



COVERSHEET

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

List of documents that have been proactively released

Date	Title	Author
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.



BRIEFING

Reallocation of the Cyclone Gabrielle – Business support for the impacts of Cyclone Gabrielle and January 2023 weather events underspend

Date:	21 July 2023	Priority:	High
Security classification:	In Confidence	Tracking number:	2223-4456

	Action sought	Deadline
Hon Grant Robertson Minister of Finance	Indicate your preferred approach for distributing the remaining \$10 million in the Vote Business, Science and Innovation appropriation: <i>Cyclone – Business support for the impacts of Cyclone Gabrielle and January 2023 weather events.</i>	28 July 2023
Hon Barbara Edmonds Minister for Economic Development		

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Dean Ford	General Manager, Economic Development and Transitions	Privacy of natural persons	✓
Privacy of natural persons	Acting Policy Director, Flood and Cyclone Recovery Programme	Privacy of natural persons	

The following departments/agencies have been consulted
Treasury

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

Reallocation of the Cyclone Gabrielle – Business support for the impacts of Cyclone Gabrielle and January 2023 weather events underspend

Date:	21 July 2023	Priority:	High
Security classification:	In Confidence	Tracking number:	2223-4456

Purpose

This briefing ask Ministers to indicate their preferred approach to the allocation of the remaining \$10 million in the Vote Business, Science and Innovation appropriation: *Cyclone – Business support for the impacts of Cyclone Gabrielle and January 2023 weather events*.

Recommended action

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

- a **Note** that, in February 2023, Cabinet established a \$50 million tagged contingency, which was subsequently increased to \$75 million, *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 following the North Island Weather Events (NIWE) [CAB-23-MIN-0044 refers].

Noted
- b **Note** that 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) are authorised to establish any appropriations necessary to give effect to the recovery package and to determine the distribution of the funding [CAB-23-MIN-0044 refers].

Noted
- c **Note** that a new appropriation *Cyclone – Business support for the impacts of Cyclone Gabrielle and January 2023 weather events* was created in Vote Business, Science and Innovation to provide support to businesses impacted by the NIWE and that \$65 million was disbursed to businesses by 30 June 2023.

Noted
- d **Note** that Ministers have agreed that up to \$10 million of under expenditure in the Cyclone Gabrielle – Business support for the impacts of Cyclone Gabrielle and January 2023 weather events appropriation may be carried forward from the 2022/23 financial year to the 2023/24 financial year [Briefing 2223-4463 refers].

Noted
- e **Agree** an expense transfer of \$10 million from 2022/23 to 2023/24

Agree / Disagree

f **Approve** the following change to the Vote Business, Science and Innovation appropriation.

Vote Business, Science and Innovation Minister for Economic Development	\$000s – increase/(decrease)			
	2023/24	2024/25	2025/26	2026/27
Non-Departmental Other Expenses: Cyclone Gabrielle – Business support for the impacts of Cyclone Gabrielle and January 2023 weather events	10,000	-	-	-

Agree / Disagree

g **Agree** that the appropriations in the above table under recommendation f may incur spend as from 31 July 2023.

Agree / Disagree

h **Agree** that the proposed change to this appropriation for 2023/24 above be included in the 2023/24 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply.

Agree / Disagree

i **Indicate** your preferred approach to the use of the \$10 million:

EITHER

A. continue funding the business support grants package [not recommended]

Agree / Disagree

OR

B. fund “quick win” regional projects

Agree / Disagree

OR

C. fund regional recovery plan initiatives.

Agree / Disagree

j **Note** that selecting option B or option C in recommendation i is likely to require the establishment of a new appropriation to fund initiatives broader than business support under Vote Business, Science and Innovation, which will require further decisions from Joint Ministers.

Noted

Privacy of natural persons

Dean Ford
General Manager
Economic Development and Transitions
Ministry of Business, Innovation and
Employment

21 / 07 / 2023

Hon Grant Robertson
Minister of Finance
..... / /

Hon Barbara Edmonds
Minister for Economic Development
...../...../.....

Background

1. In February 2023, Cabinet established 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* of \$50 million, which was subsequently increased to \$75 million, in Vote Business, Science and Innovation following the North Island Weather Events (NIWE) [CAB-23-MIN-0044 refers] This contingency was used to provide the following short term supports:
 - discretionary funding for flood recovery
 - business continuity and resilience advice and support, and
 - mental wellbeing support.
2. The Ministers of Finance and Agriculture and Ministers for Economic Development and Regional Development (Joint Ministers) were given the authority to establish any appropriation as necessary to give effect to this recovery package and to determine the distribution of the funding. 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 [Briefing 2223-2748 refers].
3. By the end of the 2022/23 financial year, \$10 million remained in the appropriation. The Minister of Finance approved an in-principle expense transfer of \$10 million into the 2023/24 financial year and agreed that the proposed changes to the appropriation for 2023/24 be included in the 2023/24 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply.
4. As the next step, Ministers have sought advice on options for using the funds, noting that the proposals should align with regional recovery plans where possible. Officials have identified three options for distributing the \$10 million to support cyclone and flood recovery activities and are seeking Ministers' preferred approach before undertaking further work. The options for using the \$10 million are:
 - A. Continuing the business support grants package [not recommended].
 - B. "Quick win" regional recovery projects.
 - C. Funding regional recovery plan (RRP) initiatives.

