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Hon Priyanca Radhakrishnan,
Minister for Diversity, Inclusion and Ethnic Communities

Proactive release of December 2020 Cabinet paper and minute about upgrading the
Office of Ethnic Communities to the Ministry for Ethnic Communities

The following documents have been proactively released:

2 December 2020 – CBC-20-MIN-0093 Minute: Upgrading the Office of Ethnic Communities to the Ministry for Ethnic Communities, Cabinet Office; and

2 December 2020 – Cabinet Paper: Upgrading the Office of Ethnic Communities to the Ministry for Ethnic Communities, Office of the Minister for Diversity, Inclusion and Ethnic Communities.

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Cabinet Business Committee

Minute of Decision

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Upgrading the Office of Ethnic Communities to the Ministry for Ethnic Communities

Portfolios **Public Service / Diversity, Inclusion and Ethnic Communities**

On 2 December 2020, the Cabinet Business Committee:

- 1 **noted** that since the 15 March 2019 Christchurch terrorist attack, a significant programme has been put into place to increase the Office of Ethnic Communities' ability to work proactively with ethnic communities and provide a stronger connection between ethnic communities and government;
- 2 **agreed** to establish a departmental agency, named the Ministry for Ethnic Communities, effective from 1 July 2021, with the Department of Internal Affairs (DIA) as the host department and the Minister for Inclusion, Diversity and Ethnic Communities as the appropriate Minister;
- 3 **invited** the Minister for the Public Service to issue drafting instructions to the Parliamentary Counsel Office for an Order in Council to establish the new departmental agency by adding it to Part 2 of Schedule 2 of the Public Service Act 2020, and to provide for transitional matters connected with the transfer of functions;
- 4 **noted** that the Public Service Commissioner will bring a vacancy paper to Cabinet notifying the vacancy of chief executive of the Ministry for Ethnic Communities role;
- 5 **agreed** to increase the cap on the Public Service Commission's appropriation for chief executive remuneration to accommodate the remuneration for the chief executive of the Ministry for Ethnic Communities (noting that this change is fiscally neutral as chief executive remuneration costs are recovered from individual agency appropriations);
- 6 **agreed** to increase funding in Vote Internal Affairs by \$4.686 million over the forecast period (\$0.502 million in 2020/21, \$1.052 million in 2021/22, and \$1.044 million in 2022/23 and outyears) to meet establishment and incremental costs associated with the departmental agency;

- 7 **approved** the following changes to appropriations to meet the incremental costs associated with the new Ministry for Ethnic Communities, with a corresponding impact on the operating balance and net core Crown debt:

Vote Internal Affairs Minister of Internal Affairs	\$million – increase/(decrease)				
	2020/21	2021/22	2022/23	2023/24	2024/25 & Outyears
Multi-Category Expenses and Capital Expenditure: Community Information and Advisory Services MCA Departmental Output Expense: Advisory and Information Services to Ethnic Communities (funded by revenue Crown)		0.485	0.180	0.180	0.180
Policy and Related Services MCA Departmental Output Expense: Policy and Related Services - Ethnic Communities (funded by revenue Crown)	0.502	0.567	0.864	0.864	0.864
Total Operating	0.502	1.052	1.044	1.044	1.044

- 8 **agreed** that the change to appropriations for 2020/21 above be included in the 2020/21 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply;
- 9 **agreed** that the expenses incurred under paragraph 7 above be charged against the Between-Budget Contingency established as part of Budget 2020;
- 10 **noted** that the chief executive for the Ministry for Ethnic Communities (or acting chief executive if appointed), will work with DIA to implement the transition to the new Ministry, including transfers of staff and financial delegations, and the necessary agreements between the new Ministry and DIA;
- 11 **noted** that the Minister for Diversity, Inclusion and Ethnic Communities may seek additional funding in Budget 2021 or future budgets to address time-limited funding and any additional costs associated with the new Ministry, its new status in the communities, COVID-19 recovery roles or other work programme initiatives.

