



Proactive Release

The following Cabinet Minute and Cabinet Paper have been proactively released on behalf of Hon Nanaia Mahuta, Minister of Local Government, and Hon Peeni Henare, Minister of Civil Defence:

Financial assistance relating to the North Island Drought

Date of release: 24 April 2020

The following documents have been included in this release:

***Title of Minute: North Island Drought Financial Assistance
(DEV-20-MIN-0038 refers)***

***Title of Paper: Financial assistance relating to the North Island drought
(DEV-20-SUB-0038 refers)***

Some parts of this information release would not be appropriate to release and, if requested, would be withheld under the Official Information Act 1982 (the Act). Where this is the case, the relevant section of the Act that would apply has been identified. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Key to redaction code:

- 9(2)(f)(iv), to maintain the confidentiality of advice tendered by or to Ministers and officials, and
- 9(2)(j), to enable negotiations to be carried on without prejudice or disadvantage.



Cabinet Economic Development Committee

Minute of Decision

This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.

North Island Drought: Financial Assistance

Portfolios **Local Government / Civil Defence**

On 11 March 2020, the Cabinet Economic Development Committee, having been authorised by Cabinet to have Power to Act [CAB-20-MIN-0089]:

Background

- 1 **noted** that the upper North Island is experiencing a severe drought, no significant rainfall is forecast across the region until May 2020 at the earliest, many places in Northland are experiencing severe water shortages, and further areas are likely to be similarly affected as the impact of the drought extends further south;
- 2 **noted** that preliminary analysis suggests that the total cost of meeting immediate and pressing needs associated with the drought could be up to \$16 million, based on:
 - 2.1 experience to date with transporting water to temporary locations;
 - 2.2 securing new waters sources;
 - 2.3 information from the Department of Corrections about the situation at the Northland Region Corrections Facility;
 - 2.4 anticipated extra demand for Rural Assistance Payments for drought-affected primary sector businesses and short-term assistance under the Primary Sector Recovery Policy;
- 3 **noted** that, while some of these costs (such as the Department of Correction's costs) can be expected to be met from existing baselines, the severity and urgency of the situation, the fact that details of the response have yet to be worked through, the proximity to the Budget moratorium (after which date it will not be possible to adjust appropriations), and the need to avoid the risk of incurring unappropriated expenditure, all indicate that it is prudent to appropriate some new funding for this purpose for 2019/20;

Additional funding for an immediate response to the North Island drought

- 4 **agreed** to new funding of \$10 million in 2019/20, to provide for immediate and pressing needs associated with the drought, to be used only in the event that existing baseline funding is not available for this purpose;

5 **agreed** to establish the following new appropriation:

Vote	Appropriation Minister	Title	Type	Scope
Prime Minister and Cabinet	Minister of Civil Defence	Maintaining water supply in periods of drought	Non-Departmental Other Expense	This appropriation is limited to contributions towards maintaining water supply during periods of drought

6 **agreed** to new funding of \$0.100 million in 2019/20 to the National Emergency Management Agency hosted by the Department of the Prime Minister and Cabinet, to provide support to the work programme associated with the new appropriation;

7 **approved** the following changes to appropriations to give effect to paragraphs 4 and 6 above, with a corresponding impact on the operating balance and net core Crown debt:

Vote Prime Minister and Cabinet Minister of Civil Defence	(\$m) – increase/(decrease)				
	2019/20	2020/21	2021/22	2022/23	2023/24 & Outyears
Multi-Category Expenses and Capital Expenditure: Emergency Management MCA Departmental Output Expense: Management of Emergencies (funded by revenue Crown)	0.100	-	-	-	-
Non-Departmental Other Expense: Maintaining water supply in periods of drought	10.000	-	-	-	-
Total Operating	10.100	-	-	-	-

8 **agreed** that the changes to appropriations for 2019/20 above be included in the 2019/20 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply;

9 **agreed** that the expenses incurred under paragraph 7 above be charged as a pre-commitment against the Budget 2020 operating allowance;

10 **agreed** that any unspent amounts of the appropriation increases in paragraph 7 above be available for transfer to 2020/21, subject to confirmation by the Appropriation Minister and Minister of Finance;

