



## COVERSHEET

<b>Minister</b>	Hon Chris Hipkins	<b>Portfolio</b>	COVID 19 Response
<b>Title of Cabinet paper</b>	Commissioning a new managed isolation facility in Christchurch	<b>Date to be published</b>	9 November 2021

### List of documents that have been proactively released

<b>Date</b>	<b>Title</b>	<b>Author</b>
September 2021	Commissioning a new managed isolation facility in Christchurch	Office of the Minister for COVID-19 Response
22 September 2021	Commissioning a new managed isolation facility in Christchurch SWC-21-MIN-0133 Minute	Cabinet Office

### Information redacted

**YES / NO** [select one]

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Some information has been withheld for the reasons of Commercial information, Confidential advice to Government, and Free and frank opinions.

**[SENSITIVE – COMMERCIAL]**

Office of the Minister for COVID-19 Response  
Chair, Cabinet Social Welfare Committee

## **Commissioning a new managed isolation facility in Christchurch**

### **Proposal**

- 1 This paper seeks agreement to provide funding to the Managed Isolation and Quarantine (MIQ) system in order to stand up an additional managed isolation facility in Christchurch.

### **Relation to government priorities**

- 2 MIQ remains a key element of the Government's COVID-19 elimination strategy – stopping COVID-19 at the border whilst enabling New Zealanders to return home and bringing in critical workers to support the wider COVID-19 recovery.
- 3 MIQ will continue to play an important role in *Reconnecting New Zealand*. It is envisaged that MIQ, alongside the vaccination programme, border setting changes and additional isolation options, will form a key element of our approach for a number of years.

### **Executive Summary**

- 4 Since its establishment, the number of MIQ network facilities has remained stable and the demand for MIQ spaces has been consistently high. Improvements to infection prevention and control (IPC) measures have resulted in an overall reduction to the number of useable MIQ rooms.
- 5 MIQ officials have identified a facility suitable for MIQ use in Christchurch, and are seeking funding in order to enter a contract with the facility in order to have it operational before MIQ's peak summer demand.
- 6 I am seeking \$35.646 million to fund the establishment and running of this new facility until June 2023. This figure includes contract, operational and workforce costs.
- 7 Work is continuing on assessing the feasibility of an additional MIQ facility in Rotorua. Depending on the outcome of this work, I may return to Cabinet to request additional funding for an additional Rotorua facility at a later date.

## **MIQ demand and supply**

- 8 Government established the MIQ system in March 2020 in response to the outbreak of the COVID-19 pandemic. MIQ has evolved into a complex system of 31 facilities operating in a dynamic global pandemic environment. The number of MIQ facilities has remained stable since mid-2020<sup>1</sup>.
- 9 After a brief lull in demand in early 2021, demand for MIQ space has been high since June, placing significant pressure on the MIQ system. In addition to high demand from travellers, MIQ has also been required to respond to:
- The New Zealand Delta variant community outbreak, resulting in two additional MIQ facilities being temporarily converted to quarantine only use and space in other isolation facilities being used for close contacts; and
  - Facilitating returns from New South Wales and emergency evacuation of civilians from Afghanistan. To enable this, the 500-room quarantine free travel contingency and system-wide contingency was used to increase MIQ's total operational capacity. This has resulted in delays to maintenance and ventilation work at several facilities.
- 10 Forecasting indicates that pressure on MIQ is expected to remain high until at least February 2022, driven by continued high demand for New Zealanders to return home alongside the end of year seasonal peak. The recent pause on release of MIQ vouchers due to the Delta community outbreak will also result in even more pent up demand. This may mean that high demand now goes beyond February 2022 as a result. Already agreed and future changes to our immigration settings<sup>2</sup> will also be drivers for increasing and sustained MIQ demand.
- 11 Over recent months, particularly in response to managing the risks from the Delta variant, I have introduced additional public health measures to lower the risk of COVID-19 spreading within, and outside, of our facilities. These changes have resulted in downward pressure on MIQ capacity, and include:
- The MIQ ventilation remediation programme is strengthening ventilation systems across the MIQ portfolio. In order to remediate ventilation systems rooms or whole facilities have needed to be taken offline for up to 2-3 months, reducing overall capacity; and
  - The introduction of cohorting<sup>3</sup> has led to a reduction in available rooms of 15-20 percent, however MIQ is working to reduce this.

