



COVERSHEET

Minister	Hon Chris Hipkins	Portfolio	COVID-19 Response
Title of Cabinet paper	Maintaining MIQ in the short-term A National Quarantine System: options for the ongoing COVID-19 Response and Future Pandemic Preparedness Options for Accelerating MIQ Network Transition	Date to be published	20 May 2022

List of documents that have been proactively released

Date	Title	Author
December 2021	Maintaining MIQ in the short-term	<i>Office of the Minister for COVID-19 response</i>
8 December 2021	Maintaining MIQ in the short-term SWC-21-MIN-0215	<i>Cabinet Office</i>
8 December 2021	A National Quarantine System: Options for the Ongoing COVID-19 Response and Future Pandemic Preparedness	<i>Office of the Minister for COVID-19 response</i>
8 December 2021	A National Quarantine System: Options for the Ongoing COVID-19 Response and Future Pandemic Preparedness SWC-21-MIN-0214	<i>Cabinet Office</i>
March 2022	Options for Accelerating MIQ Network Transition	<i>Office of the Minister for COVID-19 response</i>
9 March 2022	Options for Accelerating MIQ Network Transition SWC-22-MIN-0032	<i>Cabinet Office</i>

Information redacted**YES**

Any information redacted in this document is redacted in accordance with MBIE's policy on Proactive Release and is labelled with the reason for redaction. This may include information that would be redacted if this information was requested under Official Information Act 1982. Where this is the case, the reasons for withholding information are listed below. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Some information has been withheld for the following reasons:

- Negotiations
- Commercial information
- Legal professional privilege
- Free and Frank Opinions

Please note, the funding request and transition approach agreed to in *Maintaining MIQ in the short-term* have been taken over by the paper considered in *Options for Accelerating MIQ Network Transition*. Some of the funding will be returned and this amount will be confirmed in the October baseline update.



Cabinet Social Wellbeing Committee

Minute of Decision

This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.

Options for Accelerating MIQ Network Transition

Portfolio COVID-19 Response

On 9 March 2022, the Cabinet Social Wellbeing Committee (SWC), having been authorised by Cabinet to have Power to Act [CAB-22-MIN-0059]:

- 1 **noted** that:
 - 1.1 in December 2021, SWC agreed to scale down MIQ capacity by June 2023 using a Moderate Transition Approach [SWC-21-MIN-0215];
 - 1.2 since then, a number of policy decisions pertinent to MIQ demand at the border and in the community have been made;
- 2 **noted** that officials expect a maximum of 200 people per week (140 rooms) will be required to enter MIQ from Monday, 7 March 2022, if current border settings are retained;
- 3 **noted** that if the vaccine-associated requirements to enter MIQ, being considered in the paper *Reconnecting New Zealanders: Further changes to international border settings* [SWC-22-SUB-0033] are removed, demand from the border will drop to almost zero immediately;
- 4 **noted** that between 6-11 March 2022, 21 facilities will have their final border cohorts depart and will be deactivated (as is usual process);
- 5 **noted** that remaining border demand has been consolidated into 3-4 facilities over the last week as part of the Reconnecting New Zealanders with the World changes;
- 6 **noted** that, while the overwhelming majority of cases in the current Omicron outbreak are being managed in the community, a very small number continue to enter MIQ;
- 7 **noted** that the Minister for COVID-19 Response (the Minister) considers it important that MIQ continue to provide support for community cases in the regions it has a presence through the upcoming peak of the current Omicron outbreak in March and April 2022;
- 8 **noted** that, in line with the Moderate Transition Approach, steps have been taken to decommission eight facilities from the MIQ network, with one choosing to exit, Commercial information
- 9 **agreed** to decommission at least a further thirteen facilities before 30 June 2022, bringing the total number of facilities leaving the MIQ network in the next four months to a minimum of 21 facilities (of 32 total);

