



## COVERSHEET

<b>Minister</b>	Hon Grant Robertson	<b>Portfolio</b>	Finance
<b>Title of Cabinet paper</b>	Interim Response Package for Cyclone Gabrielle and January Flooding – inclusion of the Wairarapa  Cyclone Gabrielle – additional funding injection for interim response, and proposed future work  Cyclone Gabrielle – further funding for business support grants	<b>Date to be published</b>	16 August 2023

### List of documents that have been proactively released

Date	Title	Author
March 2023	Interim Response Package for Cyclone Gabrielle and January Flooding – inclusion of the Wairarapa	Office of the Minister of Finance
7 March 2023	Cyclone Gabrielle: Wairarapa Business Support EWR-23-MIN-0007 Minute	Cabinet Office
March 2023	Cyclone Gabrielle – additional funding injection for interim response, and proposed future work	Office of the Minister of Finance
14 March 2023	Cyclone Gabrielle: Additional Business Support EWR-23-MIN-0018 Minute	Cabinet Office
April 2023	Cyclone Gabrielle – further funding for business support grants	Office of the Minister of Finance
11 April 2023	Cyclone Gabrielle: Business Support Further Funding Injection  CAB-23-MIN-0133 Minute	Cabinet Office

### Information redacted

**NO**

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.

Office of the Minister of Finance

Cabinet Extreme Weather Recovery Committee

## **Interim Response Package for Cyclone Gabrielle and January Flooding – inclusion of the Wairarapa**

### **Proposal**

- 1 I propose to extend the interim support package for businesses most impacted by Cyclone Gabrielle and the January flooding to include the Wairarapa region and provide an initial tranche of \$250,000 for business support grants. This sum will be funded from the \$25 million interim business support recovery package agreed by Joint Ministers on 25 February 2023.

### **Executive Summary**

- 2 In response to the damage caused by Cyclone Gabrielle, on 20 February 2023 Cabinet agreed to set aside \$50 million in tagged contingency funding to enable the Government, in collaboration with local communities, to deliver an interim business and primary sector recovery package [CAB MIN 23-0044].
- 3 \$25 million of this package was reserved for business support, with most of that to be used for business support grants. To be eligible for a grant, amongst other things, a firm needs to be located in an area where a local state of emergency was declared. These locations were Northland, Thames-Coromandel, Tairāwhiti, Auckland, Hawke's Bay, and the Tararua District.
- 4 As further information has come to hand about the extent of the damage, it is becoming clearer that businesses in the Wairarapa have also been negatively impacted by Cyclone Gabrielle.<sup>1</sup> I therefore propose to add the Wairarapa to the list of regions where business support grants will be made available, and to allocate \$250,000 of the \$25 million to this region.

### **Background - the Government's interim business support package for Cyclone Gabrielle and the January floods**

#### *Cabinet agreed to set aside \$50 million in contingency funding*

- 5 On 20 February 2023, Cabinet agreed to set aside \$50 million in contingency funding to enable the Government, in collaboration with local communities, to deliver an interim business and primary sector recovery package [CAB MIN 23-0044].
- 6 Cabinet authorised the Prime Minister, Deputy Prime Minister, Minister of Finance, Minister for Regional Development, the Minister for Economic Development, and the Minister of Agriculture (Joint Ministers) to:
  - 6.1 draw down from the tagged operating contingency to fund an interim business and primary sector recovery package;

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<sup>1</sup> See Annex One for a summary of Cyclone Gabrielle's impacts in the Wairarapa.

**I N C O N F I D E N C E**

- 6.2 establish appropriations to give effect to this interim business and primary sector recovery package;
- 6.3 determine the distribution of the contingency funding; and
- 6.4 determine the specific contracting and reporting mechanisms for the delivery of the interim business recovery package.

*\$25 million has been allocated for business support, with the majority for business support grants administered by local delivery partners*

- 7 On 25 February, Joint Ministers reserved \$25 million of the contingency fund for business support. Joint Ministers also agreed to the design of the Cyclone Gabrielle business support package and that MBIE draw down \$25 million of the tagged contingency.
- 8 The majority of the funding (\$24,150,000) has been allocated to discretionary funding for flood recovery (i.e. business support grants) for firms located in an area where a local state of emergency had been declared. These locations were Northland, Thames-Coromandel, Tairāwhiti, Auckland, Hawke's Bay, and the Tararua District.
- 9 The business support grants element of the package is being led by seven Local Delivery Partners (LDPs), each of which has been allocated an initial tranche of funding to use.<sup>2</sup> This first tranche makes up 75 percent of the \$25 million (\$18,112,500).
- 10 The initial regional allocations were based on the MBIE's, albeit limited, understanding of the relative size of the cyclone's impact on the business community in that area. A second tranche of the \$25 million (\$6,037,500) is being held in reserve, to provide flexibility for responding to emerging needs in cyclone-affected regions, as better information emerges.
- 11 MBIE has now concluded funding agreements with all seven LDPs. In some cases (e.g. Hawkes Bay and Auckland) they are already processing grant applications.

