



## COVERSHEET

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

### List of documents that have been proactively released

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

### Information redacted

**NO**

Any information redacted in this document is redacted in accordance with MBIE's policy on Proactive Release and is labelled with the reason for redaction. This may include information that would be redacted if this information was requested under Official Information Act 1982. Where this is the case, the reasons for withholding information are listed below. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

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Office of the Minister of Finance  
Cabinet Extreme Weather Recovery Committee

### **Cyclone Gabrielle – additional funding injection for interim response, and proposed future work**

#### **Proposal**

- 1 I propose to make an additional \$25 million available for business support grants in cyclone-impacted areas. This would not change the current settings or intent of the grants, but would enable more firms to be supported up to the \$40,000 per-business cap. I also propose that officials undertake further work on recovery options for impacted businesses, including identifying any additional interventions that may be required.

#### **Executive Summary**

- 2 In response to the damage caused by Cyclone Gabrielle, on 20 February 2023 Cabinet agreed to set aside \$50 million in tagged contingency funding to enable the Government, in collaboration with local communities, to deliver an interim business and primary sector recovery package. \$25 million of this package was for business support, with most of that for cash grants to support firms experiencing severe cashflow disruption. To be eligible for a grant, amongst other things, a firm needs to be located in Northland, the Waikato, Tairāwhiti, Auckland, Hawke's Bay, the Tararua District or the Wairarapa.
- 3 The Local Delivery Partners (LDPs) in Auckland and Tairāwhiti have already exhausted their available budget, and Hawke's Bay is also likely to be oversubscribed. As the scale of the cyclone damage becomes clearer, it is prudent to ensure that the LDPs have sufficient budget on hand to deal with the most pressing needs in their regions. I therefore propose to inject \$25 million into the budget for business support grants.
- 4 This will take the remaining funding available to \$30,787,500 (\$5,787,500 is being held in reserve for a second tranche of grants payments). The Ministry of Business, Innovation & Employment (MBIE) will provide Joint Ministers with advice shortly on a suitable regional allocation model for these funds.
- 5 As an interim response, this funding injection is intended to act as a bridge while we look to accelerate recovery. We will continue to monitor the needs of businesses in the affected regions, but the future emphasis will need to shift to improving longer-term recovery. To this end, I have directed Treasury, the Ministry for Primary Industries (MPI) and MBIE to develop further options to support business recovery in the medium and longer term.
- 6 This work will include exploring whether further support is required for larger or more acutely affected firms, drawing on lessons learned from COVID-19. It will also be informed by the Cyclone Recovery Taskforce, whose role is to advise on recovery priorities and the planning / sequencing of recovery efforts.

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- 7 Further business support initiatives will need to be developed alongside any recovery package for the primary sector. A significant proportion of the firms where there may be a case for support above and beyond the current package are likely to be in the primary sector, or downstream of primary sector suppliers.
- 8 New Zealand is in quite a different fiscal position and part of the economic cycle then we were during COVID-19 and the Canterbury earthquakes. The Government needs to maintain fiscal discipline. Given that, any further support options should seek to draw on existing allocations, including savings and reprioritisation in the first instance.

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

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

- 9 On 20 February 2023, Cabinet agreed to set aside \$50 million in contingency funding to enable the Government, in collaboration with local communities, to deliver an interim business and primary sector recovery package [CAB MIN 23-0044]. Cabinet authorised the Prime Minister, Deputy Prime Minister, Minister of Finance, Minister for Regional Development, the Minister for Economic Development, and the Minister of Agriculture (Joint Ministers) to:
  - 9.1 draw down from the tagged operating contingency to fund an interim business and primary sector recovery package;
  - 9.2 establish appropriations to give effect to this interim business and primary sector recovery package;
  - 9.3 determine the distribution of the contingency funding; and
  - 9.4 determine the specific contracting and reporting mechanisms for the delivery of the interim business recovery package.

