



## BRIEFING

### Approval to write-off MIQ fees debt for 2022/2023

<b>Date:</b>	31 May 2023	<b>Priority:</b>	Medium
<b>Security classification:</b>	In Confidence	<b>Tracking number:</b>	2223-2729

Action sought		
	Action sought	Deadline
Hon Grant Robertson <b>Minister of Finance</b>	<p><b>Note</b> MBIE's specific MIQ funding is set to expire on 30 June 2023.</p> <p><b>Note</b> that MBIE will need to continue servicing outstanding MIQ invoices with 10.73 percent of all issued invoices now overdue and some are unlikely to be recovered.</p> <p><b>Note</b> approval is needed from you both to write-off Crown debt from MIQ fees that have not been recovered.</p> <p><b>Agree</b> to write-off \$9,417,521.69 as Crown debt.</p> <p><b>Agree</b> to add a new category to the Isolation and Quarantine Management multi-category appropriation.</p> <p><b>Agree</b> to fund the new Isolation and Quarantine Management multi-category appropriation by a fiscally neutral adjustment of \$200,000 across 2023/24 and 2024/25 from the <i>Impairment of Debt and Debt Write Offs</i> appropriation to manage successful debt collection fees.</p>	For agreement prior to 15 June 2023 (to meet financial year-end deadlines).
Hon Ayesha Verrall <b>Minister of Health</b>		
Hon Barbara Edmonds <b>Minister for Economic Development</b>	<p><b>Agree</b> to fund the new Isolation and Quarantine Management multi-category appropriation by a fiscally neutral adjustment of \$200,000 across 2023/24 and 2024/25 from the <i>Impairment of Debt and Debt Write Offs</i> appropriation to manage successful debt collection fees.</p>	

**Contact for telephone discussion (if required)**

Name	Position	Telephone	1st contact
Shayne Gray	General Manager, MIQ	Privacy of natural persons	✓
Privacy of natural persons	Senior Policy Advisor, MIQ Policy	n/a	

**The following departments/agencies have been consulted**

The Treasury

**Minister's office to complete:** Approved Declined Noted Needs change Seen Overtaken by Events See Minister's Notes Withdrawn**Comments**

Treasury:4798728v1



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#### Purpose

This briefing seeks approval from the Ministers of Finance and Health to write-off the Crown debt associated with uncollected MIQ fees debt. The briefing advises on the impact of MIQ's debt collection activity within MBIE with the National Quarantine Capability appropriation shifting to the health system.

This briefing also seeks approval from the Ministers of Finance, Health and Economic Development for a fiscally neutral adjustment of \$200,000 across 2023/24 and 2024/25 from the *Impairment of Debt and Debt Write Offs* appropriation to cover ongoing costs associated with debt collection activity.

#### Recommended action

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

- a **Note** that while MIQ facilities are no longer operational, MBIE has continued work with debt collection partners to collect outstanding fees debt from invoiced MIQ stays  
*Noted*
- b **Note** MBIE has issued all invoices for MIQ stays (55,112 invoices net of credit notes worth \$211.283 million) and 8,282 invoices of these are overdue (15.35 percent) totalling \$22.222 million  
*Noted*
- c **Note** that MBIE has made good progress on MIQ debt recovery with the current recovery rate sitting at 89 percent against a nominal target recovery of 90 percent  
*Noted*
- d **Note** that debt collection activity is continuing to generate returns with most of the debt collection activity to be completed in the next two years, but that some invoices will be paid back to MBIE on instalment plans with terms to 2030  
*Noted*
- e **Note** that a portion of the overdue debt has been deemed by MBIE and its partner collection agency to have a low likelihood of recovery due to lack of address for follow up and inability to locate the individual  
*Noted*
- f **Note** that the former Minister for COVID-19 Response agreed that the approach for writing-off MIQ fees debt should be based on the 'likelihood of recovery' rather than the 'age of debt' [briefing 2122-4436 refers]  
*Noted*
- g **Note** that the Ministers of Finance and Health previously agreed to write off \$10,591,450.47 in MIQ fees debt as Crown debt with a very low likelihood of recovery [briefing 2122-4881 refers]  
*Noted*

Treasury:4798728v1

h **Agree** to write-off \$9,417,521.69 as Crown debt from uncollected MIQ fees in 2022/2023

**Minister of Finance**

*Agree / Disagree*

**Minister of Health**

*Agree / Disagree*

i **Note** that the funding for dedicated MIQ activities under the Isolation and Quarantine Management Multi-Category Appropriation (MCA) currently ends and National Quarantine Capability (NQC) work will transfer to the health system on 30 June 2023