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<sup>1</sup> The only change to the MIQ network has been the closure of the Ramada Hotel, Auckland (42 rooms). This facility was used specifically to receive 501 deportees and was no longer needed following the commencement of quarantine-free travel with Australia. The need to resume using the Ramada once again in light of the suspension of quarantine-free travel is currently being considered.

<sup>2</sup> Cabinet has decided to broaden border settings to allow some family reunification and for new residents to travel to New Zealand for the first time [CAB-21-MIN-0278 refers].

<sup>3</sup> Under the cohorting model, MIQ facilities are filled over a 96-hour period, after which time no further returnees are introduced to that facility until all returnees have exited. This reduces the risk of in-facility transmission.

- 12 As outlined above, the forecast continuation of high demand and downward pressure on MIQ capacity is my key driver for bringing online additional MIQ facilities.

### **Identifying additional MIQ facilities**

- 13 In July 2021, I requested my officials provide me with information about the process for commissioning new facilities, with the aim of bringing one or two additional facilities online before the end of the year.
- 14 Possible facilities were scoped within the current geographical footprint of the MIQ system<sup>4</sup>. This was because expanding outside of the current network would place additional pressure on the MIQ system by requiring new transportation routes and new staffing structures. Establishing these would considerably extend the establishment time of any new facilities.
- 15 The past 18 months of operating MIQ facilities has provided experience that informs our understanding of what a fit-for-purpose MIQ facility is. Many of the commissioning criteria used in 2020 still hold true to the fundamentals of what MIQ facilities are trying to deliver to returnees. However, based on what we know now, Health and MIQ officials identified a strengthened range of criteria<sup>5</sup> a hotel must meet in order to be considered suitable for use as a managed isolation facility.
- 16 Hotels must have appropriate ventilation, adequate staff ‘green’ zones, separate ingress and egress pathways for returnee movements, as well as outdoor space for exercise and the ability to add CCTV. From an IPC perspective, low-rise facilities and facilities with separate lifts for staff and returnees were preferable.
- 17 These strengthened criteria were applied when identifying possible additional facilities. It resulted in a reduced pool of possible facilities. I consider these strengthened criteria a necessity, as the primary purpose of MIQ remains keeping New Zealand free from COVID-19 in the community.

#### *Auckland, Hamilton, Wellington*

- 18 Two possible facilities were identified in Auckland following a desktop scan and direct engagement with possible hotels. However, the acute workforce constraints (both health and MIQ workforces) led to Auckland being discounted from consideration at this time. No suitable facilities were identified in Hamilton or Wellington.

#### *Rotorua*

- 19 Two possible facilities were identified in Rotorua. Following additional review of the facilities’ ventilation systems, on-site visits, and iwi and local stakeholder consultation, one was ruled out due to ventilation and ingress/egress requirements.

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<sup>4</sup> Auckland, Hamilton, Rotorua, Wellington and Christchurch.

<sup>5</sup> For example, in April 2020, considerations such as ventilation had not been identified and on-site exercise was not deemed essential if exercise could be safely accessed elsewhere.

## SENSITIVE

- 20 The overall assessment of the feasibility of the other hotel operating as an MIQ facility was favourable from an operational perspective. However, the majority of this property would require some ventilation remediation work. This work would increase the time to bring this facility online, however it is possible to bring the facility's ventilation system to the required MIQ standard.
- 21 Iwi and local stakeholders felt that Rotorua's contribution to MIQ is already disproportionate to the size of the town, and had concerns about the effect of new facilities on the town's community and social cohesion. Lakes DHB has a significant number of nursing vacancies and has concerns around providing the necessary workforce to support more facilities.
- 22 Further work is being progressed on the feasibility of establishing a new facility in Rotorua, including options to address the health workforce issues. I will provide you with more information on this in due course.

