

Chair  
Cabinet

## **Ministry of Business, Innovation and Employment: Due Diligence and Next Steps**

### **Proposal**

1. This paper reports back on the due diligence on the proposal to establish the proposed Ministry of Business, Innovation, and Employment (MBIE), and asks Cabinet to now confirm its in-principle decision to establish the new Ministry from 1 July 2012, and proceed with implementation.

### **Executive summary**

2. At its meeting on 12 March Cabinet agreed in principle, subject to due diligence, to establish the Ministry of Business, Innovation, and Employment, from 1 July 2012.
3. The due diligence process confirms the merits of the proposal, and accordingly, we now ask Cabinet to confirm its in-principle decision to establish the new Ministry from 1 July 2012, and proceed with implementation through Orders-in-Council.
4. The State Services Commissioner intends to appoint the acting Chief Executive (CE) of the new Ministry, and can advertise for the permanent CE, as soon as possible after Cabinet has confirmed its decision to establish the Ministry.
5. The scope of the new Ministry brings together functions currently administered by the Ministry of Economic Development (MED), the Ministry of Science and Innovation (MSI), the Department of Labour (DoL), and the Department of Building and Housing (DBH). The due diligence shows that most of these functions come together effectively and the synergies involved will realise significant benefits, including:
  - Better integration of economic policy advice in support of the Government's Business Growth Agenda;
  - Greater alignment and effectiveness of the innovation system and skills system to support economic performance;
  - A more effective regulatory environment for business, and improved service delivery for businesses and other customers;
  - A stronger focus on results and priorities; and
  - Significant efficiency gains.
6. As a result, we recommend bringing all the existing functions of the four current agencies into the new Ministry initially, and looking for refinements to this mix of functions over time. We expect the functions of the four agencies to transfer largely on an "as-is" basis initially – i.e. essentially as a "federation" of the existing agencies rather than an "integration".

7. We do not need to decide the final structure of the new Ministry at this stage – indeed this is something that the new CE will need to shape over time. The acting Chief Executive of the new agency will be expected to provide a high level structure by 1 July 2012, and a detailed organisational design and implementation plan by 30 September 2012, to realise the potential of the integrated organisation, while at the same time, ensuring delivery of key priorities for the Government. This approach gives the acting CE a workable Ministry from day one, and provides the basis for early gains from the new Ministry, while at the same time minimising risks of service disruption to clients.
8. In terms of quantifiable benefits,  
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in particular through consolidation of corporate services (of the order of \$5m to \$6m per annum), and of strategic policy capability (of the order of \$2m to \$5m per annum). We expect that these further savings will be realised from 2014/15 on.

## **Background**

9. At its meeting on 12 March Cabinet agreed in principle, subject to due diligence, to the establishment of the new Ministry from 1 July. The due diligence on the proposal includes:
  - 9.1. Purpose and priorities of the new Ministry;
  - 9.2. The scope of the new Ministry;
  - 9.3. Organisational design;
  - 9.4. Implementation approach;
  - 9.5. Transition path;
  - 9.6. Costs, benefits, and risks;
10. The Terms of reference are attached.

## **Purpose and Priorities of the new Ministry**

11. The driving goal of this Government is to build a more competitive and internationally-focussed economy. A strong economy, in turn, provides the resources necessary to protect the vulnerable in society, maintain the rule of law, provide high-quality public services, look after the environment, and provide opportunities for young people.
12. The establishment of the new Ministry will create a single, dedicated business-facing department, that will:
  - strengthen the Government's business-facing policy capability;
  - improve the regulatory environment for business and consumers by focussing on economic impact;
  - bring together business facing service delivery functions; and
  - improve the Government's internal coordination and reduce duplication of effort.
13. It is important to note that structure is only ever a part of the story. Structure alone will not improve outcomes, but the fragmented structures we now have make it harder to achieve good outcomes, are inefficient, and slow the whole policy process down.
14. The new Ministry will play a central role in helping us shape and deliver our business growth agenda, by ensuring we have clear, coordinated, and focussed policy leadership in the business-facing part of Government, and by delivering services to support higher productivity and better economic performance, through competitive and internationally-focussed businesses and industries.