*A set of base funding eligibility criteria for individual firms apply for all local delivery partners*

- 12 On 25 February Joint Ministers decided on the base eligibility criteria for firms accessing business support grants. Eligible firms must:
  - 12.1 be primarily located where a regional State of Emergency was declared; and
  - 12.2 face significant cashflow issues due to continued challenges with customer access, ability to source stock, supply chain issues, inability to operate as usual due to physical damage to equipment or premises, or delays in insurance assessment and repairs; and
  - 12.3 be an otherwise viable business both before and after the flooding; and

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<sup>2</sup> See Annex Two for a list of the LDPs and their initial regional allocation.

## IN CONFIDENCE

- 12.4 not have received any funding from the Ministry of Primary Industry's (MPI's) recovery fund; and
- 12.5 commit to acting in line with employment law and with due regard to its employees.
- 13 When making funding decisions, the LDPs must use these base-level eligibility criteria, but will also be able to add their own, region-specific criteria and are also able to charge a percentage fee of the grants paid to cover their reasonable administration costs.
- 14 For tranche one of business support grants, the maximum grant per firm is \$40,000. This sum is the same as the maximum funding available under the Ministry of Primary Industry's farmer and grower recovery grants. Further analysis will be undertaken to determine any cap for tranche two.
- 15 The LDPs have been instructed to graduate grant amounts, so that the sum being paid out is proportionate to the scale of the firm and the damage caused, and accounts for other relevant factors. In making funding decisions, LDPs will be guided by an assessment panel that includes (at minimum) a representative of iwi, the local business community, and a local authority.

### *Other support for cyclone-impacted firms*

- 16 The business support package also includes \$250,000 for the Employers and Manufacturers Association to extend the coverage of its nationwide employer helpline, and \$600,000 for Regional Business Partners in cyclone-impacted areas to temporarily ramp up their service offering.

### **Situation in the Wairarapa**

#### *Damage caused*

- 17 As of today, no regional state of emergency was declared in the Wairarapa following the cyclone, but significant damage did occur in some areas. In particular, the Masterton-Castlepoint Road was the main transport route between Masterton and its eastern and coastal communities, and was severely impacted by slips, debris, and drop-outs.
- 18 The small settlement of Tinui was the worst affected place in the Wairarapa. For community hubs such as the local school and the local pub and shops, the clean-up and repairs may take months.

#### *Support already in place*

- 19 The main financial support mechanism to date in the Wairarapa has been its Mayoral Relief Fund. It has received donations from throughout New Zealand, including \$100,000 from the Trust House Foundation and \$75,000 from central government. Financial support has also been provided by the Ashburton and Mackenzie District Councils.

## Analysis

- 20 I consider there is a good case to be made for extending eligibility for business support grants to include firms located in the Wairarapa. This is because the impacts on some local businesses were sudden, significant, and will be sustained, beyond their capabilities or that of the local business community to respond effectively.
- 21 As with firms in other cyclone-impacted regions, this approach recognises that while businesses should have recovery plans, reserves and insurance to get them through disruption, there are instances where the scale of the disruption is beyond that which could have been reasonably anticipated.
- 22 I believe that it would be unfair for cyclone-impacted firms in the Wairarapa to miss out on business support grants simply because that region did not declare a local state of emergency. In my view, the quantum and severity of the disruption caused by the cyclone in the Wairarapa is enough to justify extending the coverage of the interim business support package to include this region. The intensity of the damage for those who have experienced it in some parts of the Wairarapa is arguably just as bad, if not worse, than that in regions such as the Bay of Plenty (which did declare a local state of emergency), for example.
- 23 I am, however, mindful of the precedent this could set. Other firms that are located outside of the package's geographic coverage may also have been impacted by the cyclone, because of supply chain issues, for example. These firms might then argue that they should also be eligible for grants.
- 24 This risk is mitigated, in my view, by the fact that the package will still only cover those areas of New Zealand that suffered significant physical damage. Extending the package's coverage to areas that didn't suffer significant physical damage would entail that all firms nationwide are eligible for grants. In my view, this would unduly dilute the focus of the interim business support package.

