomes.

3.50 In our view, two elements are required to make this change. The first is quality engagement from the chief executives of government agencies participating in the Chief Executives' Housing Group (for example, ensuring that there is a clear focus on what is best for the overall system, recognising and using the levers they each have, and being prepared to commit the resources of their organisations to any decisions made).

3.51 The second is having good performance information and monitoring and reporting to inform decision-making. In our view, the Ministry needs to consider improvements to the reporting it provides to the Chief Executives' Housing Group.

3.52 Currently, the Chief Executives' Housing Group receives an update on the progress of the Government Policy Statement's implementation plan. This update does not include:

- risks to implementation or system-wide risks;
- clear milestones for individual actions and whether they are on track;
- progress against the indicators identified in the new monitoring framework; or
- impacts or outcomes being achieved.

3.53 The Ministry is improving the information it has about the system and its capacity to monitor the system. It is also involved in a wide range of governance arrangements throughout the system. This means it should be well placed to provide better reporting to the Chief Executives' Housing Group.

3.54 In our view, reporting to the Chief Executives' Housing Group should include, at a minimum, information about:

- progress toward specific milestones for key actions throughout the system;
- the main risks to implementation;
- system-wide risks; and
- proposals to mitigate or manage risks.

3.55 For example, this reporting could include issues facing the individual programmes and place-based partnerships that might affect whether the Government Policy Statement's objectives are achieved.

3.56 The Ministry could also consider more frequent reporting against key performance indicators, impacts, and outcomes.

3.57 The Ministry told us that it intends to revise the terms of reference and membership of the Group in the next few months.

3.58 In our view, the system is in transition but moving in the right direction. Most of the current governance arrangements were there to respond to specific initiatives or need before a strategic framework had been set up.

3.59 During our audit, the Ministry told us that it intends to map the different governance groups throughout the system to ensure that each group has a specific purpose and to minimise any gaps or overlaps in remit. We support this.

Recommendation 2

We recommend that Te Tūāpapa Kura Kāinga – the Ministry of Housing and Urban Development strengthen system governance by:

- ensuring that the Chief Executives' Housing Group members agree on how they will provide collective oversight for achieving the *Government Policy Statement on Housing and Urban Development*; and
- providing better reporting to support decision-making, including on current and expected housing and urban development outcomes, delivery milestones, and delivery and strategic risks.

4 Increasing capability

4.1 In this Part, we discuss:

- *Kia renarena*, the Ministry's organisational change programme;
- the Ministry's work to strengthen its leadership capability; and
- the Ministry's approach to relationship management.

4.2 We expected to see the Ministry:

- focusing on leading the system as it moves from setting a strategy to delivering on that strategy; and
- focusing on developing the skills to influence behaviour change.

Summary of findings

4.3 The Ministry is doing work to improve its system leadership capability through *Kia renarena*, its organisational change programme. If implemented well, and kept under regular review, it will enable the Ministry to lead system change as it delivers on its strategic outcomes.

4.4 The Ministry is starting to take a more deliberate and strategic approach to managing its relationships with stakeholders. This work will help it to influence improvements to the system's performance.

4.5 Although it makes sense to prioritise relationships, the Ministry also needs to be clear with other stakeholders about the level of engagement and type of relationship that they can expect from the Ministry.

The Ministry has started an organisational change programme

4.6 In June 2021, the Ministry started an ongoing organisational change programme called *Kia renarena*. It is designed to identify and make changes to how the Ministry works and to improve its system leadership capability.

4.7 *Kia renarena* identifies six elements that the Ministry needs in order to carry out its system leadership role, including improving its understanding of the system and making change through collaboration and partnership.

4.8 *Kia renarena* also identifies five strategic changes and three operational changes that the Ministry needs to make to carry out its role and achieve its priorities. These changes include setting clearer connections between the Ministry's strategy and its operational decisions and building the Ministry's capability and capacity in priority areas.

4.9 In November 2021, the Ministry stated in *Kia renarena* that:

> *... our system-focused activities can sometimes be reactive, are spread across different parts of the organisation, and lack both the capacity and capability needed to ensure our work is strategy-led. This has resulted in missed opportunities and fragmented decision making on what's most important for the system at any one time.*

4.10 The Ministry is carrying out several projects as part of *Kia renarena*. Many of these projects focus on improving the Ministry's ability to lead the system. In our view, there are two projects that could help the Ministry improve its oversight and leadership of the system. These projects are:

- setting up a Ministry group with a dedicated system focus; and
- embedding a new leadership framework.

The Ministry set up a dedicated group for its system leadership role

4.11 In February 2022, the Ministry set up the Intelligence and System Direction Group.

4.12 The role of the Intelligence and System Direction Group is to identify priorities for the system, play a co-ordinating role throughout central government to ensure that initiatives that affect housing and urban development are aligned, and identify and prioritise the Ministry's efforts.

4.13 The Ministry created three new teams in the Intelligence and System Direction Group:

- System Insights and Strategy;
- System Policy; and
- Place-based Strategy.

4.14 This is the first time that the Ministry's system-focused functions and activities have been brought together in a group with a dedicated system-wide focus.

4.15 The Ministry told us that it has now built the Intelligence and System Direction Group's capacity, and will continue to review the capability of the Group. This is encouraging. In our view, when this is fully embedded, the Intelligence and System Direction Group's focus on system priorities and co-ordination will make it well positioned to understand emerging risks and opportunities throughout the system. It should also enable the Ministry to maintain better oversight of the system.