### *Christchurch*

- 23 One possible facility (Quality Hotel Elms) was identified in Christchurch. Further investigation of the Christchurch facility found that it met the requirements to become part of the MIQ network. Officials have consulted with iwi, local stakeholders and the DHB and have received a positive response.
- 24 The Quality Hotel Elms (the Elms) is a four storey, 115 room, 4 star hotel located in Papanui, Christchurch. It has a large carpark and is set back from the road. The layout of the hotel is well-suited for use as a managed isolation facility, with clear delineation between guest and staff areas.
- 25 The most significant disadvantage of the facility is its size. Only around 85 rooms would be used for returnees, with the remainder of rooms being used for MIQ operational purposes.

### *Workforce requirements*

- 26 Additional MIQ facilities will bring extra pressure to existing MIQ workforces. However, agencies are in a position to support an addition facility in Christchurch. Officials are undertaking work to identify options to reduce the pressures and risks in the MIQ workforce (including health workforce). I expect that future workforce changes can relieve some of the current pressures.
- 27 The Elms will require the following staff over a 24 hour period to operate:
- 5 Police;
  - 23 Security (Mixture of MBIE and First Security staff);
  - 7 MIF Management (MBIE staff); and
  - 8.5 health workforce.
- 28 Hotel staffing is included within the contract costs for the facility.

- 29 The Minister of Defence and I have agreed that the New Zealand Defence Force will not contribute any additional staff for the running of a new facility. New Zealand Defence Force staff may be relocated from other Christchurch MIQ facilities to staff the new facility, but this will have a neutral impact on New Zealand Defence Force numbers. The remaining security workforce for the new facility will be based on a combination of MBIE, the Aviation Security Service (AvSec) (on a temporary basis while quarantine-free travel with Australia is paused) and First Security staff (while MBIE recruits additional security staff).
- 30 My officials are working with First Security to explore options for their involvement in supplementing MBIE security workforce levels, while MBIE builds its security workforce contribution over time to be the majority supplier of security personnel for MIQ facilities nationally.
- 31 Confidential advice to Government

**Cost of new facility**

- 32 This facility would cost approximately \$1.76 million to run per month (which is comparable to similar current Christchurch MIQ facilities). These costs are mostly for hotel, transport, workforce (including health) and Covid-19 testing costs.
- 33 Initial establishment costs of \$0.41 million (including CCTV costs, ventilation assessment, staff equipment and legal costs) have been identified.
- 34 The total cost of operating the facility from November 2021 to June 2023 is \$35.646 million. A high level breakdown of these costs is included below.

*Cost breakdown of Quality Hotel ElmsX*

Quality Hotel Elms Christchurch (Small 115 rooms)	FY22 (Nov-Jun) (\$m)	FY23 (\$m)	Total (\$m)
Commercial Information			
<b>Total Ongoing</b>	<b>\$14.09</b>	<b>\$21.15</b>	<b>\$35.24</b>
Establishment	\$0.41	\$0.00	\$0.41
<b>Total Cost</b>	<b>\$14.50</b>	<b>\$21.15</b>	<b>\$35.64</b>

\* Other costs include facility perimeter fencing, ongoing WIFI and printing costs onsite etc.  
 \*\* Figures have been rounded to two decimal points in this table.

- 35 Based on commercial discussions with the owners of the Elms, a contract is required to June 2023 to provide them adequate security to join the MIQ network.
- 36 In order to proceed with the commissioning of this facility, I seek Cabinet’s agreement to provide additional funding of \$35.646 million to cover workforce, contract and operational costs until June 2023.