15. This will require the Ministry to take a central role in:
  - 15.1. building trusted, competitive and effectively-regulated markets with participation by confident businesses and well-informed consumers;
  - 15.2. ensuring that business have access to the skills they need, and that current and future demand for skills is matched by supply;
  - 15.3. ensuring safe and fair workplaces;
  - 15.4. developing and supporting a high-performing science and innovation ecosystem;
  - 15.5. lifting firms' capability – including ideas, access to capital and relationships – so that they can succeed internationally;
  - 15.6. supporting the development of efficient, effective infrastructure;
  - 15.7. enhancing the value of New Zealand's natural resources.
16. In doing this, the new Ministry will need to work in collaboration with a number of other agencies -- for example, the Ministry for Primary Industries on issues related to the primary sector, and the Ministry for the Environment on issues relating to natural resources. The Ministry will be expected to work closely with Treasury on economic advice.

### **Scope and Functions of the new Ministry**

17. As a part of due diligence, Cabinet asked the Transition Management Group to identify other possible government functions that should transfer to the new Ministry, or functions of affected departments that should not be a part of the new Ministry.
18. The due diligence process confirms the proposal that the scope of the new Ministry largely integrates functions currently administered by the Ministry of Economic Development (MED), the Ministry of Science and Innovation (MSI), the Department of Labour (DoL), and the Department of Building and Housing (DBH). The due diligence shows that most of these functions come together effectively and the synergies involved will realise significant benefits including:
  - 18.1. better integration of economic policy advice in support of the Government's Business Growth Agenda; greater alignment and effectiveness of the innovation system and skills system to support economic performance;
  - 18.2. a more effective regulatory environment for business, and improved service delivery for businesses and other customers; and
  - 18.3. a stronger focus on results and priorities.
19. Our starting position is that all functions of the four agencies should transfer to the new Ministry at the outset. However, the due diligence noted a number of areas that we recommend be explored further, to inform whether these functions should remain within the new Ministry over the longer run, or would better sit elsewhere in due course:
  - 19.1. *Withheld under section 9(2)(f)(iv) of the Official Information Act*

19.2. *Withheld under section 9(2)(f)(iv) of the Official Information Act*

19.3. *Withheld under section 9(2)(f)(iv) of the Official Information Act*

19.4. *Withheld under section 9(2)(f)(iv) of the Official Information Act*

20. The due diligence process also reviewed the location of a number of other functions that, on the face of it, may not fit well with the business-facing focus of the new Ministry, or may create some risk of conflict of objectives within the new Ministry. Overall, we recommend that these functions are retained in the new Ministry, with appropriate governance and accountability arrangements to ensure any tensions are managed:

20.1. Employment relations and health and safety regulation and enforcement: Clearly labour issues are a central part of the business environment, and there are real benefits from including these functions in a business-facing Ministry. These include opportunities for better influencing good business practice across a range of fronts; the potential for more joined-up delivery of services for businesses; and coordination of compliance and enforcement against illegal behaviour, and its wider impact on consumers and markets. However, there may be some concern about the compatibility of these functions within a business-facing Ministry, and in particular, how best to ensure that an appropriate focus on worker rights and protections is maintained. We do not expect this to be hard to manage in practice, because other agencies like MED are also business-facing and have a key role in regulating business actions (commerce law, industry law). However we will need to be careful in organisational design to ensure that any real or perceived conflicts are appropriately addressed.

20.2. Social, environmental, and health related research within Vote Science and Innovation: As we have noted, it is important that social, environmental, and health related research continue to receive appropriate emphasis in the new arrangements. We do not see a strong case for separating these functions out to another agency. This issue should be manageable through transparency about science and innovation priorities (e.g. through the soon-to-be-released Statement of Science Priorities, and through separate appropriations as currently exist), and arms-length decision making to deliver on these priorities (e.g. through the current Science Board);

20.3. *Withheld under section 9(2)(f)(iv) of the Official Information Act*

20.4. The Ministry of Consumer Affairs (MCA) currently sits inside the existing Ministry of Economic Development as a semi-autonomous body. In practice, this has meant that MCA is a part of one of the branches within MED and is led by the Deputy Secretary of the Tourism, Events and Consumer Affairs Branch (who also holds the office of General Manager, Ministry of Consumer Affairs). It is clear that the functions undertaken by the Ministry of Consumer Affairs are core to the purpose of the Ministry of Business, Innovation and Employment. Given this merger, there seems little reason to continue to maintain the separateness of a semi-autonomous body for MCA. Fully integrating MCA into MBIE will enable more effective and joined up policy advice to Ministers. It should also be noted that a decision to disestablish the Ministry of Consumer Affairs does not, of itself, disestablish the Consumer Affairs portfolio or the Vote.