The Ministry is embedding a new leadership framework

4.16 Because the Ministry cannot direct other public organisations to act, it needs leaders with strong influencing skills to make system change.

4.17 In 2021, the Ministry acknowledged that aspects of its leadership needed to improve:

> *In our current* [Deputy Chief Executive] *roles the time and space involved in working 'on the system' is often challenged by getting pulled into the 'doing' both at a system and organisational level.*

4.18 As part of *Kia renarena*, the Ministry set up a new leadership framework. Under this new framework, deputy chief executives are accountable for leading the system. This responsibility includes leading change throughout the wider public sector and influencing decisions and issues of significance to the system to achieve the intended strategic outcomes.

4.19 The Ministry also increased leadership expectations of its third-tier roles (for example, general managers, heads of functions, and partnership directors).

4.20 In our view, these changes will improve the Ministry's ability to carry out its system leadership role. Senior leaders will be able to develop a better understanding of how the system is working and what needs changing. They can also use this information to influence the way the Ministry and their partners work so that the system provides better housing outcomes.

4.21 As the system evolves and actions to start addressing challenges with housing and urban development start to take effect, the Ministry and relevant organisations need to ensure that systems and processes remain fit for purpose. We note that the Ministry is required to review the Government Policy Statement every three years. In our view, at the same time, the Ministry should continue to regularly assess whether its systems and processes are operating as intended and whether there are capabilities that need further improving to support its work to lead the system.

Recommendation 3

We recommend that Te Tūāpapa Kura Kāinga – the Ministry of Housing and Urban Development continue to regularly assess whether its systems, processes, and capabilities enable it to lead the housing and urban development system and, in particular, to monitor, understand, predict, and influence performance.

Approaches to relationship management are maturing

4.22 System leadership relies on influencing other organisations. This requires strong, trusting working relationships with groups and organisations involved in housing and urban development.

4.23 In particular, the Ministry needs to:

- influence others to better improve housing outcomes for New Zealanders, such as by making land available for housing;
- gather information and co-ordinate actions throughout the system; and
- understand the support that it needs to provide to help other organisations do their jobs well.

4.24 When we conducted most of our fieldwork in 2021 and 2022, the Ministry's engagement was largely driven by the priorities of individual initiatives that it was responsible for leading.

4.25 Some people we spoke to were positive about this engagement. They told us that the Ministry had successfully linked the organisations that were involved in the *Aotearoa/New Zealand Homelessness Action Plan (2020-2023)*, and that it had led some of its actions and responses well.

4.26 Others told us they felt that the Ministry was prioritising the delivery of initiatives rather than system leadership activities (such as co-ordinating actions, understanding the performance of the system, and looking at the longer-term issues). They were confused about the Ministry's role in the system.

4.27 Throughout 2022, the Ministry started to take a more deliberate approach to stakeholder management. It identified its "Top 16 critical stakeholders", which included key delivery partners and cross-government relationships. The Ministry's senior leadership team is now responsible for doing regular "health checks" on these relationships and sharing insights from stakeholders.

4.28 The Ministry identified that it needed to form strong relationships with particular groups and organisations involved in housing and urban development. This is necessary to ensure that its work is informed by intelligence about what is happening in the system, and that it is well-placed to form partnerships to deliver key projects and programmes.

4.29 The Ministry is working to clarify the focus and objectives of its relationships with the 16 critical stakeholders and is preparing relationship management plans that define the frequency and type of engagement for each critical stakeholder. The Ministry set out formal expectations for some of these relationships. For example,

the Ministry has a Letter of Understanding and Commitment with Community Housing Aotearoa, and a Memorandum of Understanding with the Reserve Bank of New Zealand.

4.30 The Ministry told us that other relationships tend to be more focused on specific issues. For example, in local areas (such as in Hastings) the Ministry is carrying out its place-based approach, and for its Urban Growth Partnerships the Ministry has relationships with relevant councils, iwi and Māori, non-governmental organisations, and other central government agencies.

4.31 In our view, the Ministry is making progress towards a more deliberate and strategic approach to managing its relationships. For the next phase of this work, the Ministry could usefully ensure that all groups and organisations involved in housing and urban development understand what level of engagement and type of relationship they can expect from the Ministry.

4.32 We encourage the Ministry to regularly assess its stakeholder management approach to ensure that it supports the Ministry's responsibilities for delivering work programmes and providing system leadership, including the health of the Ministry's relationships with its critical stakeholders.

About our publications

All available on our website

The Auditor-General's reports are available in HTML and PDF format, and often as an epub, on our website – oag.parliament.nz. We also group reports (for example, by sector, by topic, and by year) to make it easier for you to find content of interest to you.

Our staff are also blogging about our work – see oag.parliament.nz/blog.

Notification of new reports

We offer facilities on our website for people to be notified when new reports and public statements are added to the website. The home page has links to our RSS feed, Twitter account, Facebook page, and email subscribers service.

Sustainable publishing

The Office of the Auditor-General has a policy of sustainable publishing practices. This report is printed on environmentally responsible paper stocks manufactured under the environmental management system standard AS/NZS ISO 14001:2004 using Elemental Chlorine Free (ECF) pulp sourced from sustainable well-managed forests.

Processes for manufacture include use of vegetable-based inks and water-based sealants, with disposal and/or recycling of waste materials according to best business practices.

Office of the Auditor-General
PO Box 3928, Wellington 6140

Telephone: (04) 917 1500

Email: reports@oag.parliament.nz
Website: www.oag.parliament.nz