## Proposal

- 25 I propose to allocate \$250,000 to the Wairarapa region from the second tranche of grant funding that remains in reserve. The same base-level funding criteria and parameters would apply as for the other cyclone-impacted regions, with the exception that the firm must be located in a region where a local state of emergency was declared.
- 26 Information on impacts on businesses is still limited. However, I consider \$250,000 is an appropriate allocation given the relatively lower estimated number of businesses operating in the region compared to other regions eligible for support as well as its geographical location relative to the path of recent extreme weather.

- 27 If Cabinet agrees with this proposal, the next step will be for MBIE to identify a suitable LDP, put in place a Funding Agreement, and then provide that LDP with the \$250,000 so it can get the grants process underway.
- 28 There is no obligation for that LDP to use the full \$250,000. It must apply the grants criteria, which state that firms receiving grants must face significant cashflow issues due to continued challenges with customer access, ability to source stock, supply chain issues, inability to operate as usual due to physical damage to equipment or premises, or delays in insurance assessment and repairs.
- 29 As with the other LDPs, it must also ensure that the actual grant amounts are proportionate to the scale of the firm and the damage caused and takes into account other relevant factors. In making funding decisions, as elsewhere, the LDPs will be guided by an assessment panel that includes (at minimum) a representative of iwi, the local business community, and a local authority. Like the existing LDPs, the LDP for Wairarapa will be entitled to retain up to 4% of the \$250,000 to cover administration costs (with some discretion to take into account special circumstances).
- 30 If Cabinet agrees with this proposal, I expect MBIE to move fast, and have a LDP in place as quickly as possible. In selecting the LDP for the Wairarapa, as elsewhere, MBIE will consider that partner's capacity to set up and operate the grants scheme at pace.

### **Financial Implications**

- 31 There are no new financial implications, as the \$250,000 proposed to be allocated to the Wairarapa forms part of the existing tagged contingency funding for the interim business support recovery package. Allocating an additional \$250,000 to the Wairarapa will reduce the sum remaining that MBIE is holding in reserve for any tranche two funding to \$5,787,500.

### **Legislative Implications**

- 32 There are no legislative implications.

### **Impact Analysis**

- 33 The regulatory impact analysis requirements do not apply to this paper.

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

- 34 Due to the urgency associated with preparation of this paper, there has not been time to consult with Ministry for the Environment as to whether a Climate Implications of Policy Assessment is required for this project. It is unlikely, however, that any would be identified.

### **Population Implications**

- 35 None have been identified.

## Human Rights

- 36 MBIE considers that the proposals in this paper are consistent with the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993.

## Consultation

- 37 The Prime Minister's Office, the Treasury and the Ministry for Primary Industries have been informed of this proposal.

## Communications

- 38 The Minister Responsible for Cyclone Recovery in the Wairarapa, Hon Kieran McNulty and I will announce the extension of the interim business support package to the Wairarapa at the earliest opportunity after a Cabinet decision is made.

## Proactive Release

- 39 I intend to release this paper, with appropriate redactions consistent with the Official Information Act 1982, within 30 business days of decisions being confirmed by Cabinet and announced.

## Recommendations

The Minister of Finance recommends that the Committee:

- 1 **Note** that in response to the damage caused by Cyclone Gabrielle, on 20 February 2023 Cabinet agreed to set aside \$50 million in contingency funding to enable the Government, in collaboration with local communities, to deliver an interim business and primary sector recovery package [CAB MIN 23-0044];
- 2 **Note** that delegated Joint Ministers subsequently agreed that \$25 million of the contingency was to be used for business support, with the bulk of that amount (\$24,150,000) for business support grants, being administered by seven Local Delivery Partners in regions where a local state of emergency was declared;
- 3 **Note** that the \$24,150,000 is being made available in two tranches, with the first tranche being paid out now accounting for 75% of that amount (\$18,112,500), and the second tranche for 25% (\$6,037,500) being held in reserve;
- 4 **Note** that while no local state of emergency has been declared in the Wairarapa to date, some significant damage did occur there and as a result I propose to extend the interim business support package to include the Wairarapa region;
- 5 **Agree** that the same eligibility criteria apply for the Wairarapa as those in place for regions currently eligible for business support grants, with the exception that Wairarapa firms do not need to be primarily located where a regional State of Emergency was declared;