Continuing the business support grants package

5. The \$10 million could be allocated to continuing the business support grants element of the original recovery package. MBIE could rollover the existing package and the Local Delivery Partners (LDPs) that were funded in 2022/23 could be allocated a further tranche of funding to distribute to businesses as support grants. The LDPs that were involved in the distributing business support grants were Northland Inc, the Auckland Business Chamber, Toi Economic Development Agency, the Thames-Coromandel District Council, Trust Tairāwhiti, Hawkes Bay Chamber of Commerce, and the Tararua District Council.
6. The table below shows how the initial tranche of funding was allocated (as a percentage of the total available at the time) and how that would correlate if the \$10 million was allocated in on the same basis.

TABLE 1: BUSINESS SUPPORT GRANT ALLOCATION

Region	Percentage Allocated	(\$)
Northland	10.35	1,035,000
Auckland	8.28	828,000
Coromandel	8.28	828,000
Bay of Plenty	2.07	207,000
Tairāwhiti	25.05	2,505,000
Hawke's Bay	43.89	4,389,000
Tararua	2.07	207,000
Total	100.00	10,000,000

7. MBIE understands from LDPs that the \$65 million already distributed through the business support grants represents the effective maximum of grants that are required. The marginal returns of offering another tranche of grants would be limited as few remaining businesses will meet the criteria. We understand that the quality of applications began to deteriorate towards the end of the funding rounds. This signalled that those who were eligible had already been covered by the scheme. Given their experience, officials have been advised that LDPs may not be willing to run an additional round of funding. If that were the case, officials would need to find an alternative method to facilitate payments.
8. The government has also recently introduced additional financial supports to assist the recovery of businesses impacted by the NIWE such as the concessionary loan and equity finance access scheme and the loan guarantee scheme. These schemes enable impacted firms to access commercial lending to ensure that banks continue to play an integral role in the recovery. Continuing to provide business support grants, which were intended as a response measure and not supporting business recovery from the NIWE, may undermine the policy intent of the new financial support mechanisms.
9. Consequently, MBIE does not recommend continuing the business support grants package as it is not the most effective use of the remaining \$10 million.

“Quick win” recovery projects

10. The next option proposes to fund a set of “quick wins” projects through a package of regional initiatives that MBIE’s Regional Economic Development and Investment Unit (Kānoa) has received from Northland, Hawkes Bay, and Tairāwhiti. Kānoa has identified nine projects as potentially suitable for funding as outlined in Table 2 below.
11. These projects have the benefit of being the initiatives that the regions have identified to Kānoa as ready to commence and be delivered in the short term as well as contributing right now towards the region’s recovery and resilience. The projects selected also ensures that funding distribution is proportionate and equitable between the regions, recognising that most funding was returned from the Hawkes Bay from the business support grants scheme. For example, \$500,000 of tourism and business support packages have been provided to the Thames-Coromandel region at the request previous Minister for Auckland. Hawkes Bay, Tairāwhiti, and Northland have requested similar packages. Officials have included these in the table below as it aligns with a consistent and equitable approach to allocating the funding.
12. MBIE notes that many of these projects do not appear to overlap with the projects submitted as part of the RRP process and, therefore, there is a risk that these projects may not be considered priority projects. This funding, however, is one of many funding streams that the government has allocated to cyclone and flood recovery and, as noted above, these projects are ready to commence now.