### Implications of standing up another facility

- 37 Increasing the number of returnees to New Zealand increases the overall risk of COVID-19 entering the community, especially with the new and more contagious Delta variant.
- 38 However, the Elms will have a risk profile that is consistent with the current MIQ network. It is a good facility with a modern ventilation system, and will be run on the same model as our existing facilities. Experienced MIQ staff will be on hand to train its staff and assist with its establishment.
- 39 The contract for becoming an MIQ facility allows the Government to end the arrangement with ninety days' notice if the facility is no longer required; this will protect us from the risk of being bound to a facility which is no longer needed in the future.
- 40 The future of our border settings still remains uncertain, but based on scenario modelling undertaken by MBIE, even with shorter stay MIQ or self-isolation for some travellers as set out in *Reconnecting New Zealand*, MIQ will still be needed for some years yet and demand is not likely to consistently reduce below our capacity level.

### *MIQ future infrastructure investment case*

- 41 I consider that the expansion of the network to include an additional contracted facility in Christchurch sits alongside the development of an investment case considering options around purchasing existing buildings or purpose-built facilities. We need to increase the number of facilities in the network for reasons detailed in this paper, while also planning for a sustainable and stable model of MIQ into the future, as part of the Reconnecting New Zealand approach.
- 42 I have directed officials to prioritise progressing an investment case that will consider options on purchasing existing buildings or purpose-built facilities to inform further decisions on any changes to MIQ future infrastructure. Confidential advice to Government  
[REDACTED]
- 43 Free and frank opinions  
[REDACTED] Funding for the investment case will include the work necessary to conduct high-level feasibility analysis on build, buy and refurbishment options, including across technical and operational design specifications, workforce modelling, service and supplier strategies, procurement and acquisition strategy, and market sounding.
- 44 The investment case cost is unlikely to be able to be absorbed within baselines and additional funding is likely required in order to enable timeframes to be met.
- 45 Investigation into purchasing existing buildings or purpose-built facilities will help ensure that MIQ can meet ongoing demand for spaces and manage the risks of further transmissible variants in the future.

## **Implementation**

- 46 Once funding is agreed by Cabinet, officials will conclude contract negotiations with the owners of the Elms. This is a necessary first step before changes to the site, such as upgrading of CCTV, and hiring and training of staff can begin. Some minor ventilation remediation work may also be required.
- 47 Officials are working towards mid-November 2021 as a ‘go live’ date for the new facility, however this is an ambitious timeframe and dependent on several factors such as the ability to recruit and train new staff.

## **Financial Implications**

- 48 The MIQ system is currently funded until the end of June 2022. This includes the costs of running the existing 31 facilities. Work is currently being led by the Department of Prime Minister and Cabinet (DPMC) to extend funding for the COVID-response system to June 2023.
- 49 The funding sought for the additional facility is outside of the DPMC led process due to the time-sensitivity of decisions. However, the provision of funding for this additional facility until June 2023 will align with proposed funding request for the wider MIQ system.

## **Legislative Implications**

- 50 There are no legislative implications to this proposal.

## **Impact Analysis**

### **Regulatory Impact Statement**

- 51 A Regulatory Impact Statement is not required for this proposal.

### **Climate Implications of Policy Assessment**

- 52 A Climate Implications of Policy Assessment is not required for this proposal.

### **Population Implications**

- 53 The health impact of COVID-19 on priority groups such as the elderly, Māori, Pasifika, and ethnic communities is clear. We know that some groups are more at risk of severe illness from COVID-19 due to age or underlying health conditions. The ongoing border restrictions (and associated managed isolation requirements) support the ability of our healthcare systems to meet the ongoing health and disability needs of priority communities, especially in Māori and rural communities.
- 54 The border is the main risk site for COVID-19 entering the New Zealand community, but this facility will impose no increased level of risk relative to existing MIQ facilities.