11 **agreed** that any spending against the Non-Departmental Other Expense item 'Maintaining water supply in periods of drought' be subject to the agreement of the Deputy Prime Minister, Minister of Finance, Minister of Local Government, and Minister of Civil Defence;

12 **noted** that:

12.1 the Minister of Civil Defence intends to delegate authority to the Chief Executive of the Department of the Prime Minister and Cabinet, who would sub-delegate to the Chief Executive of the National Emergency Management Agency in line with existing Departmental Agency agreements, to approve payments from this appropriation

12.2 approvals would be made following consultation with the Department of Internal Affairs and other relevant agencies as appropriate;

13 **directed** the National Emergency Management Agency, in consultation with the Department of Internal Affairs and other relevant agencies, to develop and refine more detailed plans and procedures relating to this appropriation, including:

13.1 identifying specific solutions for Northland, and an approach that could be used in other places if required;

13.2 developing criteria and procedures for granting funding requests and monitoring implementation;

Additional funding for Rural Assistance Payments

14 **noted** that the Minister of Finance, the Minister of Agriculture, and the Minister for Social Development (joint Ministers) have authority to approve Rural Assistance Payments (RAPs) of up to \$500,000 per event following the classification of an adverse event by the Minister of Agriculture [POL Min (08) 14/5];

15 **noted** that joint Ministers have already approved RAPs for eligible farmers in Northland and parts of Auckland, and that RAPs are now required for the rest of Auckland and Waikato;

16 **agreed** that RAPs be made to eligible farmers and growers whose income is affected by drought in the Waikato region and rest of the Auckland region, for eight months;

17 **approved** the following changes to appropriations to provide for the decision in paragraph 16 above, with a corresponding impact on the operating balance and net core Crown debt:

	(\$m) – increase/(decrease)				
	2019/20	2020/21	2021/22	2022/23	2023/24 & Outyears
Vote Social Development Minister for Social Development					
Benefits or Related Expenses: Hardship Assistance	0.157	0.264	-	-	-
Total Operating	0.157	0.264	-	-	-

18 **agreed** that the change to appropriations for 2019/20 above be included in the 2019/20 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply;

19 **agreed** that the expenses incurred under paragraph 17 above be charged as a pre-commitment against the Budget 2020 operating allowance;

20 **noted** that, subject to agreement to paragraphs 16 and 17 above, \$771,000 will have been approved to support farmers in Northland, Waikato and Auckland;

- 21 **noted** that it is likely further areas will require assistance for RAPs, and that the cost will be more than joint Ministers have authority to approve;
- 22 **agreed** to increase the maximum amount able to be approved by joint Ministers for RAPs for this event from \$500,000 to \$2 million (including the funding approved to date as detailed in paragraph 20 above), and that any further funding above this amount would require Cabinet's approval;
- 23 **agreed** to increase the period in which joint Ministers can make RAPs available for this event from 12 months to 18 months;

Additional funding for Vote Agriculture, Biosecurity, Fisheries and Food Safety regarding primary sector, rural communities and animal welfare

- 24 **noted** that so far this year, the Minister of Agriculture has classified 10 medium-scale adverse events in the primary sector and that, as a result, the available Adverse Events and Rural Support Contingency Funding has been exhausted;
- 25 **agreed** to provide additional assistance of up to \$1 million in each of 2019/20 and 2020/21 to the primary sector, to wider rural communities, and to those with animal welfare needs to help alleviate the impact of the current drought, to be used only in the event that existing baseline funding is not available for this purpose;
- 26 **approved** the following changes to appropriations to give effect to paragraph 25 above, with a corresponding impact on the operating balance and net core Crown debt:

Vote Agriculture, Biosecurity, Fisheries and Food Safety Minister of Agriculture	(\$m) – increase/(decrease)				
	2019/20	2020/21	2021/22	2022/23	2023/24 & Outyears
Agriculture: Programmes Supporting Sustainability MCA Non-Departmental Output Expenses	1.000	1.000	-	-	-
Agriculture: Recovery Assistance (funded by revenue Crown)					
Total Operating	1.000	1.000	-	-	-

- 27 **agreed** that the change to appropriations for 2019/20 above be included in the 2019/20 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply;
- 28 **agreed** that the expenses incurred under paragraph 26 above be charged as a pre-commitment against the Budget 2020 operating allowance;
- 29 **agreed** that any unspent amounts of the appropriation increase in paragraph 26 above be available for transfer to 2020/21, subject to confirmation by the Appropriation Minister and Minister of Finance;