Janine Harvey
Committee Secretary

Present:

Hon Grant Robertson (Chair)
Hon Kelvin Davis
Hon Dr Megan Woods
Hon Chris Hipkins
Hon Carmel Sepuloni
Hon Andrew Little
Hon David Parker
Hon Nanaia Mahuta
Hon Poto Williams
Hon Damien O'Connor
Hon Stuart Nash
Hon Kris Faafoi
Hon Jan Tinetti

Officials present from:

Office of the Prime Minister
Department of the Prime Minister and Cabinet

Proactively released by the Minister for Diversity, Inclusion and Ethnic Communities

Chair,
Cabinet Business Committee

Upgrading the Office of Ethnic Communities to the Ministry for Ethnic Communities

Proposal

- 1 This paper seeks:
 - 1.1 agreement to establish the Office of Ethnic Communities (OEC) as a departmental agency named the Ministry for Ethnic Communities, with the Department of Internal Affairs (DIA) as the host department with effect from 1 July 2021. A departmental agency will further improve outcomes for New Zealand's ethnic communities through greater visibility, mana and leadership and a formal direct reporting line to the Minister; and
 - 1.2 approval for additional operational funding to cover the costs associated with the establishment and ongoing operation of the Ministry for Ethnic Communities to be charged against the Between-Budget Contingency established as part of Budget 2020.

Executive Summary

- 2 The establishment of the Ministry for Ethnic Communities is likely to be part of the Government's response to the Royal Commission of Inquiry into the Terrorist Attack on Christchurch Mosques on 15 March 2019 (the Royal Commission). A new Ministry will reinforce the importance of establishing and maintaining strong relationships with New Zealand's diverse ethnic communities at a senior level in government. Funding of this new Ministry will be from the Between-Budget Contingency.
- 3 Aotearoa New Zealand is one of the most ethnically diverse countries in the world. We have more than 200 different ethnicities in our communities, projected to grow to approximately 25% of the population by 2038.
- 4 Our Government is committed to ensuring that Aotearoa New Zealand is an inclusive society that embraces diversity and where everyone feels they belong, are valued and are able to contribute. However, some groups are not experiencing the same opportunities as others.
- 5 We therefore propose that Cabinet agree now to establish OEC as a departmental agency named the Ministry for Ethnic Communities, with DIA as the host department and the Minister for Diversity, Inclusion and Ethnic Communities as the responsible Minister.
- 6 We propose that the Ministry come into legal existence and resources are transferred to it on 1 July 2021.
- 7 As certainty concerning the establishment of the Ministry is required urgently, and is dependent on additional funding, we are seeking agreement to additional operating funding to cover the costs associated with the establishment and ongoing operation

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of the Ministry to be charged against the Between-Budget Contingency established as part of Budget 2020.

- 8 The overall marginal costs associated with establishing a new Ministry are estimated at \$4.686 million over the fiscal forecast period, including establishment costs of \$0.823 million. DIA is unable to meet the marginal costs associated with the new Ministry while maintaining current service delivery and committed programmes of work.
- 9 Feedback from ethnic communities suggests the establishment of a Ministry, which goes beyond the recent uplift, will send a strong signal to New Zealand's ethnic communities that this Government values diversity and the contributions made by ethnic communities. As well as a vehicle to respond to the Royal Commission, a machinery of government change would support and deliver improved outcomes for ethnic communities through:
 - 9.1 improved leadership and connection across government
 - 9.2 greater ability to deliver on Government's priorities for ethnic communities
 - 9.3 stronger connections between the Minister and a full-time chief executive, and
 - 9.4 an increase in public profile and status for the portfolio.
- 10 Subject to approval of these proposals, the Minister for the Public Service and the Public Service Commissioner will begin processes to establish the Ministry and appoint a chief executive.

