



BRIEFING

Funding options to progress New Zealand's future quarantine and isolation capability

Date:	11 November 2022	Priority:	High
Security classification:		Tracking number:	2223-1754

Action sought		
	Action sought	Deadline
Hon Dr Ayesha Verrall Minister for COVID-19 Response	Agreement to your preferred funding pathway for the NQC Cabinet paper.	16 November 2022

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Chris Bunny	Deputy Secretary, Labour Science & Enterprise	Privacy of natural persons	✓
Privacy of natural persons	Policy Manager, MIQ		

The following departments/agencies have been consulted
Te Whatu Ora and the Public Health Agency in Manatū Hauora

Minister's office to complete:

- | | |
|---|--|
| <input type="checkbox"/> Approved | <input type="checkbox"/> Declined |
| <input type="checkbox"/> Noted | <input type="checkbox"/> Needs change |
| <input type="checkbox"/> Seen | <input type="checkbox"/> Overtaken by Events |
| <input type="checkbox"/> See Minister's Notes | <input type="checkbox"/> Withdrawn |

Comments



BRIEFING

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Purpose

This briefing updates you on our discussions with The Treasury and health agencies about securing ongoing funding for the Readiness Plan and future National Quarantine Capability (NQC). It outlines three possible pathways to include in the revised NQC Cabinet paper based on those discussions and seeks your preference for which pathway we include in the paper.

Executive summary

The Ministry of Business, Innovation and Employment (MBIE) is preparing a Cabinet paper on your behalf, seeking to transfer responsibility for quarantine and isolation capabilities back to the health system and secure funding to maintain or enhance NQC functions beyond June 2023.

The Treasury and the Minister of Finance have provided feedback on the Cabinet paper that out-of-cycle funding is not supported. The Treasury has advised their Minister that should Cabinet endorse any of the NQC options, funding should be pursued through Budget 2023.

Since then, however, the Minister of Finance has written to MBIE to advise that any COVID-19 funding for the next financial year will need to come from within MBIE's existing baseline and prioritised against other MBIE activity. We understand that neither MBIE nor health agencies will be invited to make a Budget 2023 bid to fund NQC activity beyond June 2023.

You have requested a COVID-19 Strategic Public Health Advisory Group perspective on the options in the current Cabinet paper, and for health agencies, MBIE, and The Treasury to come to agreement on a funding path for Cabinet's preferred NQC option.

However, with Budget 2023 effectively closed off as an option for both MBIE and health agencies, we are left with seeking either contingency funding or with health agencies funding NQC activities from within their baseline. MBIE cannot fund NQC costs beyond June 2023, as NQC will not be within MBIE's scope when the function transfers to the health system. Health agencies have maintained that their budget is fully allocated and that they cannot fund NQC functions out of its baseline.

Given these developments there are two possible pathways that MBIE could build into the Cabinet paper, one of which has two ways it could be progressed:

- Pathway A1: continue as planned by seeking out-of-cycle funding; AND/OR
- Pathway A2: seek the funding as a contingency that could be drawn down by you, the Minister of Health, and the Minister of Finance after the completion of the detailed transition roadmap of the transfer of quarantine and isolation functions (in February/March 2023);
OR
- Pathway B: do not seek additional funding and instead ask health agencies to fund the NQC from within their baseline. Health agencies have consistently maintained that this approach is not workable for them, and comment from both Te Whatu Ora and the Public Health Agency is included in the body of this paper.

Of these possible pathways, MBIE's preference is to pursue Pathway A1 as the most viable way to get a Cabinet decision on the NQC options in time for us to be ready to plan a smooth and effective transition in the first part of next year.

Recommended action

The Ministry of Business, Innovation and Employment (MBIE) recommends that you:

- a **Note** that a Cabinet decision on the National Quarantine Capability (NQC) must be made before the end of this calendar year to ensure a smooth transition of functions to the health system, and to ensure that activities under the Readiness Plan can be continued beyond June 2023;

Noted

- b **Note** that agencies have been unable to come to an agreed funding approach now that Budget 2023 is no longer a viable option, The Treasury is not supporting out-of-cycle funding, and health agencies not having the ability to fund the NQC from within baseline;

Noted

- c **Agree** to and approach to progress the Cabinet paper:

- Pathway A1: continue to seek out-of-cycle funding;

Agree / Disagree

AND/OR

- Pathway A2: seek the funding as a contingency that can be drawn down by you, the Minister of Health, and the Minister of Finance after completion of the detailed transition roadmap of the transfer of quarantine and isolation functions;

Agree / Disagree

OR

- Pathway B: do not seek additional funding in the Cabinet paper, and instead recommend that Cabinet direct health agencies to find the funding within baseline;

Agree / Disagree

- d **Note** MBIE's preference is to pursue Pathway A1 as the most viable way to get a timely Cabinet decision on the NQC;

Noted

- e **Note** that MBIE recommends that you seek the views of relevant portfolio Ministers in deciding on a preferred pathway to reflect in the Cabinet paper.

