



## COVERSHEET

<b>Minister</b>	Hon Chris Hipkins	<b>Portfolio</b>	COVID-19 Response
<b>Title of Cabinet paper</b>	Maintaining MIQ in the short-term  A National Quarantine System: options for the ongoing COVID-19 Response and Future Pandemic Preparedness  Options for Accelerating MIQ Network Transition	<b>Date to be published</b>	20 May 2022

### List of documents that have been proactively released

<b>Date</b>	<b>Title</b>	<b>Author</b>
December 2021	Maintaining MIQ in the short-term	<i>Office of the Minister for COVID-19 response</i>
8 December 2021	Maintaining MIQ in the short-term SWC-21-MIN-0215	<i>Cabinet Office</i>
8 December 2021	A National Quarantine System: Options for the Ongoing COVID-19 Response and Future Pandemic Preparedness	<i>Office of the Minister for COVID-19 response</i>
8 December 2021	A National Quarantine System: Options for the Ongoing COVID-19 Response and Future Pandemic Preparedness SWC-21-MIN-0214	<i>Cabinet Office</i>
March 2022	Options for Accelerating MIQ Network Transition	<i>Office of the Minister for COVID-19 response</i>
9 March 2022	Options for Accelerating MIQ Network Transition SWC-22-MIN-0032	<i>Cabinet Office</i>

**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 following reasons:

- Negotiations
- Commercial information
- Legal professional privilege
- Free and Frank Opinions

Please note, the funding request and transition approach agreed to in *Maintaining MIQ in the short-term* have been taken over by the paper considered in *Options for Accelerating MIQ Network Transition*. Some of the funding will be returned and this amount will be confirmed in the October baseline update.

## In Confidence

Office of the Minister for COVID-19 Response

Cabinet Social Wellbeing Committee

## **A national quarantine system: decisions about quarantine options for the ongoing COVID-19 response and for future pandemic preparedness**

### Proposal

- 1 This paper sets out the steps which are required now to develop a stable, flexible and enduring national quarantine system which will:
  - 1.1 address demand from community and border for the remainder of the current COVID-19 response; and
  - 1.2 begin to secure the investment which has been made in the current COVID-19 response for future epidemics or pandemics by progressing the development of a future workforce, infrastructure, and operating model for quarantine
- 2 This is Paper 2 in a set of two papers that address the current and future role of Managed Isolation and Quarantine (MIQ) in the COVID-19 response.

### Relation to government priorities

- 3 This paper supports the ongoing response to COVID-19 by setting out the Programme Business Case for a national quarantine system, identifying critical changes to the current MIQ operating model needed to support the COVID-19 Protection Framework and Reconnecting New Zealanders Strategy. It also progresses work to contribute to future infrastructure for the health system and New Zealand's emergency preparedness
- 4 This paper is intended to be considered alongside the companion Cabinet paper: *Maintaining MIQ in the short-term*, which is focused on securing the short-term stability of the MIQ network.

### Executive Summary

- 5 We know that New Zealand will face new epidemics and pandemics in the future.

**IN CONFIDENCE**

- 6 I propose the establishment of a national quarantine system, which capitalises on the investments we have made so far in the current MIQ operating model. The national quarantine system would comprise:
  - 6.1 a core network of up to 1,000 Q-standard rooms on Crown-controlled sites across North and South Island hubs;
  - 6.2 a skilled and resilient core workforce providing purpose-designed quarantine, wellbeing and response services; and
  - 6.3 a model that retains the knowhow and expertise generated as part of New Zealand's world-leading COVID-19 response.
- 7 This proposed future can be worked towards in stages in the coming months and years, allowing us to shift responsively to emerging needs from our current COVID-19 response, while retaining an eye to future health and emergency management needs.
- 8 While the current MIQ operating model has served New Zealand well in our response to COVID-19, it has substantial limitations. These limitations are a product of a failure in previous years to undertake long-term planning and investment to respond to epidemics and pandemics.
- 9 We are currently relying on a relatively fragile network of contracts with hotels to provide the physical infrastructure of MIQ. These facilities were not designed for infection prevention and control (IPC) or to house people for an extended period of time with limitations on their freedom of movement.
- 10 The current MIQ workforce has reflected the willingness of agencies and employers to work with MIQ as the operating context has changed, and we can't assume that this willingness will continue in the long-term. The MIQ workforce has made extraordinary efforts during this time, and we now have an opportunity to secure the knowhow and expertise they have developed.
- 11 I commissioned the development of a Programme Business Case (PBC) in September focused on establishing a legacy operating model and infrastructure for a national quarantine system, and seek Cabinet's endorsement of the recommendations of that PBC which speak to the medium and long-term.
- 12 The steps needed to secure the short-term stability of MIQ over the next financial year (2022/23) as referenced in the PBC are captured in the companion Cabinet paper: *Maintaining MIQ in the short-term*.
- 13 The PBC identifies a number of steps we can take now to support a more effective response to COVID-19 in coming months and years, developing an enduring quarantine system that meets current and future needs.

