



## COVERSHEET

<b>Minister</b>	Hon Barbara Edmonds	<b>Portfolio</b>	Economic Development
<b>Title of Cabinet paper</b>	Cyclone Recovery: Proposal to Fund Regional Recovery Projects	<b>Date to be published</b>	12 October 2023

### List of documents that have been proactively released

<b>Date</b>	<b>Title</b>	<b>Author</b>
23 August 2023	Cyclone Recovery: Proposal to Fund Regional Recovery Projects	Office of Minister for Economic Development
23 August 2023	Cyclone Recovery: Proposal to Fund Regional Recovery Projects  EWR-23-MIN-0069 Minute	Cabinet Office
21 July 2023	2223-4456 - Reallocation of the Cyclone Gabrielle - Business support for the impacts of Cyclone Gabrielle and January 2023 weather events underspend	MBIE

### 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 reason of privacy of natural persons.

Office of the Minister for Economic Development

Cabinet Extreme Weather Recovery Committee

### **Cyclone Recovery – Proposal to fund regional recovery projects**

- 1 This paper seeks agreement to a fiscally neutral transfer of \$10.000 million between Vote Business, Science and Innovation appropriations to fund a package of projects to support regional recovery from Cyclone Gabrielle.

### **Relation to government priorities**

- 2 This paper concerns the Government's ongoing recovery to this year's North Island Weather Events (NIWE).

### **Executive Summary**

- 3 In February 2023, Cabinet established a tagged contingency (\$75.000 million) to provide short term funding support for flood recovery, mental wellbeing and business advice and support. Most of this tagged contingency was distributed in the form of business support grants and \$10.000 million of underspend was transferred into the 2023/24 financial year.
- 4 I propose that this \$10.000 million is utilised to fund nine regional recovery projects in Northland, Hawke's Bay, and Tairāwhiti. The funding will provide:
  - business continuity and resilience advice and support;
  - regional tourism recovery programmes;
  - flood and cyclone infrastructure resilience;
  - flood and cyclone damage remediation; and
  - training and accommodation support for the flood and cyclone rebuild workforce.
- 5 I am also seeking agreement to the establishment of a new appropriation in Vote Business, Science and Innovation and a fiscally neutral transfer between appropriations to enable the projects to be funded.

### **Background**

- 6 Cyclone Gabrielle caused severe flooding in the northern and eastern parts of the North Island from 12-16 February 2023, compounding damage from the Auckland Anniversary floods on 27 January 2023 (in combination referred to as the "North Island weather events").
- 7 The Government has funded and undertaken a broad array of activities to support communities and businesses in both the immediate response phase and within the recovery phase. This includes, in February 2023, establishing a tagged contingency *Cyclone Gabrielle: To provide for interim business and primary sector support for the impacts of Cyclone Gabrielle and other recent weather events not covered by the Auckland Package* in Vote Business, Science and Innovation [CAB-23-MIN-0044 refers].
- 8 The tagged contingency was initially \$50.000 million and was subsequently increased to \$75.000 million. This tagged contingency was available to provide the following short term supports:

- discretionary funding for flood recovery
  - business continuity and resilience advice and support, and
  - mental wellbeing support.
- 9 Cabinet authorised the Prime Minister, the Deputy Prime Minister, the Minister of Finance, Minister for Regional Development, Minister for Economic Development and Minister of Agriculture (Joint Ministers) to:
- draw down from the tagged contingency and to establish any appropriation as necessary to give effect to this business and primary sector recovery package; and
  - determine the distribution of the contingency funding for the business and primary sector recovery package.

### **Discretionary funding for flood recovery**

- 10 Joint Ministers agreed to allocate most of the tagged contingency to discretionary funding for flood recovery. An interim recovery package was established under a new appropriation, *Cyclone – Business support for the impacts of Cyclone Gabrielle and January 2023 weather events* (the appropriation) to provide support for businesses impacted by the NIWE.
- 11 The Ministry of Business, Innovation and Employment (MBIE) distributed approximately \$65.000 million in business support grants via Local Delivery Partners (LDPs). These grants were provided to businesses requiring financial support in the immediate aftermath of the NIWE. By the end of the 2022/23 financial year, \$10.000 million remained in the appropriation. The Minister of Finance approved an in-principle expense transfer of the \$10.000 million underspend into the 2023/24 financial year. (Briefing 2223-4463 refers)
- 12 LDPs have noted that the quality of applications deteriorated towards the end of the funding period. This indicates that most businesses eligible for a business support grant have been covered by the scheme and that the \$65.000 million already distributed represents the effective maximum of value of the grants that are required.
- 13 Consequently, I directed officials to provide the Minister of Finance and I with advice on options for distributing the remaining \$10.000 million. We agreed that our preferred approach is to fund a regional recovery package of projects rather than continue with business support grants. I am seeking Cabinet's agreement to that approach and the creation of a new appropriation to fund the regional recovery package.