Longer-term approach to three waters regulatory and service delivery issues

- 30 **noted** that the drought illustrates a number of broader issues relating to the three waters regulatory and service delivery system that are being considered through the government's Three Waters Review, and that work being progressed through this Review includes:
- 30.1 ensuring Taumata Arowai, the proposed new Water Services Regulator, will have the leadership roles and emergency powers needed to manage drinking water emergencies associated with water shortage issues in future;
 - 30.2 exploring options for resolving systemic, structural issues relating to three waters service delivery, infrastructure, and funding;
- 31 **noted** that, once the immediate crisis facing the upper North Island has passed, the Minister of Local Government anticipates there will be further conversations with councils about service delivery models, 9(2)(f)(iv)

Janine Harvey
Committee Secretary

Present:

Rt Hon Winston Peters
Hon Phil Twyford
Hon Dr Megan Woods (Chair)
Hon Chris Hipkins
Hon David Parker
Hon Nanaia Mahuta
Hon Iain Lees-Galloway
Hon Damien O'Connor
Hon Willie Jackson
Hon James Shaw
Hon Eugenie Sage

Officials present from:

Office of the Prime Minister
Officials Committee for DEV

Hard-copy distribution:

Minister of Local Government
Minister of Civil Defence

Office of the Minister of Local Government
Office of the Minister of Civil Defence

Chair
Cabinet Economic Development Committee

Financial assistance relating to the North Island drought





Proposal

1. This paper seeks approval for financial support to provide immediate and short-term relief to regions affected by the North Island drought. Agreement is sought for:
 - 1.1 a new appropriation of \$10 million to provide funding to be used, if needed, as part of an immediate response to the drought, plus \$100,000 to administer this support;
 - 1.2 \$421,000 to extend the availability of Rural Assistance Payments (RAPs) to Waikato and parts of Auckland, and an increase in the maximum amount that can be approved for RAPs by Ministers from \$500,000 to \$2 million for this event;
 - 1.3 an increase in appropriations to Vote Agriculture, Biosecurity, Fisheries and Food Safety of up to \$1 million in each of 2019/20 and 2020/21 to support community-level initiatives that help alleviate the social, economic and environmental impacts of the drought and support the welfare of animals.

Executive summary

2. The upper North Island is experiencing a severe drought, which is expected to continue for several weeks. Communities in the Far North District, and other parts of the Northland region, are the most affected at this stage, with several places on the maximum 'Level 4' water restrictions. Communities in other parts of the country are increasingly being affected.
3. There are ongoing concerns that the drinking water supplies of many communities could fail or run out. The drought is also affecting other water users and Crown facilities, and is having a significant impact on the primary sector, animal welfare, and the availability of water for firefighting. The Government has classified the drought conditions in Northland, Auckland, Waikato, parts of Horizons-Manawatū, and Gisborne as an adverse event for the primary sector.
4. While work is underway to respond to this situation, it is highly likely that additional support from government will be required. Preliminary analysis suggests that the total cost of meeting immediate and pressing needs associated with the drought could be up to \$16 million. This figure is based on experience to date with transporting water to temporary locations, securing new water sources, information from the Department of Corrections about the situation at the Northland Region Corrections Facility (Ngawha Prison), and anticipated extra demand for RAPs for drought-affected primary sector businesses and short-term assistance under the Primary Sector Recovery Policy.

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5. While some of these costs (such as the Department of Correction's costs) can be expected to be met from existing baselines, the severity and urgency of the situation, the fact that details of the response have yet to be worked through, the proximity to the Budget moratorium (after which it will not be possible to adjust appropriations), and the need to avoid the risk of incurring unappropriated expenditure, all indicate that it is prudent to appropriate some new funding to respond to this situation for 2019/20.
6. We are seeking agreement to establish a new appropriation, charged as a pre-commitment against the Budget 2020 operating allowance, of up to \$10 million to respond to the drought. This would deal with immediate and pressing needs, and be for the purpose of ensuring adequate water supply to North Island communities during periods of water shortages. Providing water for human consumption and sanitation purposes would be the highest priority.
7. There would be flexibility in how this funding is directed, but indicative assessments are up to \$3 million for the Northland region, and up to \$7 million for other parts of the North Island. We consider there are benefits to developing a strategic, proactive approach, to address the immediate situation in Northland in particular. 