21. Cabinet also asked for further advice on a number of specific housing-related functions:

21.1. Social housing functions within Vote Housing: We are of the view that housing, and the efficient development and operation of New Zealand's housing market (across the full range of demand) is primarily an economic issue, and would sit well within the new Ministry. Social assistance to ensure people have access to housing is primarily a social development issue. Functions associated with this – such as assessment of need, and provision of assistance – already rest with MSD and HNZA. *Withheld under section 9(2)(f)(iv) of the Official Information Act*

21.2. Temporary accommodation in Christchurch: This is currently organised as a Joint Venture (JV) between DBH and MSD. Given that this likely to be time limited, and the need for connections to the building sector, there is little reason for this to change at this stage.

21.3. *Withheld under section 9(2)(f)(iv) of the Official Information Act*

22. *Withheld under section 9(2)(f)(iv) of the Official Information Act*

22.1. *Withheld under section 9(2)(f)(iv) of the Official Information Act*

22.2. *Withheld under section 9(2)(f)(iv) of the Official Information Act*

23. *Withheld under section 9(2)(f)(iv) of the Official Information Act*

24. In conclusion, we recommend bringing all the existing functions of the four current agencies into the new Ministry initially, and looking for refinements to this mix of functions over time.

## **Organisational Design**

25. The primary objectives underpinning our consideration of organisational design and development are that:

25.1. Benefits start to be realised from day one, with full benefit over time (2 to 3 years);

25.2. Minimal disruption of service delivery for clients, and easy to do business with;

25.3. Change process maintains or strengthens capability of Ministry;

25.4. Allow flexibility for the CE to continue to evolve structure over time;

25.5. Workable in practice.

26. In terms of design principles, we want the new Ministry to be:

26.1. Exemplary in terms of Better Public Services objectives – and in particular, in business-facing services (i.e. externally focussed, and client-centric).

26.2. Structured to support delivery of key results, and to drive value from synergies, scale, and reduction of duplication and fragmentation.

26.3. At the same time, structured to manage any real or perceived incompatibility or tensions between functions.

27. *Withheld under section 9(2)(g)(i) of the Official Information Act*

28. We do not need to decide the final structure of the new Ministry at this stage – indeed this is something that the new CE will need to shape over time, to ensure the Ministry can best deliver on its key results. We expect that this will include:

28.1. Integration of back office functions and systems;

28.2. Changes to consolidate and better align the policy and research function;

28.3. Bringing together business-facing services (both regulatory and service delivery) to provide better, faster, smarter services for clients at lower cost, and better regulatory effectiveness;

28.4. Better coordination of government investment / business support programmes across science and innovation, economic development, and tertiary education areas.

*Withheld under section 9(2)(g)(i) of the Official Information Act*

29. The challenge for the new or acting CE (once appointed) will be to continue to shape the new Ministry to realise the potential of the integrated organisation, while at the same time ensuring delivery of key priorities for the Government. We expect this would guide the sequencing of changes by the new CE. In terms of the Government's four strategic priorities for the next three years:
- 29.1. We see a pressing need to better support our priority around building a more productive and competitive economy. We will be looking for early action on this, in particular through changes to improve the leadership and integration of the business growth agenda; better quality of more effective alignment of strategy and policy advice; and more effective implementation through regulatory and service delivery capabilities. In particular, we expect that this will see stronger alignment of economic policy, innovation policy, and skills and labour market policy, to support higher performance and growth. We expect that this will build on rather than revisit other changes we have recently made, for example, in the science and innovation area.
  - 29.2. We are also keen to progress our result area around business-facing services, as a part of our programme for better public services. We expect the new Ministry to play a major role in the delivery of this result, through changes over the next three years to provide faster on-line services, better integration of services, and ensuring services are better designed for business.
  - 29.3. We are obviously concerned to responsibly manage the Government's finances. As noted earlier, the establishment of the new Ministry provides the opportunity for significant efficiency savings, although we do not see this as the primary objective of this proposal.
  - 29.4. We want to ensure that the establishment of the new Ministry supports our priority of rebuilding Christchurch, and that any changes facilitate rather than hamper progress there. As a result, care would be needed with any changes that impact on this area – for example in building and construction.
30. In order to ensure momentum and pace, we would be looking for the acting CE to provide, before the 1 July transition to the new Ministry, a high level structure, followed by a detailed organisational design and implementation plan by 30 September 2012. Once proposals for the new structure are decided, the formal change management process would start, including for example, expectations of consultation with staff and unions; and provisioning for any redundancies.
31. In terms of a transitional day-one structure for the new Ministry, pending the development and implementation of that plan, there are in practice only a limited number of options. These options centre around an initial structure that transfers the functions of the four agencies largely on an "as-is" basis initially – i.e. essentially as a "federation" of the existing agencies rather than an "integration".
32. Such a structure would give the acting CE flexibility, and also a workable Ministry from day one. It also provides the basis for early gains from the new Ministry, while at the same time minimising risks of service disruption to clients.