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

- 10 On 25 February, Joint Ministers reserved \$25 million of the contingency fund for business support. Joint Ministers also agreed to the design of the Cyclone Gabrielle business support package and that MBIE draw down \$25 million of the tagged contingency.
- 11 The majority of the funding (\$24,150,000) has been allocated to discretionary funding for flood recovery (i.e. business support grants) for firms located in an area where a local state of emergency had been declared. These locations were Northland, Thames-Coromandel, Tairāwhiti, Auckland, Hawke's Bay, Bay of Plenty and the Tararua District. Cabinet subsequently included the Wairarapa within scope of the business support package (EWR-23-MIN-0007).
- 12 The business support grants element of the package is being led by eight LDPs, each of which has been allocated an initial tranche of funding to use.<sup>1</sup> This first tranche makes up just over 75 percent of the \$24.150 million

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<sup>1</sup> See Annex Two for a list of the LDPs and their initial regional allocation.

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(\$18,362,500). The Ministry of Business, Innovation and Employment (MBIE) has concluded funding agreements with all eight LDPs, and they are now all receiving grant applications.

- 13 The initial regional allocations were based on MBIE's estimate of the relative size of the cyclone's impact on the business community in that area. A portion of the \$25 million (\$5,787,500) is being held in reserve as a second tranche, to provide flexibility for further assisting cyclone-affected regions as better information emerges.

*Interest to date indicates that the available grants budgets will be heavily oversubscribed, and there is a strong case for an additional funding injection*

- 14 MBIE advises that Auckland Waikato, Hawke's Bay and Tairāwhiti have significant oversubscription of grant applications. This is well beyond their available tranche one regional allocation, to such an extent that tranche two funding will still fall well short of addressing total requested support.
- 15 As examples:
  - 15.1 The Thames-Coromandel District Council (administering grants for the Waikato) has advised that funding requests are five times greater than its regional allocation;
  - 15.2 Auckland Business Chamber has exhausted its combined flood and cyclone relief funding, and moved to a waitlist;
  - 15.3 Trust Tairāwhiti reports over \$12.8 million of requested support against an allocation of \$4.537 million. It anticipates having exhausted its grants allocation (i.e. approved and fully paid out) within four days of opening applications;
  - 15.4 The Hawke's Bay Chamber of Commerce has received over \$17 million of requests for support. MBIE's regional staff advise that Wairoa businesses are yet to fully apply for funding, as their immediate clean-up has taken priority.
- 16 When Cabinet set aside the initial \$25 million, it was also envisaged that more support might be required. The full extent of the cyclone damage is only now becoming clear. Further, increasing the amount available for business support would align with the recent Cabinet decision to increase funding to the primary sector, via a \$26 million injection into MPI's farmers and growers support fund.

*I propose a further \$25 million funding injection for business support grants*

- 17 An additional \$25 million is an appropriate contribution to helping cyclone-impacted firms meet their immediate cashflow needs. It may still not meet the demand for cashflow support in all regions, but careful consideration needs to be given to how much grant funding the Government can and should provide. This is both for fiscal prudence, and to ensure that businesses look to insurance and self-help (e.g. leveraging business equity and working with banks) rather than the Government as the primary source of recovery funding.

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- 18 The additional funding injection would augment the existing budget. No change to the Government's base funding criteria is envisaged (refer Annex One), nor do I propose to change the primary purpose of the business support grants – which is simply to help firms maintain cashflow at a time when their expenses far outweigh their income.
- 19 Of note, while the base eligibility criteria do not limit the size of a firm making a grants application, they do limit the amount of grant funding that can be provided per firm to \$40,000 (in line with the Ministry of Primary Industry's farmer and grower grants scheme, and the Ministry for Social Development's Provider Support grants).
- 20 This means that, in practice, the criteria works best for small to medium-sized firms. As outlined below, the Treasury and MBIE will consider potential approaches for dealing with longer-term funding challenges for larger firms, which may be more sizable and could require bespoke solutions.