- 10 **noted** that the Minister has directed officials to ensure that, as soon as facilities are no longer operational, the visible presence of MIQ is minimised;
- 11 **noted** that officials will seek to retain sufficient flexibility in the MIQ network to respond to any unanticipated increase in border demand between now and 30 June 2022 before agreeing to pay-out any notice periods;
- 12 **noted** that all facilities, Commercial Information, are currently contracted only until 30 June 2022;
- 13 **noted** that decisions on the future size of the MIQ network are required now to re-contract any facilities to remain in the network beyond this date, and to support major workforce change processes (ie redeployment and redundancies);
- 14 **noted** that the use of Commercial Information will provide the flexibility to quickly scale up MIQ for border arrivals again, should a variant of significant concern emerge during that time;
- 15 **agreed** to consolidate the MIQ network into three or four facilities in Auckland and Christchurch, Commercial Information
- 16 Commercial Information
- 17 **noted** that immediate decisions and a public announcement are required to ensure that the scale of the MIQ network remains responsive to demand and commence appropriate workforce change processes;
- 18 **authorised** the Minister of Finance and Minister for COVID-19 Response, in consultation with the Prime Minister and Minister of Health, to make future decisions on the MIQ Network Transition, subject to decisions having financial implications within the appropriation already agreed by Cabinet;

National Quarantine Service: Next Steps

- 19 **noted** that in December 2021, SWC agreed:
- 19.1 to the development of two Detailed Business Cases (DBC) to progress work on a National Quarantine Service:
 - 19.1.1 DBC 1 would focus on securing quarantine capacity for the tail-end of COVID-19 by using and improving existing infrastructure (including long-term contracts with two current facilities);
 - 19.1.2 DBC 2 would focus on securing quarantine capacity for future pandemics via Confidential advice to Government;
 - 19.2 to establish a tagged contingency of up to \$24.200 million over two years for the development of DBC2;

[SWC-21-MIN-0214]

- 20 **agreed** that DBC 1 is no longer required given the network reduction, uncertainty in demand for MIQ over the coming months, and in-light of direction from the Gateway review process;
- 21 **noted** that any contracts and upgrades for the coming year can be funded through the existing MIQ appropriation for 2022/23;
- 22 **noted** that work on a longer-term dedicated quarantine capability is progressing, subject to the scope of this project being confirmed by the Minister of Finance, Minister for COVID-19 Response and Minister of Health, with a revised anticipated delivery date of 31 October 2022.
- 23 **noted** that it is expected that the progression of the above work can be funded through underspends in the Ministry of Business, Innovation and Employment's (MBIE) appropriation, and therefore the tagged contingency for DBC 2 noted in paragraph 19.2 above is no longer required;

Financial recommendations for the revised transition approach

- 24 **noted** that in December 2020, Cabinet approved \$1,481.695 million in funding to MBIE for MIQ, and noted that funding was ring-fenced and could not be transferred to other appropriations, and that once MIQ winds down, any remaining funding is to be returned to the Crown [CAB-20-MIN-0511];
- 25 **noted** that due to the substantial uncertainty about the scale and duration of the current MIQ network, and the potential costs associated with workforce change, only some of the estimated underspends from the proposed policy changes are included in the paper under SWC-22-SUB-0032;
- 26 **noted** that it is the Minister's expectation that additional funding allocated for 2021/22 and a significant proportion of the funding allocated for 2022/23 will be able to be returned to the Crown in coming months;
- 27 **authorised** the Minister of Finance and relevant appropriation Minister to make future decisions on the management of returning further MIQ funding, including managing underspends against future Budget allowances, through baseline update processes;

MBIE – financial recommendations

Revised transition approach

- 28 **agreed** to return \$85.727 million in estimated underspends in the 2021/22 and 2022/23 Managed Isolation and Quarantine Loans category resulting from policy decisions above to the COVID-19 Response and Recovery Fund (CRFF) established as part of Budget 2020;
- 29 **agreed** to return \$367.802 million in the Delivery of Services (hotel and transport) and Fee Other Expense categories for 2021/22 and 2022/23 resulting from policy decisions above to the CRRF;

30 **approved** the following changes to appropriations to give effect to the decisions in paragraphs 28 and 29 above, with the following impact on the operating balance and net core Crown debt:

Vote Building and Construction Minister for COVID-19 Response	\$m – increase/(decrease)				
	2021/22	2022/23	2023/24	2024/25	2025/26
Multi-Category Expenses and Capital:					
Isolation and Quarantine Management MCA					
Non-departmental Output Expenses:					
Delivery of Services	(70.764)	(282.738)			
Non-departmental Other Expenses:					
Managed Isolation and Quarantine loans - fair value write-down		(1.000)			
Non-departmental Other Expenses:					
Managed Isolation and Quarantine loans - Impairment of debt					
Non-Departmental Capital Expenditure:					
Managed Isolation and Quarantine Loans		(13.300)			
	(76.727)	(9.000)			
Total Operating	(70.764)	(297.038)			
Total Capital	(76.727)	(9.000)			