Agree / Disagree

p.l.

Chris Bunny
Deputy Secretary, Labour Science &
Enterprise
MBIE

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..... / /

Hon Dr Ayesha Verrall
Minister for COVID-19 Response

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Background

Responsibility for quarantine and isolation functions during our COVID-19 response

1. In June 2020, Cabinet agreed that for the purpose of the COVID-19 response, MBIE would assume the role of lead agency for the provision of managed quarantine and isolation (MIQ) arrangements [CAB-20-MIN-0284].
2. There is in-principle agreement between MBIE, Manatū Hauora and Te Whatu Ora that responsibility for quarantine and isolation functions should return to the health system under the guise of the NQC. The proposed transfer is likely to result in responsibilities for quarantine and isolation functions being split between Manatū Hauora (preparedness policy) and Te Whatu Ora (readiness operations), with details to be agreed by way of a detailed 'roadmap', to be completed and presented to Ministers no later than March 2023.
3. While the transfer could provisionally be completed by 30 June 2023, Cabinet agreement is required as Manatū Hauora and Te Whatu Ora are concerned about responsibility for quarantine and isolation functions being transferred without funding in place.

Funding for quarantine and isolation functions currently ends in June 2023

4. MBIE has provided you with the Quarantine and Isolation Capability Readiness Plan (the Readiness Plan), which covers re-establishing large-scale quarantine and isolation to respond to a significant public health threat at the border [BR 2223-0629]. The Readiness Plan, when activated, would enable the Government to stand-up quarantine and isolation within 3-4 weeks.
5. The Readiness Plan alone is estimated to cost approximately \$3 million per annum to stay 'ready for activation' over 2023/24 and 2024/25.
6. Quarantine and isolation functions are currently funded until June 2023 (via MBIE's MIQ appropriation). Without further funding, all quarantine and isolation activity, regardless of whether undertaken by MBIE or health agencies, will cease from 30 June 2023.

A Programme Business Case has identified opportunities to maintain and strengthen the NQC

7. The Programme Business Case (PBC) considers options for retaining and strengthening the NQC into the future. Each of these options requires funding beyond June 2023:
 - a. Option One: Funding the continued maintenance, testing, and maturation of our existing Readiness Plan for MIQ. Option One is expected to cost approximately \$6 million across July 2023 to June 2025 (i.e., \$3 million per annum).
 - b. Option Two: Option One, plus development of a long-term quarantine and isolation capability strategy, and investment over time in an evolving portfolio of (contracted) self, community, and managed quarantine and isolation interventions. Option Two is expected to cost approximately \$11 million across July 2023 to June 2025 including the \$6 million in Option One (i.e., \$5.5 million per annum).
 - c. Option Three: Option Two, plus investment over time in Crown-owned, purpose-designed quarantine and isolation facilities. Option Three is expected to cost approximately \$11 million across July 2023 to June 2025 including the \$11 million in Option Two (i.e., \$5.5 million per annum).¹

¹ A further approximately \$5 million would be required to develop a detailed business case for a purpose-built facility or facilities under this option, following (it is anticipated) completion of the Royal Commission of Inquiry into our future pandemic preparedness.

8. The PBC supports investment in Option Two. You have indicated a preference for Option Two or Option Three.

Future quarantine and isolation capability Cabinet paper

A Cabinet paper seeking Cabinet direction of the future of the NQC is being prepared

9. MBIE is drafting a Cabinet paper on your behalf that seeks to:
 - a. secure funding for NQC activity for the next two years beyond June 2023;
 - b. get Cabinet agreement that responsibility for managed quarantine and isolation functions will transfer back to the health system by 30 June 2023; and
 - c. get Cabinet agreement on the size and scope of the NQC to be developed going forward based on the options in the PBC.
10. These Cabinet decisions will enable MBIE, Manatū Hauora, and Te Whatu Ora to progress work on the preferred option, and provide you, the Minister of Health, and the Minister of Finance with a detailed transition roadmap of the transfer of quarantine and isolation functions, due by March 2023.
11. MBIE is awaiting additional public health advice that you have commissioned from the COVID-19 Strategic Public Health Advisory Group. MBIE will reflect that additional advice in the Cabinet paper should you request it.