### *Officials will prepare further advice on regional allocations*

- 21 Joint Ministers have already decided to hold a portion of the original \$25 million business support package in reserve, to provide flexibility for responding to emerging needs in cyclone-affected regions, as better information emerges. The sum being held in reserve is currently \$5,787,500.
- 22 As with the initial regional allocations, officials will be tasked with providing allocation options for the second tranche of funding to Joint Ministers for consideration. This will be based on better information than was available for the first regional allocation, including advice from the LDPs on the level of demand in their regions. It will provide an opportunity to either continue with largely the same funding model (if Joint Ministers consider that the proportions across regions remain suitable), or amend it as necessary.
- 23 The actual allocation of any additional funding to each LDP will be subject to Joint Ministers being satisfied with the approach that they have taken to date, and that there is a demonstrable need for additional grants funding in that region. When providing advice on potential regional allocation approaches for tranche two funding, MBIE will include the most up to date data on grants activities in each region, to inform this decision.

### **Economic impacts of the cyclone, and need for fiscal restraint**

- 24 New Zealand is in quite a different fiscal position and part of the economic cycle then we were during COVID-19 and the Canterbury earthquakes. The regional nature of the damage and the constrained fiscal environment will guide the extent to which further support is deployed.
- 25 The emerging consensus among external economists and forecasters points to a short term inflationary impact, but more limited long term effects on inflation, monetary policy and overall economic growth.
- 26 The Reserve Bank's February Monetary Policy Statement states that monetary policy will look through the direct effects of the cyclone on near-term inflation,

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as it is likely to be temporary. The largest inflationary risk in the medium-term comes from inflation expectations remaining elevated for longer.

- 27 These will, in turn, be influenced by decisions on the fiscal response given that, any further support options should seek to draw on existing allocations, including savings and reprioritisation in the first instance.

### **Support for longer term recovery - 'building back better'**

- 28 This package was always intended to be an initial interim response to the issues faced by businesses in the affected regions. This funding injection would act as a bridge while we get the building blocks in place for longer term recovery. I have directed Treasury, MPI and MBIE to provide further advice on options for moving beyond interim business support. This advice will inform how we should respond to continuing urgent needs in a way that also supports long-term recovery, and is mindful of precedent for future adverse events.
- 29 The Treasury has stood up an omnibus funding process, sitting alongside budget 2023, to allow consistency across Government on the trade-offs and choices inherent in recovery. Our starting assumption is that this will be the primary decision-making mechanism for any further funding needed, unless there is a clear and obvious urgency.
- 30 As an input into this process, MBIE will identify options for stepping up assistance to small businesses. One means of doing this is to offer community-based training in business continuity and resilience planning. Further tools could include increased access to business advice via the Regional Business Partner network, and leveraging the existing Digital Boost initiative to further support small business digitalisation in cyclone-impacted regions.

#### *Further liquidity support for affected businesses*

- 31 The advice I have commissioned will examine the merits of a mechanism to provide loans (like the Small Business Cashflow Loan Scheme used during COVID-19, which is still operating now). This would provide short term liquidity to affected firms on a quasi-commercial basis, where we are confident they are viable and will return to profitability, with minimal 'strings attached'. The advice will need to consider how it could be implemented, particularly given we anticipate emergency legislation would be needed under some models.
- 32 We do not yet have a clear assessment of the extent of need for an intervention of this kind. The Cyclone Gabrielle Recovery Taskforce, Treasury's commercial team, MBIE and other agencies are engaging directly with affected businesses to establish a clearer picture of the need.

### **Financial Implications**

- 33 This paper seeks agreement to allocate an additional \$25 million to the appropriation "*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*". The proposed additional appropriation would be made available immediately to MBIE, but would not be allocated to the regions until Joint Ministers have agreed an allocation model.

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### Legislative Implications

34 There are no legislative implications.

### Impact Analysis

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

### Climate Implications of Policy Assessment

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

### Population Implications

37 None have been identified.

### Human Rights

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

### Consultation

39 The Treasury and MPI were consulted. DPMC was informed.

### Communications

40 The Prime Minister and I will announce the Government's new funding injection for the business support grants at the earliest opportunity after a Cabinet decision is made.