	\$m – increase /(decrease)				
	2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears
Vote Building and Construction					
Operating Balance and Net Core Crown Debt Impact	(70.764)	(282.738)			
Operating Balance Impact Only	-	(14.300)			
Net Core Crown Debt Impact Only	(76.727)	(9.000)			
No Impact	-	-			
Total	(147.491)	(306.038)			

National Quarantine Service

- 31 **agreed** that the tagged contingency in paragraph 19.2 be returned to the CRRF as a result of DBC 1 not proceeding, and DBC2 being met within baseline;
- 32 **noted** that underspends relating to the development of DBC 1 will be returned through baseline update processes, once confirmed;
- 33 **agreed** to return the following tagged operating and capital contingencies to the CRRF to give effect to the decision in paragraph 33 above:

	\$m – increase/(decrease)					
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Long-term contracts - Tagged Operating Contingency	-	(36.574)	(184.586)	(184.586)	(108.092)	-
Upgrades (earthquake strengthening and ventilation improvements) and <small>Confidential advice to Government</small> Tagged Capital Contingency	-	(72.800)	-	-	-	-
Detailed Business Case on <small>Confidential advice to Government</small> Tagged Operating Contingency	(8.000)	(16.200)				
Total Operating	(8.000)	(52.774)	(184.586)	(184.586)	(108.092)	
Total Capital		(72.800)				

Police – financial recommendations

- 34 **noted** that as of 23 February 2022, the New Zealand Police (Police) has withdrawn its permanent presence of approximately 238 personnel in MIQ facilities (scaling down to 14 dedicated personnel from 5 March 2022), due to other priorities and reducing MIQ demand;
- 35 **noted** that:
- 35.1 Police continues to discuss with MBIE the requirement to maintain and support MIQ in the future, but that due to the fast-moving change of MIQ design and operation, Police remain in a planning stage;
 - 35.2 Police is currently confirming committed expenditure to date and determining financial implications of the changes in MIQ above and consequent Police responsibilities;
- 36 **noted** that Police will provide further advice on the fiscal implications of the changes to MIQ for 2021/22;

37 **approved** the following changes to appropriations to reflect these changes to MIQ costs within Vote Police as of 8 March 2022, with a corresponding impact on the operating balance and net core Crown debt:

Vote Police Minister of Police	\$m - increase/(decrease)				
	2021/22	2022/23	2023/24	2024/25	2025/26
Multi-Category Expenses and Capital Expenditure:					
Policing Services (MCA) <i>Departmental Output Expenses</i>					
Crime Prevention (funded by Revenue Crown)	-	(5.197)	-	-	-
Primary Response Management (funded by Revenue Crown)	-	(15.328)	-	-	-
Investigations and Case Resolution (funded by Revenue Crown)	-	(3.313)	-	-	-
Total Multi-Category Expenses and Capital Expenditure: Policing Services (MCA)	-	(23.838)	-	-	-
Total Operating	-	(23.838)	-	-	-

Decisions in relation to all above appropriation changes

38 **agreed** that the changes to appropriations for 2021/22 above be included in the 2021/22 Supplementary Estimates;

39 **directed** MBIE, Ministry of Transport, Police and Ministry of Health to ensure they can separately report on how much of the above funding has been spent, forecast expenditure and progress against key milestones at least quarterly.

Rachel Clarke
Committee Secretary

Present:

Rt Hon Jacinda Ardern
Hon Grant Robertson
Hon Kelvin Davis
Hon Dr Megan Woods
Hon Chris Hipkins (Deputy Chair)
Hon Carmel Sepuloni (Chair)
Hon Andrew Little
Hon Poto Williams
Hon Damien O'Connor
Hon Kris Faafoi
Hon Peeni Henare
Hon Willie Jackson
Hon Jan Tinetti
Hon Dr Ayesha Verrall
Hon Aupito Williams Sio
Hon Meka Whaitiri
Hon Priyanca Radhakrishnan

Officials present from:

Office of the Prime Minister
Office of the Chair
Officials Committee for SWC