8. The National Emergency Management Agency (NEMA) would be directed to develop and refine more detailed plans and procedures, in consultation with the Department of Internal Affairs (DIA), and other relevant government agencies. This work would include: identifying and costing specific solutions for Northland, and an approach that could be used in other places; and developing criteria and procedures for granting funding requests and monitoring implementation.
9. Given the exceptional nature of the drought conditions, government agencies are also seeking additional funding at this time, as follows:
 - 9.1 \$421,000 to extend the availability of Rural Assistance Payments to Waikato and parts of Auckland, and an increase in the maximum amount that can be approved for Rural Assistance Payments by Ministers from \$500,000 to \$2 million for this event; and
 - 9.2 an increase in appropriations to Vote Agriculture, Biosecurity, Fisheries and Food Safety of up to \$1 million in each of 2019/20 and 2020/21 to support community-level initiatives that help alleviate the social, economic and environmental impacts of drought and support the welfare of animals.
10. Finally, this paper provides an overview of the longer-term work and legislative reforms that are being progressed through the Minister of Local Government's Three Waters Review. Information about this work is included because it is exploring solutions to many of the systemic issues that are being highlighted and exacerbated by the drought, which will continue to affect communities and councils across the country if left unaddressed.
11. Once the immediate crisis in the upper North Island has passed, it is anticipated there will be further conversations with councils about service delivery models, 


Background

The upper North Island is experiencing a severe drought, which is expected to continue for several weeks

12. The upper North Island is experiencing a severe drought. This situation is getting worse, and no significant rainfall is forecast across the region until May 2020 at the earliest. Several weeks of sustained rain would be needed to break the drought. An estimated four-to-five substantive rain events of 25 millimetres are needed before areas of concern see relief.
13. The impacts of drought are continuing to expand across much of the North Island and in the upper South Island. These impacts are being exacerbated by water shortages, and on-property bores and dams that are running dry. A map showing the areas affected by drought across the North Island ('adverse event status') is attached.
14. Communities in the Far North District, and other parts of the Northland region, are the most affected areas at this stage. Five towns in the Far North District (Kaikohe, Kaitaia, Kawakawa, Paihia and Rawene), and the entire Kaipara District, are on Level 4 water restrictions, limiting water use to drinking, cooking and washing only. These restrictions are the highest that can be imposed.
15. There are ongoing concerns that drinking water supplies in many communities could fail or run out, including reticulated supplies and self-suppliers. Emergency supplies are being established in several locations, particularly Kaikohe and Kaitaia.
16. The drought's impact in Northland is exacerbated by local characteristics. For example:
 - 16.1 Towns are spread out, and a relatively large number of households are on tank water, adding to the challenges of water distribution and access.
 - 16.2 A number of people are self-isolating in relation to COVID-19, meaning they may be unable to leave their house to collect drinking water, if needed. Health advice relating to COVID-19 relies on good sanitation for handwashing, which is at risk with low water supplies.
 - 16.3 A low rate-paying base and areas of deprivation means some councils have a limited ability to raise additional funding to address water shortage and water distribution issues, particularly without rates increases. For example, Kaikohe is the third highest area of deprivation in New Zealand.
17. In addition to the impact on councils and their communities, the drought is also affecting other water users, and Crown facilities such as the Northland Region Corrections Facility. A further critical factor associated with drought is the extreme fire risk, along with limited availability of water sources for fighting fires.
18. The Government has classified the drought conditions in Northland, Auckland, Waikato, parts of Horizons-Manawatū, and Gisborne as an adverse event for the primary sector. It has also been classified as a medium-scale event under the Primary Sector Recovery Policy. A key tool to manage drought through destocking is being affected by lower export demand due to COVID-19, and there is a risk of processing being curtailed due to lack of water. Water availability issues are also having an impact on animal welfare. Pasture cover is very low and some farmers are using winter feed reserves now.