**IN CONFIDENCE**

- 14 In this paper, I focus on the opportunity we have to:
- 14.1 secure a core network of three facilities for the medium term (three years) which will provide infrastructure to a higher-standard of IPC than is achievable within our current hotel contracts Confidential advice to Government  
[REDACTED] This will require Cabinet to agree that contingency funding be put aside to enable MBIE to begin commercial discussions with site owners, ahead of a Detailed Business Case (DBC) early next year. This DBC will be focused on securing and developing sites three sites, and confirming the operating model which will be used in the proposed facility currently outside the MIQ network.
  - 14.2 progress towards a future operating model which includes a single-agency workforce, including opportunities for development and capacity building, leveraging the expertise and skills which have been developed as part of the MIQ response. There is also scope to consider the enduring structural arrangements for a future quarantine response, and whether MBIE remains the best-placed agency to house this function.
  - 14.3 continue to progress work which would allow us to make a longer-term investment in future infrastructure for the health system and New Zealand's emergency preparedness. I propose that Cabinet provide for contingency funding to be made available to support the development of a further DBC for Confidential advice to Government, with scope and timing to be confirmed by myself, the Minister of Health and the Minister of Finance.
- 15 The current *Care in the Community* approach to supporting New Zealanders with COVID-19 includes MIQ providing a point of escalation in some cases for those who are unable to safely self-isolate at home. The immediate need to secure MIQ capacity to meet this demand is addressed in the companion Cabinet paper: *Maintaining MIQ in the short-term*. However, my intention would be that options in this paper to provide longer-term quarantine capacity would be available to meet community needs, while focused for use at the border.

## Background

- 16 In September, I directed officials to develop a PBC to set out the requirements and identify options to deliver a stable, flexible, and enduring quarantine system that will see us through the next phase of COVID-19, as well as ensure preparedness for new variants of concern and for future epidemics or pandemics.
- 17 The final PBC is attached as Appendix 1.
- 18 MIQ is currently made up of 32 privately-owned hotels contracted by the Ministry of Business, Innovation and Employment (MBIE). These hotels are spread across Auckland, Hamilton, Rotorua, Wellington, and Christchurch.

They have a cumulative capacity of around 5,800 rooms, for both border and community entry. MIQ services are delivered by a diverse workforce, comprising staff from MBIE, the health sector, private security, NZDF, AVSEC, NZ Police, as well as hotel staff.

- 19 MIQ has played a key role in New Zealand's response to COVID-19 to date. Since MIQ was established in March 2020, it has been a core component of the New Zealand Government's COVID-19 Elimination Strategy, which has largely prevented COVID-19 from entering New Zealand. MIQ has enabled over 195,000 people to enter New Zealand, and developed significant expertise, systems, and processes to deliver managed isolation and quarantine services.
- 20 Along with preventing COVID-19 from entering the community, MIQ has also contributed to the management of community outbreaks. To date, MIQ has supported more than 3,000 community cases and close contacts isolate or quarantine.
- 21 MIQ has developed substantial expertise and knowledge in how to support a response to a pandemic or health crisis. This expertise and knowledge represents a legacy which should be captured and maintained in the future, as part of New Zealand's emergency preparedness.
- 22 As we begin to shift from a crisis response to COVID-19, decisions are needed now to ensure we continue to be able to respond to the need for isolation and quarantine capacity in the near future, as well as be better positioned in our preparedness for future epidemics or pandemics.

*We know that we will continue to be vulnerable to future health threats that will require isolation or quarantine as an intervention*

- 23 Whilst MIQ is currently focused on the threat posed by current COVID-19, new variants of concern (which are more transmissible and may be less or entirely resistant to vaccines)– as well as new diseases or disease outbreaks – pose long-term threats to the overall social and economic well-being of New Zealand. The emergence of the Omicron variant in recent weeks serves as a reminder of how rapidly our response to COVID-19 may need to change.
- 24  Free and frank opinions  
 with the Global Health Security Index ranking New Zealand 35<sup>th</sup> out of 195 countries for Pandemic Preparedness in 2019.<sup>1</sup>
- 25 The threat of more frequent and more lethal infectious disease outbreaks is well established. While evaluation of the likelihood of future pandemics is difficult, COVID-19 has illustrated clearly that it does happen, and there is global, scientific acknowledgement that it will happen again<sup>2</sup>.

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<sup>1</sup> <https://www.ghsindex.org/country/new-zealand/>.