The Cabinet paper has been delayed until early December at the earliest

12. This Cabinet paper was intended for the Social Wellbeing Sub-Committee on 9 November 2022 but has been delayed due to:
 - a. Ministerial consultation, which resulted in feedback only from the Minister of Finance;
 - b. The Treasury request that a detailed roadmap is included in the Cabinet paper (which health agencies can only provide once the preferred option is decided, the functions agreed and signed off by the respective entities, and funding has been resolved); and
 - c. Concerns from the Minister of Finance and The Treasury that impact whether funding can be secured in this Cabinet paper (this is outlined further in the next section).
13. A Cabinet decision on the NQC option to be progressed is required as soon as possible to ensure that the Readiness Plan can continue and to ensure a smooth transfer of functions to the health system by June 2023. To achieve this, MBIE is planning to have the Cabinet paper ready to be progressed through the Social Wellbeing Sub-Committee on 7 December 2022.

Funding complexities have been raised through consultation

14. The Treasury has provided feedback on the funding of NQC functions beyond June 2023, and this feedback is endorsed by the Minister of Finance. You have asked us to come up with an agreed approach with The Treasury and health agencies.
15. The Treasury has raised a number of concerns with the NQC Cabinet paper, the most pertinent of which relates to the funding of NQC functions beyond June 2023. This issue can be summarised as follows:
 - The Treasury does not support the out-of-cycle funding request.

- Instead, The Treasury considers seeking funding through Budget 2023 is more appropriate, but bids for funding of new initiatives are only to be submitted on invitation from the Minister of Finance. MBIE will not receive an invitation to bid for NQC funding and health agencies are not invited to partake in Budget 2023, as funding has already been secured for the next financial year.
- The Treasury has advised that MBIE can only seek NQC funding under Budget 2023 by prioritising the costs within its own baseline. However, because NQC functions are intended to transfer to the health system for the next financial year, and MBIE will not be responsible for this activity, MBIE and MBIE Ministers are extremely unlikely to prioritise NQC costs in MBIEs baseline. The costs would also fall outside MBIE's scope at that time, as MBIE would not have any responsibilities in the COVID-19 portfolio.
- The Treasury also advises that funding could be prioritised within health agencies baseline funding. However, agencies have consistently maintained that they cannot receive quarantine and isolation functions, under any of the three options, without additional funding as current baseline funding is allocated.

16. To summarise, The Treasury (endorsed by the Minister of Finance) does not support providing additional funding for quarantine and isolation functions in Budget 2023 or out-of-cycle, for any of the NQC options, and instead suggests that any funding required is reprioritised by MBIE or health agencies.

Options to progress the Cabinet paper

17. MBIE has been unable to facilitate an agreement with The Treasury and health agencies on a funding approach for the NQC Cabinet paper. We ask that you indicate your preference from the following pathways, so that we can amend the Cabinet paper accordingly. Each of these pathways will likely result in comments from the Health and Finance Ministers. The options are:

Pathway A1: continue as planned seeking out-of-cycle funding

18. Under Pathway A1, we would lodge the Cabinet paper as currently drafted, with additional advice from COVID-19 Strategic Public Health Advisory Group if appropriate. This means requesting out-of-cycle funding to support whichever PBC option Cabinet agrees to (\$6 million over two Financial Years for Option One, and \$11 million for each of Option Two and Option Three).

19. This option gives us certainty as to the funding and Cabinet direction to progress work going forward.

20. Because the Minister of Finance does not currently support this pathway, it may be unlikely to get Cabinet support for any of the options.

21. Pathway A1 can be progressed with Pathway A2.

AND/OR

Pathway A2: seek funding as a contingency instead of outright

22. Under Pathway A2, we would amend the Cabinet paper to seek contingency funding that could be drawn down after the detailed roadmap is agreed to. The funding would be delegated to specific Ministers (the Minister for COVID-19 Response, the Minister of Finance, and the Minister of Health) to be drawn down once Ministers have agreed to the proposed roadmap.

Under this pathway, the earliest that the roadmap would be available is February 2023, so the funding draw down would likely be in early March 2023.