### **Implementation approach**

33. The transfer of functions from MED, DBH, MSI and DoL to a new Public Service Department requires the existing departments to be disestablished and a new department established as MBIE. An Order in Council is required to remove the names MED, MSI, DBH and DoL from, and add the name of MBIE to, Schedule 1 of the State Sector Act 1988. Among other things, this implies that the formal name of the new Ministry will need to be settled by that time.

34. The Order will also apply section 30C to declare that sections 30E-30G of that Act will apply to the transfer of functions from MED, MSI, DBH and DoL to MBIE, as follows:
  - 34.1. Section 30E restricts payment of compensation for technical redundancy. As a result, any MED, DBH, MSI or DoL employee who is offered equivalent employment in MBIE, or who accepts other employment with MBIE, is not entitled to compensation for technical redundancy.
  - 34.2. Section 30F states that sections 60 to 61B and 65 of the Act do not apply to transferring employees. These sections usually apply to appointments made in the Public Service. As a result, MBIE is not obliged to comply with some standard obligations under the State Sector Act, such as appointment on merit or the obligation to notify a vacancy.
  - 34.3. Section 30G provides for the application of collective employment agreements following the transfer of functions. As a result, any collective employment agreement that relates to transferring employees will continue to apply after the transfer, but only in so far as it relates to employees appointed to undertake the functions transferred from the Department to which it previously applied.
35. The Order will also apply section 30K which provides for a transitional period (in this case for 24 months) after the transfer of the functions performed by MED, DoL, MSI and DBH to MBIE during which things created or coming into force after 1 July 2012 may continue to be in the name of the MED, DoL, MSI and DBH or their Chief Executives although none of these will exist from 1 July. Accordingly forms and documents incorporating the name MED, DoL, MSI and DBH can still be created during the 24 months from 1 July 2012 to 30 June 2014, and any reference to those departments or their chief executives are to be read as MBIE or its chief executive.
36. This transition period is necessary because of the tight timeframes associated with the establishment of the new Ministry. It may take a substantial amount of time, communication, engagement with stakeholders, and rebranding before all documentation, uniforms and references to the disestablished departments can be revised. It would be inefficient to require immediate rebranding and transition from day one.
37. A second Order in Council is required to amend Schedule 1 of the Ombudsmen Act 1975 to remove the names of DBH, MED, DoL and MSI and add the name MBIE to the list of departments subject to the Act.

## **Transition to the new Ministry**

### ***Leadership***

38. Having the leadership of the new Ministry in place early will be important to the success of the integration.
39. The State Services Commissioner intends to appoint the acting CE designate of the new Ministry, and can advertise for the permanent CE, as soon as possible after Cabinet has confirmed its decision to establish the Ministry. Until the Order-in-Council to establish the Ministry comes into force, the acting CE designate would be charged with leading the planning and change management for the transition. Once the Order-in-Council comes into force, the acting CE would have full authority under the State Sector Act to make appointments and other executive decisions.
40. This will include appointing a second tier, to lead the business units with the new Ministry. Given that the longer run structure of the Ministry will not be clear at that stage, it is likely that these would be temporary rather than permanent appointments.

## **Human Resources**

41. Maintaining and building the capability of the new Ministry, and avoiding disruption in service delivery for clients, will mean providing as much certainty as possible for staff, while not undermining the need for change.
42. In practice, this means early messaging about the role, purpose and structure of the new Ministry, the capabilities required, and the process of matching people to these roles.
43. On the basis of the day-one structure noted above:
  - 43.1. as all existing functions transfer to the new Ministry, the majority of existing staff will be offered equivalent employment in the new Ministry as defined in s30E of the SSA;
  - 43.2. staff would be clear about the leadership and initial structure of the Ministry; and
  - 43.3. staff would understand that there was more change to come, and the process for that change.