<sup>2</sup> Full article: How Aotearoa New Zealand rapidly revised its COVID-19 response strategy: lessons for the next pandemic plan (tandfonline.com)

**Our current operating model is increasingly under strain to respond to the current challenges of COVID-19**

- 26 The emergence of COVID-19 in January 2020 exposed New Zealand's lack of strategic pandemic preparedness. To fill this gap, and respond effectively to COVID-19, MIQ was rapidly established using a short-term solution in the form of contracted hotel facilities.
- 27 This solution has remained a temporary measure in response to COVID-19, given the uncertainties around how the pandemic would evolve. To date, there has been no long-term investment in pandemic infrastructure, as the focus has been on the current and shorter-term health response. However, this response is changing under the Protection and Minimisation approach, which gives us the opportunity to consider pandemic management in the longer term.

*We are seeking to stabilise MIQ in the short term...*

- 28 I am seeking short-term funding for a further 12 months to maintain MIQ's current operating model in the companion Cabinet paper: *Maintaining MIQ in the short-term* which is also being considered by Cabinet today.
- 29 The companion paper proposes a Moderate Transition Approach which will allow MIQ to reduce from its current 5,900 room capacity to around 4,400 rooms by July 2022, and then reduce further to 1,300 rooms by June 2023.
- 30 It seeks funding for the associated costs, including the costs of the facilities, transportation and ventilation maintenance/remediation.
- 31 The companion paper also seeks agreement on how the multi-agency workforce will transition to a dedicated, core workforce. This includes prioritising the complete, but gradual exit of NZDF staff by December 2023.

*...but this does not address the inherent vulnerability of our current model*

- 32 While a further year of funding will help to stabilise the current operating model, it does not address key issues with that operating model:
- 32.1 Lack of preparedness and capacity to undertake long-term planning
  - 32.2 Limitations on infrastructure and related operating model
  - 32.3 Lack of security of supply of facilities and workforce related to short-term funding cycles
- 33 It is increasingly clear that, even with an extension of short-term funding, our operating model will need to change within the next three years in order to allow us to continue to respond to COVID-19.

*The built environment of hotels has served us well in the short-term, but hotels are not fit for purpose as a sole isolation or quarantine response even in the near-term*

- 34 Hotels reflected the best option available to New Zealand in our initial response to COVID-19. However, they have several physical design attributes that make them sub-optimal at containing and preventing the spread of infectious diseases.
- 35 While many of these IPC challenges have been mitigated in order to reduce in-facility transmission, when the border settings change and MIQ houses only high-risk or COVID-19 positive individuals this risk will increase.
- 36 The physical form of hotels also have limitations which impact on the safety and efficiency of the MIQ workforce. For example, the configuration of rooms accessed by a single door along a narrow hallway is typical of hotels, but there may be alternative options which allow for more efficient and safe delivery of services .

*Pressures on our workforce configuration have been growing, and will only increase in future*

- 37 MIQ's current workforce is a combination of directly contracted or employed government workforce, and hotel workforce which deliver services under service agreements with hotels.
- 38 Contracted workforce has limitations. There are significant compliance obligations on hotels and the MIQ workforce including regular testing and vaccination requirements. Hotel workers and sub-contractors must abide by MIQ operating procedures requiring specific training and limits on supplementary work. In addition, there are significant health and safety obligations on both hotel and subcontracted entities that may not have been anticipated by all parties at the time contracts were entered into, particularly as requirements and operating procedures change.
- 39 A composite government employed workforce has limitations as well. In addition to the MBIE and hotel workforce, MIQ relies on a health workforce from DHBs, and personnel supplied by other government agencies such as NZDF, AVSEC and Police, for many of its core operational and management functions. There is the likelihood that agencies such as NZDF and AVSEC will need to exit MIQ to return to core duties in the future.
- 40 MIQ's current workforce has developed critical expertise in isolation and quarantine functions as part of the COVID-19 response. This knowledge needs to be leveraged and preserved for future pandemics or epidemics. The MIQ workforce is skilled at managing IPC challenges, responding and adapting quickly to changes in disease transmission, managing logistical operations and risk, caring for people within quarantine situations with empathy and structure, and ensuring compliance with required limitations on movements.



- 41 Retaining this expertise and sustaining a response-ready workforce for COVID-19 and future epidemic and pandemic threats will require focused investment and design effort on roles, development opportunities and career pathways.

**The PBC has set out a way forward that combines phased medium and long-term interventions to address current and future challenges**

- 42 The PBC at Appendix One was developed by MBIE following my direction to investigate options for the future of MIQ.

- 43 The PBC recommends moving towards a national quarantine system which ensures continued capacity and flexibility to provide a border and community response in the medium term, while also creating a legacy infrastructure, workforce, and operating model for future threats.

- 44 Specifically, the Programme Business Case focuses on delivering:

44.1 North and South Island ‘hubs’ as a border and community quarantine response, with accessible links to health services, workforce, international airports and transport hubs.

44.2 Sites with opportunities to increase the level of fit-for-purpose quarantine design by adapting the existing buildings and/or building new or additional quarantine capacity.

44.3 Planning for a core, skilled, resilient workforce, and purpose-designed service model.

44.4 Enduring capacity of approximately 1,000 rooms, with scope to increase in scale as needed by either building additional capacity or retaining relationships with hotels that enable rapid scale-up.