Work is already underway to respond to this situation, but it is likely that additional support from government will be required

19. A large number of activities to respond to the drought are underway across the Northland region, and in other parts of the North Island. Ministers are receiving regular, detailed updates on this situation. Activities include:
 - 19.1 providing emergency supplies to some communities that are not on reticulated networks, including installing emergency water tanks in towns in the Far North, and delivering water to some marae through the New Zealand Defence Force;
 - 19.2 putting plans in place to ensure hospitals and community health services can continue to function and deliver safe services;
 - 19.3 coordination, information-sharing, and psychological support across the primary sector, and for animals affected by the conditions;
 - 19.4 increasing the readiness and response capability across the Northland region to respond quickly to, and minimise the impact of, fires – including setting up portable dams in towns, placing helicopters on stand-by, and awareness-raising campaigns.
20. The Provincial Growth Fund (PGF) recently provided \$2 million to Kaikohe and Kaitaia, to help meet their immediate water needs. This funding contributes to the overall cost of supplying water for up to 100 days to these communities. The total cost of the project is estimated at \$7 million, with the balance to be paid by the Far North District Council.
21. The PGF contribution has provided much-needed support, but was a one-off payment from a contingency fund, and the PGF should not generally be used to invest in municipal water supply projects. There are ongoing concerns about water supply issues facing other towns and surrounding areas, many of which are also facing Level 4 water restrictions. These issues are particularly acute for isolated communities, marae, and households that do not receive council drinking water supplies.
22. The exceptional nature of the drought conditions, and the likelihood these will continue for some time, mean there is a significant risk that the response may become difficult for councils and agencies to manage within existing budgets. This is a particularly challenging situation for smaller councils, which may not have budgeted for expenditure at the level required, and for households, farms and other businesses that are already experiencing financial hardship as a result of the drought.
23. There are existing sources of government financial assistance, which are being made available to eligible applicants. Key programmes are:
 - 23.1 Rural Assistance Payments, for farmers and growers who operate a primary sector business and whose income from that business has been significantly affected by an adverse event; and
 - 23.2 Special Needs Grants, which are being used to assist domestic household self-suppliers to purchase drinking water.
24. For Rural Assistance Payments, there are limitations on what funding can be made available without Cabinet approval. Additional funding will be required, particularly if the drought conditions continue and extend across the country. This is discussed further later in this paper.

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25. While there are existing Government funds for emergency management responses and recovery, the drought situation does not meet the underpinning policy criteria. NEMA has a special funding policy that is not designed for a drought situation, and no costs associated with the drought are eligible. If existing funds are used for situations they are not intended to cover, this would set a precedent and cause issues for future incidents. We are therefore proposing a bespoke appropriation, as described further below.
26. The Minister of Health could consider declaring a drinking water emergency under the Health Act 1956. Such an emergency can be declared when there is "... a serious risk of harm to the health or safety of any people arising from a lack of drinking water available to those people". This includes drought situations. Any drinking water emergency would expire after 28 days, unless emergency regulations are made.
27. The powers released by such a declaration would, if exercised, allow public health regulatory officers to:
 - 27.1 require all persons within a specified area to use an alternative drinking-water supply;
 - 27.2 require emergency work [such as new pipelines or water tankers] to be done to provide an alternative supply of drinking water;
 - 27.3 close any public place that does not have an adequate supply of safe drinking water.
28. However, declaring a drinking water emergency does not unlock access to any sources of government funding. The costs associated with any of the measures outlined above would be borne by the supplier in the first instance. Such costs may be significant.

Comment

Part A: Immediate response to the North Island drought situation

We need to make a funding commitment now relating to the Northland drought situation

29. We are seeking agreement to establish a new appropriation, charged as a pre-commitment against the Budget 2020 operating allowance, of up to \$10 million to respond to the drought.
30. Any spending against this item would be subject to the agreement of the Deputy Prime Minister, the Minister of Finance, the Minister of Local Government, and the Minister of Civil Defence. It is anticipated that the Minister of Civil Defence, as Appropriation Minister, would delegate authority to approve payments to the Chief Executive of the Department of the Prime Minister and Cabinet. Approvals would be sub-delegated to the Chief Executive of NEMA, in line with existing Departmental Agency arrangements, and would be given following consultation with DIA, and other relevant agencies, as appropriate.
31. The severity and urgency of the situation in Northland, along with the Budget moratorium that will take effect from the end of March 2020, mean that we cannot delay these decisions. We are also aware that other parts of the North Island are starting to face similar issues, which may also warrant a government response. It is vital that we act now to ensure funding is available, and can be released quickly, as required.