Background

NEW ZEALAND IS ONE OF THE MOST ETHNICALLY DIVERSE COUNTRIES IN THE WORLD, WHICH IS A SOURCE OF STRENGTH

- 11 There is great diversity within Aotearoa New Zealand's ethnic communities. The ethnic population in New Zealand recorded at the 2018 Census was 941,571, a 45% increase since the 2013 Census. New Zealand's ethnic diversity brings new perspectives, skills and richness of culture to our society. We need to provide a supportive environment for New Zealand's ethnic communities to feel that they truly belong, can contribute and thrive.

DIVERSITY HAS CHALLENGES

- 12 Some members of ethnic communities face particular challenges and barriers and are unable to access the same opportunities as others. This affects their wellbeing and ability to participate meaningfully in New Zealand society.
- 13 The 15 March 2019 mosque attacks highlighted the need to ensure that New Zealand's ethnic communities feel safe, valued and heard – and that there is more work to be done to ensure this. The forthcoming release of the Royal Commission report will underscore the need for Government commitment and action to deliver on those messages.
- 14 The COVID-19 pandemic has also posed specific challenges for ethnic communities, with direct outreach and communication particularly important during the response phase, and a need to ensure that all communities are fully included as we move towards the recovery phase.

Context – current Office of Ethnic Communities

- 15 The Office of Ethnic Communities (Te Tari Matawaka) was established in 2001 under the name Office of Ethnic Affairs and is a business unit within DIA. OEC currently has approximately 38 permanent FTE positions and 6 fixed-term positions (including vacancies under recruitment).
- 16 Like other population agencies, OEC has a mandate relating to a specific population within New Zealand. In the context of OEC's mandate, the term "ethnic" refers to people who are new migrants, former refugees, long-term settlers, and those born in New Zealand who identify their ethnicity as Middle Eastern, Latin American, Continental European, Asian or African. OEC has also extended its work to include particular faith communities, recognising that faith is often intertwined with ethnicity.
- 17 Prior to March 2019, OEC had approximately 22 FTEs, and its primary responsibilities were:
- 17.1 advising the government on ethnic diversity in New Zealand;
 - 17.2 providing information, advice and services to, and for, ethnic communities in New Zealand; and
 - 17.3 administering funds to support community development and social cohesion.
- 18 Following the events of 15 March 2019, OEC responded to meet the immediate and emerging needs of ethnic communities. The previous Government invested an additional \$9.444 million departmental funding in OEC to support a significant work programme. This increased OEC's ability to proactively support communities impacted by the attack and provided a stronger connection between ethnic communities and government.
- 19 Over the 2019/20 financial year, OEC scaled-up its community engagement efforts and portfolio of programmes, policy outputs and outcomes. Key achievements include:
- 19.1 Facilitating a series of dialogues across the country with Muslim communities about their concerns and aspirations, and what changes could lead to a more inclusive New Zealand,
 - 19.2 Organising hui on how New Zealand can grow social inclusion and address racism, discrimination, and religious intolerance;
 - 19.3 Scaling up the Ethnic Communities Development Fund, with 188 initiatives worth \$4.2 million in grant funding delivered over the year, including a focus on meeting needs relating to COVID-19;
 - 19.4 Working in partnership with the Human Rights Commission to launch the 'Racism Is No Joke' campaign, and;
 - 19.5 Engaging in a cross-government initiative to increase diversity of people on state sector boards.
- 20 OEC is funded from appropriations in Vote Internal Affairs, for which the current 2020/21 budget (based on the 2020 October Baseline Update) is \$13.418 million. Time-limited funding of \$0.630 million in 2020/21 was provided to maintain the additional regional presence in the Southern region until June 2021. Government also provided time-limited funding as part of the COVID-19 Response and Recovery to support the new Multilingual Information Network, until the end of June 2022.