## **Finance and IT**

44. There are a number of issues that would need to be addressed for financial management of the new Ministry from day one:
  - 44.1. A single CFO appointed;
  - 44.2. Consolidation of the accounts, budgets, and forecasts of the four departments; and
  - 44.3. New bank accounts established.
45. At this stage we are working on the assumption of no integration of IT systems on day one, but would expect to see a plan for greater integration over time where that made sense from a service delivery perspective.

## **Assessment of Costs and Benefits**

46. At a qualitative level, the main benefits of the new Ministry result from:
  - Better integration of economic policy advice in support of the Government's Business Growth Agenda; Greater alignment and effectiveness of the innovation system and skills system to support economic performance;
  - A more effective regulatory environment for business, and improved service delivery for businesses and other customers; and
  - A stronger focus on results and priorities.
47. *Withheld under section 9(2)(f)(iv) of the Official Information Act*

48. *Withheld under section 9(2)(f)(iv) of the Official Information Act*

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50. Alongside these efficiency targets, over the next 18 months to two years the Ministry will need to fund additional upfront investment (for example, in areas such as IT development) in order to maximise the efficiencies to be gained from the creation of MBIE. The recent integration of MAF and MFish to create the Ministry of Primary Industries (MPI) required upfront investment of approximately \$1.5m to give effect to the transition into the new structure. We would expect the same principles to apply here as were applied in MPI – the savings that were made were then available for reallocation to fund other transformation (including for example merging back office IT systems such as payroll and finance).

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<sup>1</sup> *Withheld under section 9(2)(f)(iv) of the Official Information Act*

51. The final organisational design of the new Ministry will allow a more detailed cost benefit analysis. However, having looked at existing and projected corporate functions across the four agencies (based on the need to achieve efficiency savings) and taking into account resource levels in back office functions benchmarked against BASS, it is projected that merging agencies will make additional savings of 1% (approximately \$5m to \$6m) due to economies of scale in the corporate area and senior management consolidation. These gains will be initially offset against one-off transition costs in 2012/13 and 2013/14 (redundancies, recruitment costs, expert external advice, IT) but we project that savings will be realised in 2014/15 and out years<sup>2</sup>.
52. In addition to these efficiencies in corporate services, we expect significant gains in efficiency and effectiveness in policy advice – in particular, from consolidating strategic policy functions in the new Ministry. These savings will need to be worked through in detail by the end of this calendar year, and while to identify any specific target now would be premature, we expect that these savings could be of the order of an additional \$2m to \$5m per annum.

## Risks

53. The key risks with this proposal, and mitigation approaches, are:
  - 53.1. **Benefit realisation:** Lack of momentum and pace in integration within the new Ministry would mean that the real potential of the new Ministry is not realised. In other words, external silos become internal silos, with little gain in terms of effectiveness. As noted above, this will be mitigated by accountability on the acting CE to provide clear structural and organisational change plans by 30 September, and to achieve the benefits indicated in these plans.
  - 53.2. **Leadership:** Insufficient leadership and direction throughout the establishment and transition phases of the new Ministry would pose risks to both delivery of existing business and to realisation of expected gains from the new Ministry. Managing this risk would require early appointment of the CE designate; early creation of a common sense of vision and purpose across the Ministry; and early moves to change culture and practices to give effect to this common purpose.
  - 53.3. **Loss of engagement:** If the purpose and functions of the new Ministry are not well understood and supported by staff and stakeholders, there is a risk of disengagement and loss of capability, with the potential for service failure, and the risk that the new Ministry will not achieve its objectives or realise its full potential value. This will be mitigated by early clear definition of purpose and function, communications and engagement with staff and stakeholders, and supported by active and visible leadership.