*Noted*

j **Note** that MBIE considers that it should continue to service outstanding debt, rather than writing it all off once the appropriation expires, to ensure equity for those who have already paid their MIQ invoice and because it is Crown debt

*Noted*

k **Note** that MBIE has determined that it will continue to service the collection of MIQ fees debt following 30 June 2023 from its departmental baseline funding but anticipates this will be reviewed in future

*Noted*

l **Agree** that MBIE should continue to service outstanding MIQ debt, rather than writing it all off once current appropriated funding ends on 30 June 2023

**Minister of Finance**

*Agree / Disagree*

**Minister of Health**

*Agree / Disagree*

*Funding the Isolation and Quarantine MCA*

m **Note** that MBIE has returned \$12.598 million of its 2022/23 funding under the Isolation and Quarantine Management MCA to the centre through the Budget 2023 savings process due to lower-than-expected costs associated with winding down MIQ functions

*Noted*

n **Note** that debt collection activity will continue to incur costs to the Crown as debt agencies charge a collection fee for successfully recovered debt

*Noted*

o **Note** that a new non-departmental category is needed for the Isolation and Quarantine Management MCA to cover the Crown costs for collection fees for at least the next two years

*Noted*

p **Note** that a transfer of funding to the Managed Isolation and Quarantine loans - Impairment of debt category is required to allow for any unforeseen impairment expenses

*Noted*

- q **Agree** to add the following category to the Multi-Category Appropriation "Isolation and Quarantine Management"

Title	Type	Scope
Residual Invoice and Debt-related Costs	Non-departmental Other Expenses	This category is limited to expenses for debt collection, processing of repayments received, and other related costs incurred for the MIQ fees regime.

**Minister of Finance**

*Agree / Disagree*

**Minister of Health**

*Agree / Disagree*

- r **Approve** the following fiscally neutral adjustment to provide for MIQ debt collection activities, with no impact on the operating balance and net debt:

	\$ m - increase/(decrease)				2026/27 & Outyears
	2022/23	2023/24	2024/25	2025/26	
<b>Vote Building and Construction Minister of Health</b>					
Multi-Category Expenses and Capital Expenditure: Isolation and Quarantine Management					
Non-departmental Other Expenses: Residual Invoice and Debt-related Costs	-	0.120	0.040	-	-
Non-departmental Other Expenses: Managed Isolation and Quarantine loans - Impairment of debt	-	0.030	0.010	-	-
<b>Vote Business, Science and Innovation Minister for Economic Development</b>					
Non-departmental Other Expenses: Impairment of Debt and Debt Write Offs	-	(0.150)	(0.050)	-	-
<b>Total Operating</b>	-	-	-	-	-

**Minister of Finance**

*Agree / Disagree*

**Minister of Health**

*Agree / Disagree*

**Minister for Economic Development**

*Agree / Disagree*

s **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 increase and any expenses incurred against these categories be met from Imprest Supply

**Minister of Finance**

*Agree / Disagree*

**Minister of Health**

*Agree / Disagree*

**Minister for Economic Development**

*Agree / Disagree*

t **Agree** to proactively release this briefing with any withholdings consistent with the Official Information Act 1982.

**Minister of Finance**

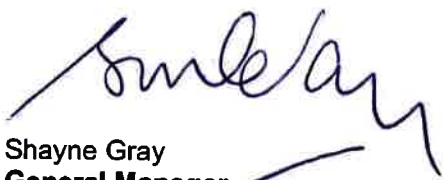
*Agree / Disagree*

**Minister of Health**

*Agree / Disagree*

**Minister for Economic Development**

*Agree / Disagree*



Shayne Gray  
**General Manager**  
Managed Isolation and Quarantine, MBIE

31 / 5 / 23

Hon Grant Robertson  
**Minister of Finance**

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Hon Ayesha Verrall  
**Minister of Health**