### **Funding a regional recovery package**

- 14 MBIE's Regional Economic Development and Investment Unit (Kānoa) has identified nine projects in Northland, Hawke's Bay, and Tairāwhiti as suitable for funding as part of a regional recovery package. These projects have the benefit of being ready to commence, will be delivered in the short term, and will make an immediate contribution towards recovery and resilience in the affected regions.

**IN CONFIDENCE**

- 15 The Department of the Prime Minister and Cabinet’s Cyclone Recovery Unit (CRU) has reviewed the regional recovery projects proposed in this paper to check for their correlation with the relevant regional recovery plans and found that all of the proposals appear sensible and are critical enablers to economic recovery in the regions mentioned. Their analysis is included in Table 1 below.
- 16 Broadly, the projects outlined in Table 1 below fund:
- business continuity and resilience advice and support;
  - regional tourism recovery programmes;
  - flood and cyclone infrastructure resilience;
  - flood and cyclone damage remediation; and
  - training and accommodation support for the flood and cyclone rebuild workforce.

**TABLE 1: REGIONAL RECOVERY PROJECTS**

<b>HAWKE’S BAY</b>			
<b>Title</b>	<b>Description</b>	<b>Cost (\$m)</b>	<b>Correlation with RRP Yes/ No</b>
Regional Business Partners (RBP) Recovery Programme	<p>This funding would boost the Management Capability Funds (MCF) component of the RBP programme to build capacity to meet increased demand for RBP services since Cyclone Gabrielle as businesses transition from response to recovery mode. Current annual funding for the MCF is \$0.230 million, which is usually exhausted within six months (individual MCF interventions are capped at \$2,000). Demand for RBP has tripled since Cyclone Gabrielle and is expected to increase. Funding of \$1.500 million is sought to meet that demand across 2023/24.</p> <p>Support will focus on impacted businesses needing well-being, financial planning and resilience capability assistance.</p>	1.500	<p>Yes</p> <p>An initiative under the economic pillar directly corresponds to this project.</p>
Accommodation to support rebuild workforce	<p>Accommodation for trades people in the region is already in short supply and accommodation is a barrier for building crews taking on urgent rebuild projects.</p> <p>Tātau Tātau o Te Wairoa (TToTW) are supporting the Kahui led project to develop the hapū owned Turiroa School (closed in 2004) into accommodation. Short term use will be for trades kaimahi (employees) and in the future be used to house horticulture cadets TToTW is employing through their development strategy and associated investment vehicles. TToTW is also progressing housing developments in Wairoa.</p>	1.000	<p>Yes</p> <p>An initiative under the economic pillar relates to this project. While there is no exact correlation to an RRP initiative, provision for accommodation for the labour workforce is a key enabler.</p>
Hawke’s Bay Tourism Cyclone Recovery Programme	<p>A three-year programme of activities focussing on activating consumer marketing, travel trade, business events, media and public relations activations, events and leveraging the Food and Wine Country Brand.</p> <p>This programme is intended to reverse the loss of tourism business caused by the disruption of Cyclone Gabrielle, support the local tourism industry from the immediate impact of the cyclone, and make it resilient into the future. Funding of \$0.200 million will be earmarked to support the Art Deco Trust festivals, which are flagship tourism events for the Hawke’s Bay.</p>	1.200	<p>Yes</p> <p>An initiative under the economic pillar correlates to this project.</p>
River	Cyclone Gabrielle destroyed the community’s riverbank	1.500	Yes