- 45 The short-term plan for the current MIQ system is articulated and progressed in the companion Cabinet paper: *Maintaining MIQ in the short-term*, and focuses on the scaled reduction of our current operating model to reflect anticipated reduced demand in 2022/23.

- 46 In this paper, I seek Cabinet agreement that this short-term plan be accompanied by the development of two DBCs for a national quarantine system covering the medium and long-term, and the transition from MIQ’s current operating model. As set out in the PBC, this comprises two lines of investigation:

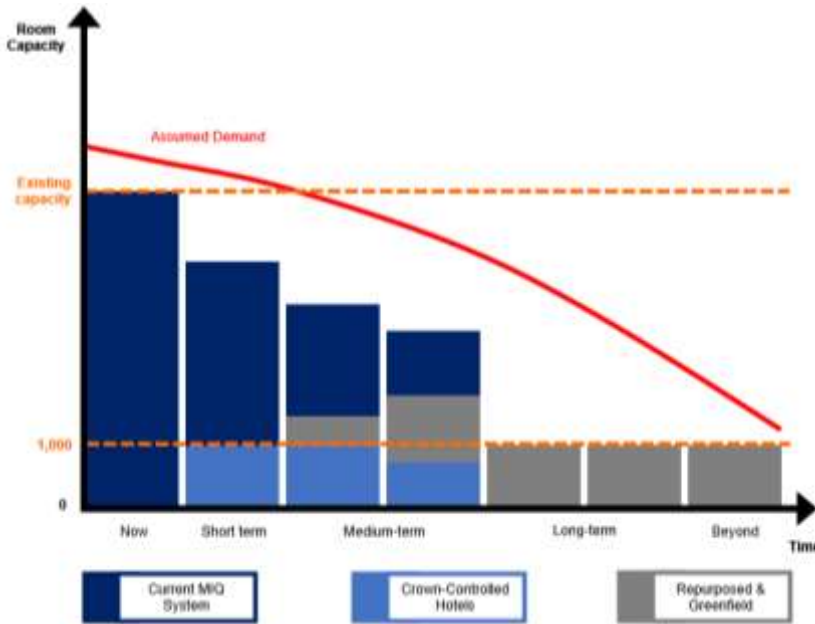
46.1 a first DBC focused on securing longer-term contracting with Confidential advice to Government

[REDACTED]

[REDACTED] to be progressed in Q1 2022; and

46.2 A second DBC progressing the Confidential advice to Government with scoping to be undertaken in Q1 2022 ahead of the delivery of the DBC in Q2 2022.

47 By combining a mix of commercial models over the short, medium, and longer-term, we are able to balance our need for certainty at different points in the future with flexibility to scale the MIQ network up or down as required:



48 Offramps or opportunities to adjust the scale and scope of a national quarantine system include Cabinet consideration of the two DBCs outlined above. I expect that the first of these will be considered in Q1 2022, covering the proposal set out in detail below, including:

48.1 the outcomes of commercial negotiations Confidential advice to Government

48.2 f Confidential advice to Government

48.3 confirmation of the operating model to be used in sites, including any additional workforce costs required, Commercial Information

*In order to address limitations with the current physical environment of facilities we need to secure and upgrade core sites*

49 Short-term contracts with hotels create a natural limit on the extent to which facilities can be remediated or changed to provide a safe and secure environment for those who need to isolate or quarantine.

50 I propose that we progress the development of longer-term interventions by continuing to secure a core of facilities delivering approximately 1,000 rooms alongside capital investment to substantially improve the function, operation, and capacity of the sites.

51 Delivering this is likely to include a mix of medium-term contracting and the long-term leasing of facilities identified through a scoring process outlined in the PBC, including:

- 51.1 assessment of sites against investment criteria
- 51.2 assessment of the timeframe through which sites would be operational
- 51.3 the potential for existing and expanded capacity

52 Capacity at sites would be improved and increased though:

- 52.1 Additional investment in ventilation, earthquake strengthening, and any other remediation required
- 52.2 Surge capacity expansion Confidential advice to Government  
This will be undertaken to allow easy remediation at the expiry of the contact

53 As outlined in the PBC, the highest-scoring facilities in key regions are Commercial Information  
Commercial Information  
Commercial Information  
Commercial Information

54 These sites provide a capacity of 500 rooms between them, with the capacity for an additional 374 onsite rooms through Confidential advice to Government  
Commercial Information

Site name	Q-standard rooms	Additional onsite rooms
Commercial Information	214	137
Commercial Information	136	87
Commercial Information	150	150
<b>Total</b>	<b>500</b>	<b>374</b>

55 The scope of the first DBC would include the development of additional onsite rooms at the Commercial Information in order to increase capacity at these existing sites (224 additional rooms). Commercial Information  
Commercial Information  
Commercial Information