9 / 6 / 23

Hon Barbara Edmonds  
**Minister for Economic Development**

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## Background

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1. MBIE has continued work on collecting outstanding MIQ fees debt following the decommissioning of MIQ facilities in 2022. This has involved the use of dedicated internal resources, MBIE's debt partner, Commercial Information and Commercial Information a debt collection agency.
2. As required by the financial accounting standards, debt must be annually reviewed to assess whether any of it is uncollectable and should be written-off as 'bad debt'. Write-offs are recommended when a review of the record shows that there is a history of unsuccessful action undertaken and there is no further action possible or recommended. Inherent with this recommendation is that sufficient time has passed to demonstrate the history of action.
3. The former Minister for COVID-19 Response previously agreed that MBIE's approach to writing-off MIQ debt should be based on likelihood of recovery rather than the 'age of debt' approach [briefing 2122-4436 refers].
4. Writing-off Crown debt needs joint approval by the responsible Minister and the Minister of Finance. In June 2022, the Ministers of Finance and Health (previously the Minister for COVID-19 Response) agreed to write-off \$10,591,450.47 in MIQ fees debt as Crown debt [briefing 2122-4881 refers].
5. The debt write-off for the 2021/22 financial year did not require any appropriation or forecasting changes as MBIE had \$32 million internally expensed for provision for doubtful debts from both 2020/21 and 2021/22 financial years.
6. In September 2022, the Ministers of Finance and Health (previously the Minister for COVID-19 Response) also agreed to forgo Crown revenue of up to \$35,000 due to the costs outweighing the benefits of progressing data matching to create an invoice for liability for an MIQ stay during period of 11 August 2020 to 24 March 2021 [briefing 2223-0794 refers].

## Overview of MIQ fees debt

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7. MBIE has issued all MIQ invoices (55,112 invoices net of credit notes worth \$211.283 million) and 8,282 invoices of these are overdue (15.35 percent).
8. Good progress has been made on debt collection activity and MBIE continues to see good levels of payments being made against this debt. Overall, the debt recovery percentage is at 89 percent against a target recovery of 90 percent.
9. As required by the financial accounting standards, MBIE has reviewed the outstanding MIQ fees debt to assess whether any of it is uncollectable and should be written-off as 'bad debt'.
10. The total value of unpaid MIQ invoice debt is currently \$22.222 million (at 10 May 2023).

11. Using the same methodology as agreed previously [briefing 2122-4436 refers] the remaining MIQ debt has been reviewed and categorised in the table below.

**Table one: categorised break down of remaining MIQ fees debt (at 10 May 2023)**

Category	Amount
<b>Collectable</b>	\$1.171m
<b>Gone no address / passive collection</b> - Available avenues have been used to try and locate the customer on multiple occasions including the use of skip tracing methodology <sup>1</sup> and these attempts have been unsuccessful.	<b>\$9.418m</b>
<b>Instalment plan</b> - The customer has a formal instalment payment plan in place with MBIE.	\$1.326m
<b>Ombudsman cases</b> – Where the account is on hold subject to investigations.	\$0.261m
<b>Waiver applications</b> – Waiver applications are still being received and the current approval rate is 46 percent.	\$0.052m
<b>Debt written off 2021/22</b> – Debt write-off in 2021/22 [briefing 2122-4881 refers] net of subsequent recoveries.	\$9.994m <sup>2</sup>
<b>Total</b>	<b>\$22.222m</b>

12. Using the likelihood of recovery approach, MBIE recommends that a further \$9.418 million of MIQ fees debt should now be written-off for this financial year. This being debt classified as Gone No Address / Passive Collection and with a very low likelihood of recovery.
13. There are currently sufficient provisions remaining on the balance sheet to reflect the age of all outstanding MIQ debt. Therefore, there will be no additional appropriation impacts for any further debt write-offs. However, we have transferred a small portion into the Managed Isolation and Quarantine loans - Impairment of debt category to allow for unforeseen expenses.
14. If the Ministers of Finance and Health agree to write-off a further \$9.418 million, this will leave a balance of \$2.810 million in the outstanding debt that has not been written-off. It is worth noting that the categorisation for the remaining balance of \$2.810 million will change in the future, for example if a customer leaves the country and reneges on their instalment plan. Sufficient provisions for doubtful debts will be maintained for this occurrence.

<sup>1</sup> Skip tracing involves verifying the information provided by the client to understand who the subject is and if the client has any misinformation. Then the skip tracer will start collecting as much information as possible about the subject. Records or information that "skip tracers" use may include phone number databases, credit reports (including information provided on a loan application, credit card application, and in other debt collector databases), job application information, criminal background checks, utility bills and public tax information.

<sup>2</sup> Note that number differs from the agreed write-off number of \$10,591,450.47 as the debt remained with the collectors and MBIE has subsequently received payments from debtors.