**IN CONFIDENCE**

Reserve	<p>reserve to the west and east of SH2 bridge. The community clean-up has restored some aspects (such as the playground) however the following significant work is still required:</p> <ul style="list-style-type: none"> <li>• Walkway / cycleway, seating and BBQ area reinstatement.</li> <li>• Retaining wall and sheet piling to ensure resilience.</li> </ul> <p>Initial work on this project has started on a limited scale, based on Wairoa District Council's (WDC) available funds. WDC are seeking additional funding via the Hawke's Bay Regional Council's Silt and Debris Fund to cover riverbank contouring and removal of debris, but a significant portion of the planned work is reinstatement of damaged assets and will not be covered by this funding.</p>		<p>An initiative under natural pillar relates to this project, however this specific project is not mentioned by name.</p>
Wairoa Airport Runway Extension	<p>This proposal is to extend the operational distance of the Wairoa Airport runway by 300 metres on available and ready land. The length of the runway restricts traffic to light aircraft access. In times of emergency this creates challenges to fly in support equipment and supplies. Cyclone Gabrielle has highlighted this restriction. An increased operational distance will also allow direct emergency air ambulance services (longer range craft) to fly direct to treatment facilities outside the Hawkes Bay.</p> <p>There is a good local workforce supply capacity to support this project, however some pre-extension engineering design work will be required. Access to the full \$1.200 million will be subject to completion of this design work and confirmation of costs.</p>	1.200	<p>Yes</p> <p>An initiative under supporting isolated communities relates to this project, however this specific project is not mentioned by name.</p>

**IN CONFIDENCE**

<b>NORTHLAND</b>			
<b>Title</b>	<b>Description</b>	<b>Cost (\$m)</b>	<b>Correlation with RRP Yes/ No</b>
Tourism Promotion	Destination marketing is required to support the visitor industry's recovery after the compounding effects of disruption caused by the pandemic and Cyclone Gabrielle, as operators were counting on a strong summer to recover. This funding would support national and international marketing campaign activity and enable partnerships with public relations and marketing agencies, relevant tourism associations and Air New Zealand, as well as support to deliver the campaign.	0.500	Yes  There is a direct correlation to the RRP.
Business Support	Creation of local community funds to help with (as examples): <ul style="list-style-type: none"> <li>• Assessing companies to ensure they have appropriate insurances in place for weather events that would impact their ability to operate.</li> <li>• Set up of the Star Link communications network (critical across Northland and has showed its impact already).</li> <li>• Ensuring if staff must work from home, they are set up appropriate equipment.</li> <li>• Contribution to generators and equipment to ensure businesses can keep running and keep stock.</li> </ul>	0.500	Yes  There is a direct correlation to the RRP.
<b>TAIRĀWHITI</b>			
<b>Title</b>	<b>Description</b>	<b>Cost (\$m)</b>	<b>Correlation with RRP Yes/ No</b>
Workforce and Employment Initiatives	Delivery of bulk-funded training to support the transition of workers across sectors. This initiative supports sectors that have experienced a downturn in work due to the impact of the multiple weather events (e.g. from forestry into civil construction to bolster the workforce required to undertake downstream work on the roading network across Tairāwhiti. Work has already started on identifying the relevant qualifications (for civil construction) with a local training provider (Connexis – Te Pukenga).	1.100	Yes  Initiatives under the economic and natural environments directly correlate to this project.
Tourism Support	An investment to deliver a more compelling visitor experience through an enhanced i-SITE directly linked to an Iwi food and fibre provenance experience. This initiative is underway with ongoing negotiations on the identified land and buildings. This project also has connection with the City Centre revitalisation project and cycleways.	1.500	Yes  Initiatives under the economic environment directly correlate to this project.
<b>TOTAL</b>		<b>10.000</b>	

*New Vote Business, Science, and Innovation appropriation*

- 17 The projects that form the regional recovery package are not able to be funded from within the existing Cyclone Gabrielle appropriation, so I propose the creation of a new appropriation within Vote Business, Science, and Innovation. This new appropriation will be limited to providing support for regions impacted by Cyclone Gabrielle and the January 2023 weather events.
- 18 As the \$10.000 million was subject to an expense transfer, Cabinet agreement is required to a further transfer between appropriations. I am, therefore, proposing Cabinet agree to a fiscally neutral transfer of \$10.000 million between appropriations to fund the regional recovery package outlined above.

### Financial Implications

- 19 This proposal will create a new appropriation within Vote Business, Science and Innovation and then reprioritise \$10.000 million with a fiscally neutral transfer between appropriations within Vote Business, Science and Innovation.
- 20 An early confirmation of this transfer will be required (prior to the October Baseline Update) as there will be insufficient funding in the new appropriation.

### Population Implications

- 21 Officials assess that there are limited population implications arising from this proposal.

### Cost-of-Living Implications

- 22 Officials assess that there a limited cost-of-living implications arising from this proposal.