56 In the medium term, we will secure the remainder of the capacity required to support our response to COVID-19 within the MIQ network through the extension of short-term contracts with existing facilities. This use of short-term contracting will allow us to maintain quarantine capacity as we scale down the current network. I am seeking Cabinet agreement to a proposed future scale of MIQ over the next 18 months through the companion Cabinet paper: *Maintaining MIQ in the short-term.*

*I am seeking the funding to cover the development of this PBC*

57 The PBC cost \$4.5m to develop, over 2021/22. I am seeking Cabinet's agreement to provide the funding for this.

*I will come back to Cabinet by the end of Q1 2022 with the final suite of options and funding decisions related to the acquisition of core sites, including relevant upgrades*

58 If Cabinet agrees to progress to a DBC focused on the long-term acquisition of three core sites, MBIE will work at pace and engage in commercial negotiations with key sites for acquisition or extended leases.

59 Before MBIE can meaningfully engage site owners to discuss potential terms for securing core sites and potential upgrades which may be needed, we need to provide direction as to the level of funding which we are willing to provide for the acquisition and development of the three proposed core sites. I propose the establishment of a tagged contingency to provide this direction, with a view that Cabinet would still have an opportunity to consider the outcome of the DBC (including commercial negotiations) before that contingency is drawn down.

60 Once MBIE is able to engage in commercial negotiations, we will gain greater clarity about the commercial viability of the potential options and the willingness of preferred sites to participate in the network in the medium to long term.

61 Therefore, in order to progress to the DBC, provision needs to be made for both:

61.1 As a draw-down, the project costs of delivering the DBC, and

61.2 As a tagged contingency, the funding envelope available to:

61.2.1 negotiate a long-term lease with identified sites;

61.2.2 undertake upgrades to reflect ventilation and earthquake strengthening remediation, where these have not otherwise been addressed as part of the short-term funding requests being considered alongside this paper; and

61.2.3 [redacted] Confidential advice to Government [redacted] with further investigation to be undertaken on the site from outside the current network.

62 In Q1 next year I expect Cabinet to have an opportunity to assess the choices available to us under the DBC. This will coincide with steps to open up the borders in early 2022 and by which time we will have a better sense of the impact of COVID-19 in the community and the operation of alternative pathways of supporting self-isolation by those who contract COVID-19.

63 However, the DBC will be focused on New Zealand’s investment in future threat preparedness, as it is critical we do not go back to the situation we were in prior to COVID-19 in terms of pandemic response capability.

64 The cost of delivering the first DBC is \$12.1 m in 2021.

65 Further tagged contingencies are required to enable commercial negotiations as part of the development of a DBC as set out in paragraph 61.2, with funding needs to develop an approach consistent with the PBC below:

(\$m)	2021/22	2022/23	2023/24	2024/25	2025/26 and outyears
Long-term contract- Tagged Operating Contingency	-	36.574	184.586	184.586	108.092
Upgrades (earthquake strengthening and ventilation improvements)- Tagged Capital Contingency	-	28.000	-	-	-
<small>Confidential advice to Government</small> [Redacted] Tagged Capital Contingency	-	44.800	-	-	-
<b>Total Operating Contingency</b>	-	<b>36.574</b>	<b>184.586</b>	<b>184.586</b>	<b>108.092</b>
<b>Total Capital Contingency</b>	-	<b>72.800</b>	-	-	-

66 I note that the contingency set out above for 2022/23 excludes two facilities where funding is also being sought for a 12-month lease extension the companion Cabinet paper: *Maintaining MIQ in the short-term*.

67 I also note that the contingency identified above includes operating costs for [Redacted]  
Commercial Information [Redacted]

68 It is possible that some of the three sites may prefer to sell to rather than contract with government. In the event this occurs, MBIE will report-back in Q1 next year for Cabinet consideration to provide capital rather than operating funding.