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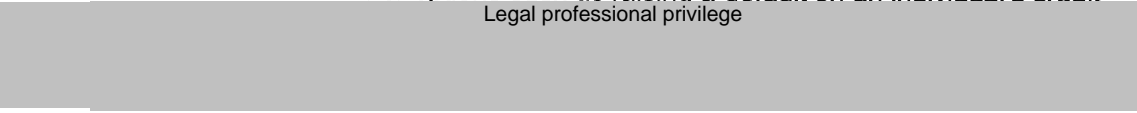
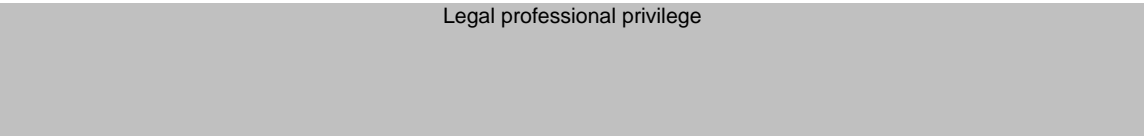


### **A tail of work remains to collect debt out to 2030**


15. The table above also shows where the outstanding work in debt collection exists. MBIE's current role in collecting the outstanding debt involves managing relationships with our debt partner and collection agency (currently generating over 200 emails per week), managing instalment plans, accepting and processing waiver applications, responding to complaints and assisting the Office of the Ombudsman with his investigations.
16. In addition to this, there are 660 individuals who have agreed to pay their MIQ invoice through an instalment plan. The terms of some of these plans will extend recollection out to 2030. This means that MBIE will need to continue to resource and support debt collection activity out to 2030.

### **MBIE will require appropriated funding beyond 30 June 2023 to continue to service the collection of MIQ fees**

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17. On 30 June 2023, the current funding in MBIE's Isolation and Quarantine Management MCA ends, and all MIQ-specific funding will cease. From this date the National Quarantine Capability (NQC) function will transfer to the health system.
18. MBIE considered whether it would be appropriate to discontinue all MIQ debt recovery activity once the appropriation expires. This scenario raised significant equity concerns regarding fairness towards compliant individuals who have paid their MIQ invoice. MBIE also has obligations to recover public funds associated with MIQ fees that are a debt to the Crown.
19. MBIE has also considered other options such as raising a default on an individual's credit  
Legal professional privilege  

20.   
Legal professional privilege
21. As a result, MBIE has determined that it will continue to recover MIQ fees debt after 30 June 2023. Ongoing departmental activities related to MIQ debt collection and waivers will continue on a reduced basis and will be met from baseline funding as an overhead finance activity and allocated out.
22. MBIE anticipates that the bulk of this collection activity will be undertaken within the next two years; however, some activity is expected to stretch out to 2030 due to instalment plan terms.

### **Crown costs will continue with collection activity and a new appropriation category is required**

23. Debt collection agencies charge an  percent commission when they are successful in collecting a debt. There are also fees associated with individuals paying their invoice via an overseas bank account or credit card. These fees will be incurred as Crown costs and will need a non-departmental appropriation to expense to.  
Commercial Information
24. A new non-departmental category under the Isolation and Quarantine Management MCA is recommended for these costs. This will ensure that MIQ costs are distinct and traceable.

25. MBIE proposes to fund this new category through a financially neutral adjustment (FNA) across from the *Impairment of Debt and Debt Write-offs* appropriation in Vote Business, Science and Innovation to the new MIQ MCA category. Approval is required from the Minister for Economic Development who is responsible for this appropriation.
26. The previously expensed impairment costs will be sufficient to cover off the write-off. However, MBIE proposes to transfer a portion of funding into the Managed Isolation and Quarantine loans - *Impairment of debt category* to allow for unforeseen expenses.
27. We expect the appropriation of \$200,000 across 2023/2024 and 2024/2025 will be sufficient to cover all required expenses including the commission charges from the third-party agencies and any other unforeseen expenses.
28. MBIE will monitor debt collection activity over 2023/2024 and will provide further advice on the appropriateness of continuing debt collection activity.
29. The debt write-off for the 2022/23 financial year will not require any additional appropriation as MBIE has recognised a provision for doubtful debts in previous financial years.
30. As the amount required to cover these residual invoice and debt related costs is a nominal amount being used for administrative (and uninformative) purposes, MBIE would apply for a performance measure exemption at the October Baseline Update (OBU).
31. MBIE has returned \$12.598 million of its 2022/23 funding under the Isolation and Quarantine Management MCA to the centre through the Budget 2023 savings process due to lower-than-expected costs associated with winding down MIQ functions.

## **Next steps**

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32. Following the approval from Ministers to write-off this Crown debt, MBIE will action the write-off within its Finance Information Management System. This will need to be undertaken by 30 June 2023 to meet financial year-end deadlines.
33. MBIE will monitor this for future years and will refer back to ministers with recommendations on the future of MIQ debt.