### Proactive Release

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

### Recommendations

The Minister of Finance recommends that the Committee:

*The business support package's grants component is largely exhausted already*

- 1 **note** that Cyclone Gabrielle has had a significant negative impact on many businesses and the primary sector in Northland, Tairāwhiti, Hawkes Bay, Auckland, and Coromandel, with impacts also being felt in the Bay of Plenty, Tararua District and the Wairarapa;
- 2 **note** that on 20 February 2023 Cabinet agreed to establish a tagged contingency of up to \$50 million in Vote Business, Science and Innovation to provide for an interim business and primary sector support recovery package [CAB-23-MIN-0044];

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- 3 **note** that Cabinet authorised the Prime Minister, Deputy Prime Minister, Minister of Finance, Minister for Regional Development, Minister for Economic Development, and Minister of Agriculture (Joint Ministers) to:
  - 3.1 jointly draw down from the tagged operating contingency to fund an interim business and primary sector recovery package
  - 3.2 establish any appropriations as necessary to give effect to the interim business and primary sector recovery package
  - 3.3 determine the distribution of the contingency funding for the business and primary sector recovery package
  - 3.4 determine the specific contracting and reporting mechanisms for the delivery of the interim business and primary sector recovery package;
- 4 **note** that on 28 February 2023 Joint Ministers agreed to establish a new appropriation titled *Cyclone – Business support for the impacts of Cyclone Gabrielle and January 2023 weather events* to give effect to the business support package;
- 5 **note** that Joint Ministers also decided to allocate \$25 million to the interim business support package, to include the following short term supports:
  - 5.1 discretionary funding for flood recovery
  - 5.2 business continuity and resilience advice and support
  - 5.3 mental wellbeing support;
- 6 **note** that Joint Ministers decided that most of the business support funding (\$24,150,000) would be allocated to discretionary funding for flood recovery (business support grants) and that these be fully locally operated, with the following seven Local Delivery Partners (LDPs) each allocated a budget for which they are responsible for disbursing to eligible businesses:
  - 6.1 Northland (Northland Inc) - \$1,875,000
  - 6.2 Auckland (Auckland Business Chamber) – \$1,500,000
  - 6.3 Waikato (Thames Coromandel District Council) – \$1,500,000
  - 6.4 Bay of Plenty (Toi EDA) – \$375,000
  - 6.5 Tairāwhiti (Trust Tairāwhiti)– \$4,537,500
  - 6.6 Hawkes Bay (Hawkes Bay Chamber of Commerce) – \$7,950,000
  - 6.7 Tararua (Tararua District Council) – \$375,000;
- 7 **note** that because of limited information about the impacts on businesses in each of the affected areas, the budget will be allocated in two tranches:



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- 7.1 75 percent (\$18,362,500) was allocated to the LDPs set out above in tranche one, with regional allocations based on MBIE's best understanding at the time of the relative size of the cyclone's impact on the business community in that area
- 7.2 tranche two would then later allocate the remaining 25 percent (\$6,037,500), based on further analysis of needs in each area;
- 8 **note** that subsequently this committee also agreed on 7 March 2023 to establish an 8<sup>th</sup> delivery partner for the Wairarapa and for that partner to be allocated \$250,000 from tranche two funding, leaving \$5,787,500 remaining [EWR-23-MIN-0007];
- 9 **note** that tranche one funding has now been made available to each LDP, and that heavy demand has led to the available tranche one budget already being exhausted in Auckland and Tairāwhiti, with Hawkes Bay likely to follow suit shortly;
- 10 **note** that I consider that the remaining \$5,787,500 of tranche two funding is insufficient to meet firms' immediate cashflow needs in certain regions and that an additional \$25 million for the business support package will help many firms remain viable at a time where their expenses greatly outweigh their income;
- I recommend providing an extra \$25 million for business support grants*
- 11 **agree** to increase funding for the business support package by \$25 million to enable additional allocations to LDPs in the most affected regions for disbursement to eligible businesses;
- 12 **approve** the following changes to appropriations to give effect to the policy decision in recommendation 11 above, with a corresponding impact on the operating balance and net debt;