**More work is also needed on the development of a core, dedicated workforce and enduring structural arrangements**

- 69 The heavy reliance on other agencies for MIQ's workforce carries with it a number of risks and challenges, and is not sustainable in the medium or long term, particularly in light of the specialist pandemic and emergency response role I envisage MIQ playing. For NZDF in particular, the prolonged MIQ deployment has had a significant impact on their ability to resource other responses, readiness and trade training programmes, and retention and engagement.
- 70 Gradual consolidation of workforce is already planned for over the 2022/23 year with the phased withdrawal of NZDF that is addressed in the companion Cabinet paper: *Maintaining MIQ in the short-term*.
- 71 As set out in the PBC, my intention is that MIQ shifts, over time, from a multi-agency response to having a core, dedicated workforce that supports a resilient quarantine system and provides a legacy of support. This is important given the future quarantine capacity will need to be on a constant state of evolving readiness for emerging and emergency response support across our pandemic and public health-related systems.
- 72 I anticipate that this core workforce will need to be supplemented by specialist support from other agencies where the level of care, specialism and enforcement goes beyond what the dedicated workforce can provide, but the ask on other agencies will be significantly less than it is currently.
- 73 Estimated costs in the PBC are based on a core workforce, employed by a single agency, with support costs where required from specialist agencies.. Under this model core workforce costs will increase to approximately \$120m by 2025/26, with further workforce costs related to head office and included in service contracts captured in-addition to this figure. This cost reflects the transition of some costs currently captured in hotel contracts into the future quarantine system, plus the costs currently borne by other government agencies for workforce currently provided by NZDF, Police, DHBs and AVSEC. These costs are indicative only at this point and have a high degree of uncertainty. The DBC due in Q1 2022 provides an opportunity to undertake further work to develop these estimates
- 74 In relation to enduring structural arrangements for quarantine, I have also directed MBIE officials to work with Interim Health NZ and other relevant agencies to consider the best placed agency to lead the long-term quarantine response delivery, and provide advice to the Minister of Health and myself on transition approach and timing in 2022.

**As a government we also have the opportunity to leverage the response to COVID-19, and commit to further work on long-term epidemic and pandemic preparedness as part of the wider health system reform.**

- 75 As I have previously outlined, the current MIQ operating model reflects choices made in the past not to prioritise long-term planning and investment in quarantine capacity.
- 76 Medium to long-term contracting with existing facilities is useful in continuing to address the current response to COVID-19, but does not resolve our need to provide for long-term quarantine capacity to address the threat posed by future epidemics or pandemics.
- 77 The PBC has highlighted that greenfields development is a viable long-term response to the need for quarantine capacity, but also that further work is needed to consider design, viability, potential timelines, costs, and the ability to support dedicated quarantine services.
- 78 The Ministry of Health’s *Health System Preparedness Programme* (HSPP) has as its vision ‘ensuring safe and sustainable healthcare delivery as Aotearoa reconnects to the world’. The HSPP has a number of workstreams such as ‘models of care’ and ‘infrastructure’ that are relevant to a national quarantine system for New Zealand. It is important that any work on future quarantine capacity aligns with the direction of the HSPP, especially with respect to models of care.
- 79 I propose the Minister of Health, Minister of Finance and I agree the scope for a Detailed Business Case [Confidential advice to Government] which we will commission early in 2022.
- 80 I seek that a contingency for this work to be undertaken be put aside by Cabinet now, with decisions on draw-down to be taken by the Minister of Health, Minister of Finance and I at the same time as we confirm scope.
- 81 Funding to undertake a DBC focused on [Confidential advice to Government] is set out below:

(\$m)	2021/22	2022/23	2023/24	2024/25	2025/26 and outyears
Tagged operating contingency	8.000	16.200	-	-	-

**Financial Implications**

- 82 The MIQ system is currently funded until the end of June 2022. This includes the costs of running existing facilities according to the current operating model. Work is currently underway, in a separate Cabinet paper, to obtain a short-term extension of the funding through until June 2023, including scaling the network down and adjusting workforce composition.

- 83 The funding sought in this paper is to support the development of programme and detailed business cases with a view to future quarantine needs. The request will impact MIQ funding for the current financial year 2021/22, and future years.
- 84 This paper seeks Cabinet’s agreement to funding of:
- 84.1 \$4.500 million for the development of the PBC, as a cost already incurred by MBIE
  - 84.2 \$12.100 million for the delivery of DBC1, which is focused on securing three sites
  - 84.3 \$586.637 million as tagged contingency, to support the contract negotiations for DBC1 and to confirm the scale of funding that could be committed to a national quarantine system in coming years (subject to further Cabinet agreement on the outcome of DBC1).
  - 84.4 \$24.200m as tagged contingency for the delivery of DB2, to be drawn-down when the scope of DBC2 is agreed in early 2022.
- 85 While this Cabinet paper breaks down the recommendations of the PBC into phased decisions, the PBC sets out the potential future cost if all recommendations for the development of a national quarantine system were fully implemented. This includes:
- 85.1 The scope of DBC 1: the establishment of long-term leases with three sites, the expansion of two of these sites, and confirmation of the workforce needed to support the operation of these sites; and
  - 85.2 The scope of DBC2: The acquisition and development of Confidential advice to Government, and confirmation of the workforce needed to support the operation of these sites.
- 86 The estimated cost of the national quarantine system is outlined in detail in the Financial Case of the PBC, but combined establishment and operational costs are as follows:

(\$m)	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	Total
Total investment and establishment costs	16.600	320.935	248.200	21.264	-	-	<b>607.000</b>
Total operational and maintenance costs	-	262.192	414.251	593.955	564.835	541.418	<b>2376.651</b>
<b>Total Annual Cost</b>	<b>16.600</b>	<b>583.128</b>	<b>662.451</b>	<b>615.219</b>	<b>564.835</b>	<b>541.418</b>	<b>2983.651</b>



## Legislative Implications

87 There are no legislative implications arising from this proposal.

## Impact Analysis

### Regulatory Impact Statement

88 As there are no legislative implications arising from this proposal, a Regulatory Impact Statement is not required.

### Climate Implications of Policy Assessment

89 The Climate Implications of Policy Assessment (CIPA) team has been consulted and confirms that the CIPA requirements do not apply at this stage as there is not a high enough level of detail in the design of the proposal to accurately estimate the emissions impact of the final proposal.