TABLE 2: “QUICK WIN” REGIONAL PROJECTS

Region	Title	Description	Cost (\$m)
Hawkes Bay	Regional Business Partners (RBP) Recovery Programme	<p>Boosting 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.</p> <p>Support will focus on impacted businesses and identified issues from the business recovery grant application process.</p>	1.500
	Accommodation to support rebuild workforce	<p>Tātau Tātau o Te Wairoa (TToTW) are supporting the Kahui led project to progress the development of a hapū owned school (Turoia School) as suitable for future temporary accommodation.</p> <p>Accommodation for trades people in the region is already in short supply and for many accommodation is a barrier for building crews taking on projects.</p> <p>Short term use will be for trades kaimahi (employees) and in the future be used to house horticulture cadets which TToTW is employing through their development strategy and associated investment vehicles. TToTW is also progressing housing developments in Wairoa.</p>	1.000
	Hawkes 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. 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.</p>	1.000
	River Reserve	<p>Cyclone Gabrielle destroyed the community’s riverbank 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"> • Riverbank contouring and removal of debris • Walkway / cycleway, seating and BBQ area reinstatement • Retaining wall and sheet piling to ensure resilience resources for community led planting. <p>Initial work on this project has started on a limited scale, based on Wairoa District Council’s imited funds. The project is ready to ramp up and Confidentiality are ready to on-board local staff and sub-contractors and scale up works subject to fund availability.</p>	1.500
	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 which limits cargo and passengers. In times of emergency this creates challenges to fly in support equipment and supplies. Cyclone Gabrielle has highlighted this restriction.</p> <p>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. There is a good local supply capacity to make this happen in Confidentiality, however some pre-extension engineering design work will be required.</p>	1.200
Northland	Tourism Promotion	<p>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.</p>	0.500
	Business Support	<p>Creation of local community funds to help with (as examples):</p> <ul style="list-style-type: none"> • Assessing companies to ensure they have appropriate insurances in place for weather events that would impact their ability to operate • Set up of the Star Link communications network (critical across Northland and has showed its impact already) • Ensuring if staff must work at home they are set up appropriate equipment 	0.500

		<ul style="list-style-type: none"> Contribution to generators and equipment to ensure businesses can keep running and keep stock. 	
Tairāwhiti	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
	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
TOTAL			9.800

13. If Ministers agree to this package of projects as the preferred option, MBIE will work with the Treasury to identify whether any changes to the scope of the appropriation or the establishment of a new appropriation is necessary to enable the funding of these projects.

Funding RRP initiatives

14. The final option is to use the \$10 million to fund RRP initiatives. The government is committed to supporting locally led recoveries as regions respond to the impacts of the NIWE. This includes the development of RRPs that outline the actions and workstreams that are planned or underway in the regions to recover from the NIWE.
15. The Department of the Prime Minister and Cabinet (DPMC) is leading the RRP assessment process and has received RRPs from eight regions¹. Very few of the initial RRPs, which are high-level strategic documents, contain the level of detail that would enable agencies to decide which initiatives are suitable for funding at this point in time. This includes, in many cases, the estimated costs for the funding that is sought.
16. At this stage, because the RRPs do not contain sufficient detail, MBIE cannot provide a list of regional initiatives that could be funded from the appropriation with its current scope. MBIE has, however, identified a list of potential initiatives (Table 1 below) that appear to align with the appropriation's scope of providing support to businesses impacted by the NIWE. Officials are currently seeking further information from regions to support the decision-making process, and this may result in a larger list of potential initiatives.

TABLE 3: INDICATIVE REGIONAL RECOVERY PLAN BUSINESS SUPPORT INITIATIVES

Region	Initiative
Hawkes Bay	Stabilise and support impacted businesses with capability support through: <ul style="list-style-type: none"> Regional Business Partner resourcing Support for business networks to plan and host business events Provision of expert advice and support to assist Māori Business (including Māori Tourism providers) Support for Progressive Procurement preparedness for Māori and Pacific peoples' suppliers Pathways to access mental health support for businesses
	First Steps Programme to support mental health and wellbeing
Auckland	Discretionary Grants Scheme to provide financial support for impacted businesses
	Individualised Support Programme for heavily impacted businesses
	Business needs assessment referrals and assessments
	Administer distribution of grants to assist local businesses impacted by the event

¹ Northland, Auckland, Thames Coromandel, Waikato, Tairāwhiti, Hawkes Bay, Tararua and Wellington

Thames Coromandel	Build capability of business associations to support and deliver business association support programmes
Waikato	Economic support targeted to support businesses most impacted by NIWE
Taranua	Support businesses and individuals with financial consequences from Cyclone Gabrielle

17. If Ministers agreed to this option, MBIE would use the \$10 million to fund appropriate regional recovery plan initiatives as identified through the triage process being led by DPMC. This option has the benefit of taking a more considered approach to funding projects that have been provided through the RRP.
18. The major disadvantage, however, is that it could take several months before we have a suitable list of initiatives due to the lack of detail that currently exists around the RRP. There are over 100 initiatives that have been identified as within MBIE's responsibility under this process and all initiatives will need to be explored before final funding decisions are made. It is also not clear at this stage if there are alternative funding mechanisms for some of the proposals for infrastructure projects through the National Resilience Plan.

Next Steps

19. If you indicate your preferred option is either funding the "quick win" projects or RRP initiatives, MBIE will prepare a briefing for Joint Ministers outlining the next steps for distributing the funding, including whether the creation of a new appropriation or decisions by Cabinet are necessary.