**IN CONFIDENCE**

- 6 **Agree** to extend the interim support package for businesses most impacted by Cyclone Gabrielle and the January flooding to the Wairarapa region;
- 7 **Note** that I consider \$0.250 million to be an appropriate allocation to Wairarapa based on the relatively low number of businesses operating in the region and its location relative to the path of the most severe weather;
- 8 **Agree** to allocate \$0.250 million to the Wairarapa region for the interim business support package from the tranche two funding currently held in reserve;
- 9 **Note** that the Wairarapa allocation will mean \$5,787,500 remains in reserve for any tranche two funding disbursements;
- 10 **Note** that MBIE will work as quickly as possible to identify and contract with a Local Delivery Partner for Wairarapa.

Authorised for lodgement

Hon Grant Robertson



## Annex One – summary of Cyclone Gabrielle’s impacts in the Wairarapa

### Overall impact

- 1 Wairarapa Emergency Operations Centre was stood up on 14/02/2023 as a response to the severe impact of Cyclone Gabrielle on the eastern and coastal areas of the Wairarapa. The impacts were primarily felt in eastern and coastal areas, with impacts including power and telecommunication loss, lack of access due to damage to the roading network, and flooding.
- 2 The main impacted areas were:
  - Mataikona
  - Pack Spur
  - Castlepoint
  - Riversdale
  - Tinui
  - Whareama
  - Stronvar
  - Flatpoint
  - Pahaoa
  - Hinekura
  - Tukurumuri
  - Tora
  - Whiterock
- 3 The village of Tinui was particularly hard hit. Major flooding and inundation has caused significant water and silt damage to the school, shop, pub, and houses. The substation was inundated, which caused power loss to the pub. The water system was compromised but was later reconnected. There was also significant damage to some homes on farms.
- 4 Twenty NZDF staff supported the Response, as well as the Upper Hutt Community Rescue Team, and a number of FENZ Teams, who helped with initial clean up and checks on the ground.

### Building assessments

- 5 The NZDF reported that between 20-30 buildings across 14 properties in Tinui and Castlepoint would need assessment to ensure that they are safe for occupation. To date, five have been yellow stickered with restricted access due to moderate damage.

### Welfare

- 6 Over 20 people self-evacuated during the event. Two people were provided with emergency accommodation, three went to Whareama School, and the remaining people sorted arrangements for themselves.
- 7 Food was provided to Castlepoint, Mataikona and Tinui. A store of donated food is being kept at Tinui Community Hub for those residents in need.
- 8 Medication was delivered to approximately 10 people, arranged by Wellington Free Ambulance.
- 9 A number of businesses have had to close.

10 As at 28 February, MSD has paid \$63,000 out to 82 families

**Roading**

11 Multiple roads around the Wairarapa suffered heavy damage. Initial work focused on clearing roads to allow access for emergency services and residents. Work continues on the roading network across all three districts.

**Stock losses**

12 At present there is not an accurate number of stock loss. There are reports that at least 2000 sheep/cattle have been lost.

**Business Effects**

13 Tourism operators have been hit hard (especially the coastal walkways) with cancelled bookings and damage. Tinui Food Forest, Tora Coastal Walk, and Rahui Tracks in Tinui have been badly affected due to road closures and slips. Forestry workers and firewood businesses have also been affected. The Friday part of the Harvest festival was cancelled and Wings over Wairarapa has been postponed. The true impact on local businesses will not be known for some time.

## Annex Two – Local Delivery Partners and tranche one allocations

The Local Delivery Partners MBIE has engaged and the funding amounts for tranche one of the interim business support package (excluding the Wairarapa) are listed below.

<b>Region</b>	<b>Local Delivery Partner</b>	<b>Amount allocated for Tranche One</b>	<b>As a percentage of the total</b>
Northland	Northland Inc	\$1,875,000	10.35%
Auckland	Auckland Business Chamber	\$1,500,000	8.28%
Waikato	Thames-Coromandel District Council	\$1,500,000	8.28%
Bay of Plenty	Toi Economic Development Agency,	\$375,000	2.07%
Tairāwhiti	Trust Tairāwhiti	\$4,537,500	25.05%
Hawke's Bay	Hawkes Bay Chamber of Commerce	\$7,950,000	43.89%
Tararua	Tararua District Council	\$375,000	2.07%
<b>Total</b>		<b>\$18,112,500</b>	