Rationale for a Ministry for Ethnic Communities

- 21 We are proposing that Cabinet now agree to establish OEC as a departmental agency named the Ministry for Ethnic Communities. Our ethnic communities do not have a visibly separate agency to represent their interests in the system. This results in lower visibility of these populations in senior-level government relationships and policy processes, which limits the ability of OEC to effectively drive action on priorities.
- 22 Communities continue to be concerned that the current status of OEC hinders delivery of Government's priorities for ethnic communities. A Ministry will have greater influence across government and ability to improve wellbeing for ethnic communities. It will also ensure that there is a formal direct reporting line to the Minister.
- 23 Dedicated public service departments are transparent mechanisms for ensuring that the perspectives and interests of specific population groups are recognised, and for enabling the delivery of targeted and tailored services to those populations.
- 24 To be effective, a population agency must maintain a credible connection between its mandated communities and government. It must also ensure policies within the remit of other agencies (e.g. in the social sector) are informed by consideration of impacts on agency's focus communities, and whether the policy meets the population's specific needs. Population agencies headed by a chief executive can leverage this position to engage with other agencies at a higher level to ensure their population's perspective is well represented. The appointment of a chief executive also gives the Minister access to a full-time senior executive, with responsibility for driving priorities in that portfolio only.

Options for establishing the Ministry for Ethnic Communities

- 25 We have considered three organisational form options for upgrading OEC to the Ministry for Ethnic Communities. These are:
- 25.1 *Ministry as a branded business unit (Status Quo):* Essentially this would involve rebranding the OEC business unit within DIA to be called the Ministry for Ethnic Communities. This is the lowest cost option and would retain strong and almost seamless links with other relevant areas of DIA. However, this would not address stakeholder concerns about OEC's perceived profile, status and effectiveness within government.
- 25.2 *Departmental agency:* Establish OEC as a departmental agency named the Ministry for Ethnic Communities, with DIA as the host department. The departmental agency would have its own chief executive reporting directly to the Minister. This option would allow sharing of accommodation, IT, HR and other corporate services with DIA at moderate cost. The option will strengthen the profile and status of OEC through the appointment of a dedicated public service chief executive for the portfolio, and visible operational autonomy.
- 25.3 *Standalone department:* This would involve the establishment of the Ministry for Ethnic Communities as a new and wholly independent organisation within the public service. As well as its own chief executive, the Ministry would need its own corporate and back-office services, property and other assets which would consume a disproportionate share of the portfolio's relatively modest budget and resources.

Preferred option: Departmental Agency hosted in DIA

- 26 This option will provide OEC with the profile, status and operational autonomy needed to lead the implementation of our Government's commitments in respect of ethnic communities, at a lower cost than a standalone department. It will allow OEC to continue to benefit from links to related policy and service delivery areas within DIA. We propose that new departmental agency be established from 1 July 2021.
- 27 As outlined above, there has been some additional investment in the uplift of OEC capacity and capability since March 2019. The Minister for Diversity, Inclusion and Ethnic Communities will work with the incoming chief executive to finalise the Ministry's future work programmes and identify ongoing funding requirements.

Implications for DIA

- 28 DIA is well geared to act as a host department for a departmental agency. Minimal changes are required to DIA systems to host a departmental agency rather than a business unit, and DIA has a widespread regional presence that can provide premises for the Ministry outside Wellington. DIA is experienced in hosting a range of independent or semi-independent entities, and is home to several independent statutory office-holders

Implementation

- 29 There are several implementation components that will need to be worked through for a departmental agency, including engaging with staff, appointment of a chief executive, preparation of an agreement between the chief executives of the departmental agency and host department (required by legislation), confirmation of physical workspace arrangements and preparation of shared service agreements.
- 30 The timeframes for implementation will be subject to existing Individual Employment Agreements and any relevant Collective Agreements. The key points to note are:
- 30.1 the Public Service Commissioner will commence an appointment process for the substantive chief executive. Engagement with ethnic communities is intended to take place before the position description for that role is finalised. If that appointment process cannot be completed before the establishment of the new Ministry in July 2021, an acting chief executive will be appointed for the interim period;
 - 30.2 the chief executive/acting chief executive of the Ministry will be responsible for working with the chief executive of DIA to arrange financial delegations to the new Ministry, and establishing a working relationship with the host department (including shared services arrangements and drafting of the departmental agency agreement); and
 - 30.3 staff will remain employed by DIA under the departmental agency model.
- 31 Implementation costs will be kept to a minimum. DIA will provide shared services and a physical workspace for the new Ministry on the same basis as for OEC. Other costs such as rebranding and website updates will be kept to a minimum.