<sup>2</sup> BASS figures would indicate that a figure of 1 – 3 % savings would be reasonable (noting however that agencies have already made or are planning to make efficiencies based on the BASS data, and these savings have been included in their Four Year Budget Plans in order to manage to the baselines noted above). In HR, Finance, and Corporate and Executive Services the large-agency benchmark used for MBIE has unit costs more than 30% lower than individual agencies. The relationship is much less clear for Property and IT because the differing operational context of agencies makes comparisons less meaningful. Three of the agencies participated in BASS in 2010/11. This showed total administrative and support services spend of approximately \$133m:

	DBH	DoL	MED	MBIE (not MSI)
FTE	354.83	2138.2	672.9	3165.93
A&S spend (\$)	11,363,000	68,957,000	52,366,000	132,686,000
A&S spend as %	14.8%	23.1%	23.3%	22.1%

53.4. **Business-as-usual:** With any change of this scale, there are risks to business-as-usual, and in particular, to continuity of service provision to clients. As noted above, the proposed transition approach aims to mitigate this risk by initially transferring all functions of the agencies on an “as-is” basis, and then taking a considered and sequenced approach to integration thereafter.

53.5. **Perceived conflict of objectives:** If real or perceived conflicts of objective within the Ministry’s role (for example, social vs. economic objectives; employer vs. worker perspectives; producer vs. consumer interests) are not well managed, there is a risk that the new Ministry will not fully realise its benefits and will not be sustainable over time. This risk will be managed through organisational design and diligent management.

## Financial implications

54. The integration will take place within existing baselines of the agencies.
  55. The technical changes to establish the balance sheet of the new Ministry, and the fiscally neutral transfers of appropriations, assets, and liabilities, from the existing departments to the new Ministry, will be approved by joint Ministers in due course.
  56. The Minister of Finance can transfer responsibility for the final annual reports of the existing departments to the new Ministry under section 45J(2) of the Public Finance Act.
  57. *Withheld under section 9(2)(f)(iv) of the Official Information Act*
58. We are working on the assumption that initially the existing twelve Votes would transfer to the new department. However this is a considerable cost on the system, and we are assuming that the number of Votes would be rationalised in the short term.

## Consultation

59. This paper was prepared by the State Services Commission in consultation with the Transition Management Group, comprising the Ministry of Economic Development, Ministry of Science and Innovation, Department of Labour, Department of Building and Housing, the Treasury, and the Department of Prime Minister and Cabinet.

## Human Rights

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

## Legislative Implications

61. To give effect to the transfer of functions from the existing departments and establishment of the new department it requires Orders in Council as outlined above in paragraphs 32 to 36.
62. The Minister of State Services will report to the Cabinet Legislation Committee with the Orders in Council described above.
63. It is intended the Orders will come into effect on 1 July 2012.
64. The Transition Management Group has confirmed that no other consequential legislative changes are required to ensure that all DBH, MED, DOL and MSI functions can continue to be performed once the departments are disestablished and the functions are transferred to the new department.

## Regulatory Impact Analysis

65. There are no immediate regulatory impacts from these proposals, although the purpose of establishing MBIE is to simplify businesses' engagement with many facets of Government.

## Publicity

66. Cabinet's in-principle decision to establish the MBIE was announced on 15 March. Publicity on the due diligence material will be coordinated between the Office of the Minister for Economic Development, the Office of the Minister of State Services and the State Services Commission.

## Recommendations

67. It is recommended that Cabinet:
1. **agree** to the establishment of the Ministry of Business, Innovation, and Employment (MBIE) from 1 July 2012.
  2. **note** that the new Ministry has expected benefits in terms of:
    - 2.1. better integration of economic policy advice in support of the Government's Business Growth Agenda; greater alignment and effectiveness of the innovation system and skills system to support economic performance;
    - 2.2. a more effective regulatory environment for business, and improved service delivery for businesses and other customers;
    - 2.3. a stronger focus on results and priorities; and
    - 2.4. significant efficiency gains.
  3. **agree** to integrate all of the functions of the Ministry of Economic Development (MED, including the Ministry of Consumer Affairs), the Ministry of Science and Innovation (MSI), the Department of Labour (DOL), and the Department of Building and Housing (DBH) into the new Ministry from 1 July.
  4. **note** that the acting CE of the new Ministry will develop a high level structure by 1 July 2012, and a detailed organisational design and implementation plan by 30 September 2012, to realise the potential of the integrated organisation, while at the same time, ensuring delivery of key priorities for the Government.
  5. **note** that this approach mitigates risks in terms of service delivery and departments existing priorities, while at the same time providing early benefits from the integration.
  6. *Withheld under section 9(2)(f)(iv) of the Official Information Act*

, in particular through consolidation of corporate services (of the order of \$5m to \$6m per annum, or 1%), and of strategic policy capability (of the order of \$2m to \$5m per annum), from 2014/15 on.