90 While it is likely that the emissions impact of this proposal will be significantly lower than the CIPA emissions threshold, officials developing the proposal will work with the CIPA team to assess the emissions impacts as the proposal is advanced, as appropriate.

## Population Implications

91 The proposals outlined in this paper reflect that further work and planning will be done on the medium and long-term location of isolation and quarantine facilities in Auckland, Waikato, Wellington and Christchurch.

92 Vulnerable populations in these areas may be at higher risk of being impacted by the transmission of disease from these facilities into the community. The proposal that any enduring infrastructure be developed to a higher standard of infection prevention and control than current hotel facilities will go some way to mitigating this risk.

93 Over 60 percent of the Pacific population, and nearly a quarter of the Māori population in New Zealand live in Auckland, which means Māori and Pacific peoples have a higher risk of being exposed to COVID-19 spread from MIQ facilities into the community. This has been demonstrated through the latest Delta outbreak, where a large number of the cases have been Pacific and Māori. Reducing the MIQ footprint especially in Auckland CBD and transitioning to North and South Island hubs with high quarantine standards will mitigate some of these risks.

94 MIQ can be an important, and at times safer option for vulnerable populations, for example Māori and Pacific populations are overrepresented among people with insecure or crowded housing, or may live in multi-generational homes which may be unsuitable for home quarantine. It can also be a safer option for victims of family violence, who are more likely to be women.

- 95 Māori are also more vulnerable to contracting COVID-19 due to inequitable COVID-19 vaccination rates between Māori and other ethnicities. They are also at increased risk of severe COVID-related infections, hospitalisation, requiring ICU care, and death.
- 96 Pacific peoples are at risk of contracting COVID-19 given they are over-represented in front-line roles and often have underlying health conditions and co-morbidities. The risk is also greater as the current eligibility criteria for vaccination results in exclusion of roughly 1/3 of the Pacific population, as they are under 12 years of age.
- 97 For rural populations, MIQ would be less likely to be available as an escalation point as they will be located in central locations. However, the COVID-19 Care in the Community model enables home quarantine which reduces the need to travel far from people’s support networks; and offers support by telehealth where available.
- 98 Disabled people may be at higher risk of severe COVID infections, and may face risks of contracting COVID-19 if they live in areas close to the proposed MIQ footprint. As noted above, the overall reduced footprint and higher quarantine standard will mitigate these risks. In addition, accessibility design principles were a non-negotiable requirement for selected sites and the proposed approach to refurbish and build MIQ facilities is an opportunity to ensure all MIQ facilities adhere to accessibility design principles which will have benefits for disabled people that may need to go into MIQ.

**Human Rights**

99

Legal professional privilege

100



## Consultation

- 101 The following agencies were consulted on a draft version of this Cabinet paper, namely: Ministry of Health, Crown Law, New Zealand Customs Service, Department of Prime Minister and Cabinet, Housing and Urban Development, Immigration Policy, Te Waihanga (New Zealand Infrastructure Commission), Ministry for Pacific Peoples, Ministry for Women, Ministry of Foreign Affairs and Trade, Ministry of Justice, Ministry of Social Development, Ministry of Transport, New Zealand Police, Te Puni Kōkiri, Treasury

## Communications

- 102 A comprehensive communications plan will be developed consistent with Cabinet's direction.

## Proactive Release

- 103 We intend to proactively release this paper and its associated minute within the standard 30 business days from the decision being made by Cabinet, with any appropriate redaction where information would have been withheld under the Official Information Act 1982.

## Recommendations

The Minister for COVID-19 Response recommends that the Committee:

- 1 **Note** that MIQ was established primarily as a border response to keep COVID-19 out of New Zealand, and has recently taken a larger role in supporting the management of COVID-19 in the community.
- 2 **Note** MIQ's current operating model was rapidly established as a short-term solution to address the lack of investment and planning for quarantine capacity in New Zealand prior to COVID-19.
- 3 **Note** as we begin to shift from a crisis response to COVID-19, decisions are needed now to ensure we continue to be able to respond to the need for isolation and quarantine capacity in the near future, as well as be better positioned in our preparedness for future epidemics or pandemics.
- 4 **Note** the threat of COVID-19 variants of concern and other emerging diseases which require quarantine interventions is present now and we should expect it to remain in the future.
- 5 **Note** the current MIQ operating model is increasingly under strain, and even with a further 12 months of funding will not be fit for the current purpose of responding to COVID-19 in the near future due to limitations of hotel infrastructure and workforce arrangements.
- 6 **Note** Cabinet is also considering a paper to stabilise the current MIQ network in the short-term through the companion Cabinet paper: *Maintaining MIQ in the short-term*.