## Human Rights

- 55 All New Zealand citizens have the right to leave and enter New Zealand as set out in s 18 of the Bill of Rights Act 1990 (BORA). Border restrictions imposed through the MIQ system therefore risk imposing an unjustified limit on the right of New Zealand citizens to leave or enter New Zealand. Such a limit may be considered justified if it only causes a reasonably short delay in travel to New Zealand.
- 56 Increasing the MIQ capacity available to New Zealanders can therefore help to mitigate impacts on the ability to enter New Zealand as it may increase their ability to secure an MIQ room and reduce the wait times they face to return home.

## Consultation

- 57 The following agencies have been consulted on this paper – New Zealand Defence Force, Police, AvSec, Ministry of Health, Treasury and Department of Prime Minister and Cabinet.

## Communications

- 58 No public statements can be made until contract negotiations are concluded with the Elms hotel. Government announcements will then be made about the new MIQ facility.

## Proactive Release

- 59 This paper will be proactively released following Cabinet consideration, subject to necessary redactions under the Official Information Act 1982.

## Recommendations

The Minister for COVID-19 Response recommends that the Committee:

- 1 **Note** demand for MIQ space has generally outstripped capacity since the introduction of the MIQ system, and is not forecast to reduce in the near future;
- 2 **Note** a further possible MIQ facility has been identified in Christchurch which would increase the number of rooms in the MIQ network by around 85;
- 3 **Note** this facility will require an additional \$35.646 million funding to run to June 2023;
- 4 **Agree** to fund the establishment and operation of this additional facility until the end of June 2023;
- 5 **Note** another possible facility has been identified in Rotorua, and I will provide further advice on the viability of this facility in due course;

## MBIE – financial recommendations

- 6 **Note** that MBIE is seeking a total of \$32.155 million in new operating funding to establish and operate this additional facility until the end of June 2023;

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- 7 **Approve** the following changes to appropriations to provide for and give effect to the policy and recommendations above, with a corresponding impact on the operating balance and net core Crown debt:

<b>Vote Building and Construction Minister for COVID-19 Response</b>	\$m – increase /(decrease)				
	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26 &amp; Outyears</b>
Multi-Category Expenses and Capital Expenditure: Isolation and Quarantine Management MCA					
Departmental Output Expenses:					
Operational Support (funded by revenue Crown)	4.460	6.075	-	-	-
Non-departmental Output Expenses: Delivery of Services	8.648	12.972	-	-	-
<b>Total Operating</b>	<b>13.108</b>	<b>19.047</b>	-	-	-

- 8 **Agree** that any under-expenditure in the *Isolation and Quarantine Management* multi-category appropriation for MIQ be carried forward to the following financial year to recognise the uncertain timing of subsequent expenditure, with the final amount to be transferred confirmed as part of the baseline update process following the presentation of MBIE’s audited financial statements;
- 9 **Note** that funding is ring-fenced to MIQ and cannot be transferred to other appropriations, and that once MIQ winds down, any remaining funding is to be returned to the Crown;

**Ministry of Health – financial recommendations**

- 10 **Note** that the Ministry of Health seeks \$3.491 million in new operating funding to cover the costs of health services for this additional facility until end of June 2023;

**SENSITIVE**

- 11 **Approve** the following changes to appropriations to provide Vote Health with Managed Isolation and Quarantine costs, with a corresponding impact on the operating balance and net core Crown debt:

<b>Vote Health Minister of Health</b>	\$m – increase/(decrease)				
	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26 &amp; Outyears</b>
<b>Multi-Category Expenses and Capital Expenditure:</b> National response to COVID-19 across the health sector					
<b>MCA Non-Departmental Output Expense:</b>					
COVID-19 Public Health Response	1.392	2.099	-	-	-
<b>Total Operating</b>	<b>1.392</b>	<b>2.099</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Recommendations in relation to all above appropriation changes**

- 12 **Agree** that the proposed changes to all appropriations above be included in the 2021/22 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply;
- 13 **Agree** that the expenses incurred in the above recommendations be charged to the COVID-19 Response and Recovery Fund established as part of Budget 2020.

Authorised for lodgement

Hon Chris Hipkins

Minister for COVID-19 Response