Consultation

- 32 The Treasury has been consulted on the proposals in this paper. The Department of the Prime Minister and Cabinet has been informed.

Financial Implications

- 33 The marginal costs associated with the establishment of the new Ministry for Ethnic Communities are estimated at \$4.686 million over the forecast period. These are made up of:
- 33.1 \$0.823 million for one-off establishment costs (\$0.502 million in 2020/21 and \$0.321 million in 2021/22); and
 - 33.2 ongoing costs of \$0.731 million in 2021/22 and \$1.044 million in 2022/23 and outyears largely associated with the salary for the new chief executive, a small team to support the chief executive and incremental corporate support costs to meet the new accountability requirements under its hosting role.
- 34 The Minister for Diversity, Inclusion and Ethnic Communities is unable to fund the costs associated with the new Ministry within the diversity, inclusion and ethnic communities' baseline. OEC already faces growing funding pressure from time-limited funding, responding to COVID-19 and addressing the Labour Market and Employment initiatives and potential cost implications from OEC's role in implementing the Government's response to the Royal Commission. DIA has reviewed options for reprioritisation of funding within the wider Vote Internal Affairs baselines for the fiscal forecast period, but it is unable to do so while maintaining current service delivery and committed work programmes.
- 35 We therefore seek agreement to increase funding in Vote Internal Affairs by \$4.686 million over the forecast period: \$0.502 million in 2020/21, \$1.052 million in 2021/22, and \$1.044 million in 2022/23 and outyears to meet the establishment and marginal ongoing costs associated with the new Ministry. This funding must be secured now to ensure the establishment of the new Ministry can proceed and is sufficiently resourced to achieve the desired outcomes. Deferring funding decisions until Budget 2021 would effectively defer the establishment decision and its announcement until that time. The urgent need to secure this funding is an example of why the Between-Budget Contingency was established.

Appropriations

- 36 OEC is currently funded from two multi-category appropriations in Vote Internal Affairs, as well as the non-departmental appropriation Ethnic Communities Grants expense appropriation. We are proposing the creation of a more consolidated appropriation structure with ongoing transparency and administrative ease for both the departmental agency and the portfolio Minister as part of the 2021 March Baseline Update, effective from 1 July 2021.

Human Rights

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

Legislative Implications

- 38 The establishment of a departmental agency requires an Order in Council. The Order in Council will:
- 38.1 bring the new departmental agency into legal existence on a specified date by naming it in Part 2 of Schedule 2 of the Public Service Act 2020 (the departmental agency will come into legal existence when it appears on the Schedule); and
 - 38.2 provide for a transitional period relating to any transfer of functions from other agencies (if applicable) as well as any change in responsibility for functions

from the chief executive of the DIA to the chief executive of the departmental agency.

- 39 The Minister for the Public Service will be responsible for issuing drafting instructions to establish a new departmental agency that will be named the Ministry for Ethnic Communities with a commencement date of 1 July 2021. DIA will be named as the host department.

Regulatory Impact Analysis

- 40 The Regulatory Quality Team at the Treasury has determined that the regulatory proposal in this paper is exempt from the requirement to provide a Regulatory Impact Statement on the basis that it is expected to have no or only minor impacts on businesses, individuals or not for profit entities.

Gender Implications

- 41 The proposed upgrade would provide the Ministry with greater influence across government to improve outcomes for ethnic women. The impacts felt by women generally in New Zealand (for instance, disproportionate economic impacts from downturns in the labour market; increased risks of gender-based violence during times of national emergencies) can be exacerbated for women in ethnic communities due to additional language, cultural or digital barriers to accessing information and assistance. Increasing the voice and influence of the Ministry for Ethnic Communities would facilitate a greater understanding and emphasis on these issues across government.