*Programme Business Case*

- 7 **Note** I commissioned a Programme Business Case (PBC) to investigate how to deliver a stable, flexible and enduring quarantine response. This PBC has identified a combination of medium and long-term interventions to deliver this response.
- 8 **Agree** to provide for the cost of the PBC, undertaken at my request.
- 9 **Agree** to the development of a Detailed Business Case (DBC1) for long-term contracts with three sites, including upgrades (earthquake strengthening and ventilation improvements) and Confidential advice to Government for the purpose of providing core quarantine capacity for the next few years.
- 10 **Approve** the following changes to appropriations to give effect to the policy decision in recommendations 8 and 9 above, with a corresponding impact on the operating balance and net core Crown debt:

Vote Building and Construction Minister for COVID-19 Response	\$m – increase/(decrease)				
	2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears
Multi-Category Expenses and Capital Expenditure: Isolation and Quarantine Management MCA Departmental Output Expenses: Operational Support (funded by revenue Crown)	16.600	-	-	-	-

- 11 **Agree** to securing and upgrading core sites, with approximately 500 rooms based on current configuration, and the ability to increase capacity Confidential advice to G subject to the completion of a Detailed Business Case (DBC1) and approval of the outcomes of DBC1 by Cabinet.
- 12 **Note** that, in order for good faith contractual negotiations with those sites required to deliver recommendation 11 to occur, MBIE requires confirmation of the funding envelope available, which is sought as a tagged contingency. The tagged contingency will provide the financial parameters for the negotiations.
- 13 **Note** that I will provide final costings of the proposed options alongside the DBCs when I report back to Cabinet early next year.
- 14 **Agree** to establish tagged operating and capital contingencies associated with the COVID-19 Response Portfolio of up to the following amounts to provide for the delivery of recommendation 11:

**IN CONFIDENCE**

	\$m – increase/(decrease)					
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Long-term contracts - Tagged Operating Contingency	-	36.574	184.586	184.586	108.092	-
Upgrades (earthquake strengthening and ventilation improvements) and Confidential advice to Government Tagged Capital Contingency	-	72.8000	-	-	-	-

- 15 **Invite** the Minister for COVID-19 Response to report back to Cabinet in early 2022 on the outcome of the further work described in recommendation 11 above;

*Long term need to undertake planning for future preparedness*

- 16 Confidential advice to Government

- 17 **Agree** to the development of a DBC focused Confidential advice to Government, subject to the scope of the DBC being confirmed by the Minister of Finance, Minister of Health and Minister for COVID-19 Response in early 2022.

- 18 **Note** that the scope of DBC2 will include potential options for Confidential advice to Governm in non-outbreak contexts, including underlying public health demand and other non-health related uses.

- 19 **Agree** to establish a tagged operating contingency associated with the COVID-19 Response portfolio of up to the following amounts to provide for the development of DBC2:

	\$m – increase/(decrease)				
	2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears
Detailed Business Case on Confidential advice to Government – Tagged Operating Contingency	8.000	16.200	-	-	-

- 20 **Authorise** the Minister of Finance, Minister of Health and Minister for COVID-19 Response to jointly draw down the tagged operating contingency funding in recommendation 19 above (establishing any new appropriations as necessary), subject to their satisfaction with the outcome of the further work described in recommendation 18 above.

**IN CONFIDENCE**

*For all financial recommendations*

- 21 **Agree** that the expiry dates for the tagged operating and capital contingencies in recommendations 14 and 19 above will be 1 February 2023.
- 22 **Agree** that the proposed change(s) to appropriations for 2021/22 above be included in the 2021/22 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply;
- 23 **Agree** that that the expenses incurred under recommendation 10 and the tagged operating and capital contingencies in recommendations 14 and 19 above be charged against the COVID-19 Response and Recovery Fund established as part of Budget 2020.
- 24 **Direct** the Ministry of Business, Innovation and Employment to ensure that it can separately report on how much of this funding has been spent, forecast expenditure and progress against key milestones; at least quarterly.
- 25 **Agree** that any under-expenditure in the Isolation and Quarantine Management multi-category appropriation for MIQ be carried forward to the following financial year to recognise the uncertain timing of subsequent expenditure, with the final amount to be transferred confirmed as part of the baseline update process following the presentation of MBIE's audited financial statements;
- 26 **Note** that funding is ring-fenced to MIQ and cannot be transferred to other appropriations, and that once MIQ winds down, any remaining funding is to be returned to the Crown;
- 27 **Note** there are no legislative implications of this proposal

Authorised for lodgement

Hon Chris Hipkins

Minister for COVID-19 Response

**Appendices**

Appendix One: Programme Business Case