### Use of External Resource

- 23 One external resource, who has been engaged as extra capacity to support the cyclone and flood response and recovery within MBIE, prepared this paper.

### Consultation

- 24 This paper was prepared by MBIE. The following agencies were consulted: the Department of the Prime Minister and Cabinet, and the Treasury.

### Communications

- 25 I intend to announce the package of initiatives.

### Proactive Release

- 26 I intend to release this Cabinet paper within the standard 30 business days, with appropriate redactions where information would have been withheld under the Official Information Act 1982.

### Recommendations

I recommend the Committee:

- 1 **note** that, in February 2023, a tagged contingency *Cyclone Gabrielle: To provide for interim business and primary sector support for the impacts of Cyclone Gabrielle and other recent weather events not covered by the Auckland Package* was established in in Vote Business, Science and Innovation;
- 2 **note** that the Prime Minister, the Deputy Prime Minister, the Minister of Finance, Minister for Regional Development, Minister for Economic Development and Minister of Agriculture (Joint Ministers) agreed to allocate most of the tagged contingency to discretionary funding for flood recovery;
- 3 **note** that Joint Ministers created the *Cyclone Gabrielle – Business support for the impacts of Cyclone Gabrielle and January 2023 weather events* appropriation in Vote Business, Science, and Innovation to provide support for

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businesses impacted by Cyclone Gabrielle and the January 2023 weather events;

- 4 **note** that the Minister of Finance approved an in-principle expense transfer of a \$10.000 million underspend from the *Cyclone Gabrielle – Business support for the impacts of Cyclone Gabrielle and January 2023 weather events* appropriation into the 2023/24 financial year;
- 5 **note** that funding of \$10.000 million is sought for a package of nine regional recovery projects in Northland, Hawke’s Bay and Tairāwhiti;
- 6 **agree** to the allocation of the remaining \$10.000 million of discretionary funding for flood recovery to the package of regional recovery projects in Northland, Hawke’s Bay, and Tairāwhiti;
- 7 **note** that the Department of the Prime Minister and Cabinet’s Cyclone Recovery Unit (CRU) has reviewed the regional recovery projects proposed in this paper to check for their correlation with the relevant regional recovery plans and found that all of the proposals appear sensible and are critical enablers to economic recovery in the regions mentioned.
- 8 **agree** to establish the following new appropriation in Vote Business, Science, and Innovation to give effect to the regional recovery package:

<b>Vote</b>	<b>Appropriation Minister</b>	<b>Appropriation Administrator</b>	<b>Title</b>	<b>Type</b>	<b>Scope</b>
Business, Science and Innovation	Minister for Economic Development	Ministry of Business, Innovation and Employment	Cyclone – Regional support for the impacts of Cyclone Gabrielle and January 2023 weather events	Non-departmental Other Expense	This appropriation is limited to providing support for regions impacted by Cyclone Gabrielle and the January 2023 weather events

- 9 **note** that early confirmation of the available expense transfer in the *Cyclone Gabrielle – Business support for the impacts of Cyclone Gabrielle and January 2023 weather events* appropriation is required to enable the fiscal neutral transfer to the proposed new appropriation;
- 10 **agree** an expense transfer of \$10.000 million from 2022/23 to 2023/24;
- 11 **approve** the following changes to appropriations to provide early confirmation;

\$m – increase/(decrease)
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IN CONFIDENCE

<b>Vote Business, Science and Innovation Minister for Economic Development</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27 &amp; outyears</b>
Non-Departmental Other Expenses Cyclone Gabrielle – Business support for the impacts of Cyclone Gabrielle and January 2023 weather events	10.000	-	-	-

12 **approve** the following fiscally neutral transfer of \$10.000 million to provide for the regional recovery package, with no impact on the operating balance or net core Crown debt;

	\$m – increase/(decrease)			
<b>Vote Business, Science and Innovation Minister for Economic Development</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27 &amp; outyears</b>
Non-departmental Other Expense: Cyclone Gabrielle – Business support for the impacts of Cyclone Gabrielle and January 2023 weather events	(10.000)	-	-	-
Non-departmental Other Expense: Cyclone – Regional support for the impacts of Cyclone Gabrielle and January 2023 weather events	10.000	-	-	-

13 **agree** that the proposed changes to appropriations for 2023/24 above be included in the 2023/24 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply.

Authorised for lodgement

Hon Barbara Edmonds  
**Minister for Economic Development**