### Scope and functions of the new Ministry

7. **Note** that Cabinet directed the Transition Management Group to identify other possible functions to transfer to the new Ministry or functions of affected departments that should not be part of the new Ministry.
8. *Withheld under section 9(2)(f)(iv) of the Official Information Act*
9. **agree** that the Ministry of Consumer Affairs function be part of MBIE, rather than a semi-autonomous business unit.
10. **Note** that the due diligence identified a number of areas to be explored further to determine if these functions should remain within the new Ministry or would better sit elsewhere in due course:

- 10.1. *Withheld under section 9(2)(f)(iv) of the Official Information Act*
- 10.2. *Withheld under section 9(2)(f)(iv) of the Official Information Act*
- 10.3. *Withheld under section 9(2)(f)(iv) of the Official Information Act*
- 10.4. *Withheld under section 9(2)(f)(iv) of the Official Information Act*
11. **Note** that Cabinet also asked for further advice on a number of specific housing related functions:
  - 11.1. **agree** to retain social housing functions within Vote Housing in the new Ministry.
  - 11.2. *Withheld under section 9(2)(f)(iv) of the Official Information Act*
  - 11.3. **agree** that temporary accommodation in Christchurch be located within the new Ministry.
  - 11.4. *Withheld under section 9(2)(f)(iv) of the Official Information Act*
12. **Note** that creating this new Ministry provides the opportunity to consolidate some functions currently located in other agencies:
  - 12.1. *Withheld under section 9(2)(f)(iv) of the Official Information Act*
    - 12.1.1. *Withheld under section 9(2)(f)(iv) of the Official Information Act*
    - 12.1.2. *Withheld under section 9(2)(f)(iv) of the Official Information Act*
  - 12.2. *Withheld under section 9(2)(f)(iv) of the Official Information Act*
13. **note** that the disestablishment of DBH, MED, MSI and DOL and the transfer of its functions to MBIE as a new Public Service department requires Orders in Council to:
  - 13.1. remove the names of DBH, MED, MSI and DOL from Schedule 1 of the State Sector Act 1988;
  - 13.2. add the name MBIE to Schedule 1 of the State Sector Act 1988;

- 13.3. apply section 30C to declare that sections 30E-30G of that Act apply to the transfer of functions from DBH, MED, MSI and DOL to MBIE, which includes:
  - 13.3.1. restricting payment of compensation for technical redundancy;
  - 13.3.2. disapplying some provisions that usually apply to appointments in the Public Service;
  - 13.3.3. providing for the application of collective employment agreements following the transfer of functions;
- 13.4. apply section 30K of the Act to provide for a transitional period of 24 months where the names DBH, MED, MSI and DOL and its chief executives can continue to be used; and
- 13.5. amend Schedule 1 of the Ombudsmen Act 1975 to remove the names of DBH, MED, MSI and DOL and add the name MBIE to the list of departments subject to that Act.
14. **note** that, as the department responsible for the State Sector Act, SSC will lead work on the drafting instructions required to give effect to Cabinet's decision, in consultation with DBH, MED, MSI and DOL and the Ministry of Justice as the department responsible for the administration of the Ombudsmen Act.
15. **invite** the Minister of State Services to issue drafting instructions to Parliamentary Counsel Office to draft the Order in Council: to remove the names of DBH, MED, MSI and DOL from and add the name MBIE to Schedule 1 of the State Sector Act 1988; to apply section 30C to declare that sections 30E to 30G apply to the transfer of functions; and apply 30K of that Act to provide for a transitional period, as set out in recommendation 5.4 above.
16. **invite** the Minister of State Services to issue drafting instructions to Parliamentary Counsel Office to draft the Order in Council to remove DBH, MED, MSI and DOL from and add MBIE to the First Schedule to the Ombudsmen Act 1975.
17. **note** that the Minister of State Services intends to report to the Cabinet Legislation Committee with the Orders in Council described in recommendation 5 above for submission to Cabinet and Executive Council.
18. **note** that it is intended the Orders described in recommendation 5 will come into effect on 1 July 2012.
19. **note** that once the Order in Council establishing the new Ministry comes into force, the acting Chief Executive would have full authority under the State Sector Act to make appointments and other executive decisions.

Hon Steven Joyce  
**Minister for Economic Development**

Hon Dr Jonathan Coleman  
**Minister of State Services**

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