23. Like Pathway A1, under this pathway funding is not guaranteed as the contingency would still be out-of-cycle. Even with an agreed detailed roadmap, there may not be agreement across delegated Ministers to draw down the contingency. Therefore some of the on-going work to retain staff, service relationships and facilities would be put on hold until the funding was confirmed.
24. The benefit of this pathway with is we could get confirmation of Cabinet's preference on the size and function of the NQC going forward (so the roadmap could be predicated on that preference), and agreement to transfer the responsibility to the health system without funding complexities holding up those decisions.
25. While The Treasury and the Minister of Finance have not endorsed this option, it has not been ruled out and we understand health agencies may be more comfortable with this approach than with funding NQC from within their baselines.

OR

Pathway B: do not seek additional funding and instead find the funding in baseline

26. Under Pathway B, the Cabinet paper would be amended in the way that The Treasury's feedback suggests – that is, no additional funding would be sought. Instead the Cabinet paper would seek Cabinet's decision on the work programme going forward, and Cabinet's agreement to direct agencies to find the funding to support it.
27. Under this pathway, health agencies would need to allocate the NQC costs from within their existing baselines. We expect that health agencies would want to make explicit in the Cabinet paper that they do not support this pathway (as indicated in the following section).
28. Health agencies have consistently maintained that they need additional funding to progress any of the NQC options.
29. The benefit of this pathway is it gives Cabinet Ministers the opportunity to indicate how NQC capabilities should be prioritised compared to other initiatives, and therefore to direct officials accordingly.

Health agency comments

30. Health agencies (the Public Health Agency and Te Whatu Ora) are currently engaged in various activities that are related to or otherwise adjacent to the NQC. These include working with MBIE on the development of the PBC and Cabinet paper, time limited funding for Care in the Community, and likely work programmes to review the New Zealand Influenza Pandemic Plan and further work on health security. However, health agencies are simply not resourced (with either funding or FTE) to take responsibility for MIQ readiness activities or the functions associated with developing and implementing proposals for the NQC.
31. If any costs associated with the NQC are absorbed from baselines, this would likely be sourced from the public health spend within Vote Health. In 2017/18 this was approximately \$414 million. This funding covers NGO public health providers (such as the Heart Foundation, oral health and smoke-free providers), screening programmes, all costs associated with frontline core health protection services (that is, the infectious disease control, environmental health, border health protection, alcohol regulatory functions, input to the Resource Management Act 1991 and local government planning, and other services delivered by Public Health Units) and national science providers such as ESR and Massey University.

32. The annual costs associated with NQC options (of \$3 million and \$5.5 million) amount to a small but not insignificant percentage of the total funding used to support all public health services. The costs associated with any purpose designed new builds could only be met by new funding. Any requirement to absorb the annual costs of the NQC options from existing baselines would likely cause significant disruption to current service levels for public health.
33. Health agencies have recent experience of COVID-19 related responsibilities transferring from the Department of Prime Minister and Cabinet. These came without sufficient resourcing to adequately perform the functions and meet the expectations associated with those responsibilities.
34. If Vote Health were to make additional investments in pandemic preparedness, this would most likely prioritise equity and achieving equitable outcomes for Māori, Pacific Peoples and Whaikaha.
35. If new funding is not secured to progress any of the NQC options, Manatū Hauora and Te Whatu Ora are of the view that all activity on retaining and strengthening our future quarantine and isolation capability will cease on 30 June 2023.

Next steps

36. Once you have indicated a preference between these pathways, MBIE will amend the Cabinet paper accordingly. MBIE strongly recommends that you seek the views of relevant portfolio Ministers in deciding on a preferred pathway to reflect in the Cabinet paper.
37. The following timeline is indicative of the steps required to get the Cabinet paper lodged this year:

Current advice	Minister's feedback on the pathway to progress is incorporated in the Cabinet paper	Wednesday, 16 November
Agency consultation	MBIE consults with The Treasury and health agencies on the agreed approach	Wednesday, 16 November – Friday, 18 November
Additional advice	Final COVID-19 Strategic Public Health Advisory Group advice is incorporated into the Cabinet paper	Wednesday, 16 November
Redrafting	New draft is provided to the Minister's Office	Friday, 18 November (weekend bag)
	The Minister's changes are incorporated into the paper	Tuesday, 22 November
Ministerial consultation	Ministerial consultation is undertaken and incorporated	Thursday, 24 November – Monday, 28 November
Cab process	Lodgement	Thursday, 1 December
	Social Wellbeing Sub-Committee	Wednesday, 7 December
	Cabinet decisions	Monday, 12 December