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	\$m - increase/(decrease)				
	2022/23	2023/24	2023/24	2024/25	2025/26 & Outyears
<b>Vote Business, Science and Innovation Minister for Economic Development</b>					
Non-departmental Other Expense: Cyclone – Business support for the impacts of Cyclone Gabrielle and January 2023 weather events (funded by revenue Crown)	25.000	-	-	-	-
<b>Total Operating</b>	<b>25.000</b>	-	-	-	-

- 13 **agree** that the proposed changes to appropriations for 2022/23 above be included in the 2022/23 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply;
- 14 **agree** to delegate decision making on the fiscal management treatment of this expenditure to the Minister of Finance, following further advice from Treasury;
- 15 **authorise** Joint Ministers to determine regional LDP allocations of the additional business support package funding;
- 16 **agree** that the allocation of any additional funding to each LDP will be subject to Joint Ministers being satisfied with the approach that they have taken to date and that there is a demonstrable need for additional grants funding in that region based on spend to date in that region.

*But that any further support be focused on ‘building back better’*

- 17 **note** that this package was always intended to be an initial interim response to the issues faced by businesses in the affected regions, and should not be the only tool that Government looks to support businesses in affected regions;
- 18 **note** that officials will continue to monitor the needs of businesses in the affected regions, but that following this funding injection, any further consideration of business supports should focus on helping firms build back better, rather than helping them meet their immediate cashflow needs;
- 19 **note** that I have directed Treasury, MPI and MBIE, working with other relevant agencies, to develop joint advice on options to shape and support business recovery in the medium term;
- 20 **note** that this joint advice will identify what interventions could be used and when, in order to inform Ministerial decisions for the next phase of recovery;
- 21 **note** that I anticipate that this work will help inform the significant role we will have in leading discussions around land-use decisions, which will have profound implications for New Zealand’s regions and communities.

Authorised for lodgement

## In Confidence

Hon Grant Robertson

### **Annex One – Central Government’s base funding criteria for firms seeking a business support grant**

- 1 These criteria are base criteria will apply in all regions. Each LDP may, however, augment them with its own criteria. In Hawke’s Bay, for example, the regional LDP (the Hawke’s Bay Chamber of Commerce) has decided to add an additional criterion limiting the size of firms receiving grants to those with 50 employees or less. This is to ensure that the firms receiving grants are those which will benefit the most.
- 2 The base eligibility criteria are that a firm must:
  - a) be primarily located where a regional State of Emergency was declared
  - b) face significant cashflow issues due to continued challenges with customer access, ability to source stock, supply chain issues, inability to operate as usual due to physical damage to equipment or premises, or delays in insurance assessment and repairs
  - c) be an otherwise viable business both before and after the flooding
  - d) not have received any funding from the Ministry of Primary Industry’s (MPI’s) recovery fund, and
  - e) commit to acting in line with employment law and with due regard to its employees.
- 3 Note that criterion ‘a’ does not apply in the Wairarapa, as no regional state of emergency was declared there.

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**Annex Two – Local Delivery Partners and their tranche one funding allocations**

<b>REGION</b>	<b>Local Delivery Partner</b>	<b>Tranche One allocation</b>	<b>Regional funding as a % of the total</b>
Northland	Northland Inc	\$1,875,000	10.21%
Auckland	Auckland Business Chamber	\$1,500,000	8.17%
Waikato	Thames Coromandel District Council	\$1,500,000	8.17%
Bay of Plenty	Toi EDA	\$375,000	2.04%
Tairāwhiti	Trust Tairāwhiti	\$4,537,500	24.71%
Hawkes Bay	Hawkes Bay Chamber of Commerce	\$7,950,000	43.29%
Tararua	Tararua District Council	\$375,000	2.04%
Wairarapa	Masterton District Council	\$250,000	1.36%