Disability Perspective

- 42 Impacts felt by people with disabilities can be exacerbated for those who are also part of our ethnic communities. A greater ability to influence and inform policy is expected to improve outcomes for these people.

Publicity

- 43 The Minister for Diversity, Inclusion and Ethnic Communities will liaise with the Prime Minister on the responsibility for, and timing of, public announcements regarding the establishment of the Ministry for Ethnic Communities as a departmental agency.

Recommendations

The Minister for the Public Service and Minister for Diversity, Inclusion and Ethnic Communities recommend that Cabinet:

- 1 **note** that since the 15 March 2019 Christchurch terrorist attack, a significant programme has been put into place to increase OEC's ability to work proactively with ethnic communities and provide a stronger connection between ethnic communities and government;
- 2 **agree** to establish a departmental agency named the Ministry for Ethnic Communities, effective from 1 July 2021, with DIA as the host department and the Minister for Inclusion, Diversity and Ethnic Communities as the appropriate Minister;
- 3 **invite** the Minister for the Public Service to issue drafting instructions to the Parliamentary Counsel Office for an Order in Council to establish the new departmental agency by adding it to Part 2 of Schedule 2 of the Public Service Act 2020, and to provide for transitional matters connected with the transfer of functions;

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- 4 **note** the Public Service Commissioner will bring a vacancy paper to Cabinet notifying the vacancy in the chief executive of the Ministry for Ethnic Communities role;
- 5 **agree** to increase the cap on the Public Service Commission’s appropriation for chief executive remuneration to accommodate the remuneration for the chief executive of the Ministry for Ethnic Communities (noting that this change is fiscally neutral as chief executive remuneration costs are recovered from individual agency appropriations);
- 6 **agree** to increase funding in Vote Internal Affairs by \$4.686 million over the forecast period: \$0.502 million in 2020/21, \$1.052 million in 2021/22, and \$1.044 million in 2022/23 and outyears to meet establishment and incremental costs associated with the departmental agency;
- 7 **approve** the following changes to appropriations to meet the incremental costs associated with the new Ministry for Ethnic Communities with a corresponding impact on the operating balance and net core Crown debt:

Vote Internal Affairs Minister of Internal Affairs	\$million – increase/(decrease)				
	2020/21	2021/22	2022/23	2023/24	2024/25 & Outyears
Multi-Category Expenses and Capital Expenditure:					
Community Information and Advisory Services MCA					
Departmental Output Expense:					
Advisory and Information Services to Ethnic Communities (funded by revenue Crown)	-	0.485	0.180	0.180	0.180
Policy and Related Services MCA					
Departmental Output Expense:					
Policy and Related Services - Ethnic Communities (funded by revenue Crown)	0.502	0.567	0.864	0.864	0.864
Total Operating	0.502	1.052	1.044	1.044	1.044

- 8 **agree** that the proposed change to appropriations for 2020/21 above be included in the 2020/21 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply;
- 9 **agree** that the expenses incurred under recommendation 7 be charged against the Between-Budget Contingency established as part of Budget 2020;
- 10 **note** that the chief executive for the Ministry for Ethnic Communities (or acting chief executive if appointed), will work with DIA to implement the transition to the new Ministry, including transfers of staff and financial delegations, and the necessary agreements between the new Ministry and DIA; and
- 11 **note** that the Minister for Diversity, Inclusion and Ethnic Communities may seek additional funding in Budget 2021 or future budgets to address time-limited funding and any additional costs associated with the new Ministry, its new status in the communities, COVID-19 recovery roles or other work programme initiatives.

Authorised for lodgement

Hon Chris Hipkins, Minister for the Public Service

Hon Priyanca Radhakrishnan, Minister for Diversity, Inclusion and Ethnic Communities

Proactively released by the Minister for Diversity, Inclusion and Ethnic Communities