32. The situation in Northland is currently being coordinated and led by the Northland Civil Defence Emergency Management (CDEM) Group, working with local councils and central government agencies across the region. While we would expect this work to continue, there is a significant risk that the response may become difficult to manage within existing budgets, or may put increasing pressure on communities that are already experiencing financial hardship. As the impact of the drought extends across the North Island and is beginning to affect areas further south, national support may be required.
33. The response so far is largely reactive, and there are a large number of individuals and organisations working in this space, and a range of risks to be managed. If government funding is to be made available, we need to ensure there is a clear, coherent, accountable plan outlining how this money will be spent and how water will be provided to all of the communities in need.
34. Financial support could also be a forerunner to further conversations with councils about developing sustainable, resilient service delivery models. These would be future conversations, though, once the immediate crisis has passed, and with a view to avoiding similar situations arising again. 9(2)(f)(iv)

The funding would be associated with the delivery of a costed implementation plan for Northland, plus a contingency for the rest of the North Island

35. We consider there are benefits to developing a strategic, proactive approach to addressing the immediate situation in Northland. We need a plan that can look across the multiple issues that are facing different communities, users, and water supply areas, and identify specific solutions.

36. 9(2)(j)

37. 9(2)(j)

38. It is highly likely that other districts and regions of the North Island will require support. This has been considered in the context of the overall funding request, though with a higher degree of uncertainty about the nature and extent of the support that may be sought.

39. We are seeking to establish a new appropriation, charged as a pre-commitment against the Budget 2020 operating allowance, of up to \$10 million to respond to the immediate and pressing needs associated with the drought. This figure has been estimated on the basis that up to \$1 million might be required from central government to secure a drinking water supply in up to 10 towns, in addition to local authority contributions. (This is similar to the PGF contributions referred to earlier.)

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40. There would be flexibility about how this money would be allocated, but the overall amount is based on an indicative assessment of:

40.1 Up to \$3 million for the Northland region. This would be directed at the Far North, in particular, due to the significant challenges facing this district, including the number and distribution of self-suppliers, and relatively high deprivation.

40.2 Up to \$7 million for the rest of the North Island. There is a high degree of uncertainty about the specific use of this contingency. This uncertainty is a result of a rapidly changing drought situation in the North Island, and unknown emerging needs in areas likely to be affected by drought. The contingency is being sought at this time to ensure it is available should the current drought situation continue to worsen (as expected).

41. Funding would be prioritised as follows:

41.1 potable water for human consumption – focusing particularly on supporting people that do not ordinarily receive drinking water supplies from their local council;

41.2 potable water for sanitation purposes, including handwashing as a response to COVID-19;

41.3 wastewater systems;

41.4 stock welfare;

41.5 horticulture.

42. As noted above, further work is already underway to develop and refine more detailed plans, including identifying specific solutions for Northland, and an approach that could be used in other places if required. This work is being led by NEMA and DIA, and involves other relevant government agencies 9(2)(j)

43. 9(2)(j), 9(2)(f)(iv)

44. From a government perspective, this would represent a spending approach that is efficient and accountable. This is highly preferable to considering numerous, ad hoc requests for funding, and potentially making decisions in an uncoordinated manner.

45. This approach could also enable cross-regional prioritisation, and ensure there are no gaps in coverage. Given there are limited options for water sources, decisions may need to be made about how to prioritise users and uses. It would be beneficial for this to be considered strategically and holistically.

46. For funding requests to be approved, there would need to be an assurance that the cost is reasonable, and there is an appropriate plan for delivering the requested/proposed services. The focus would be on solving immediate needs, which cannot otherwise be addressed through existing sources/suppliers.

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47. The appropriation is sought under Vote Prime Minister and Cabinet, with NEMA managing the drawdown from the fund and applying robust criteria. The criteria will ensure a threshold is required to be reached, including consideration of the level of capacity and capability of the relevant local authority, and will ensure a needs-based approach is applied.
48. Officials will develop more detailed criteria and procedures for granting funding requests and monitoring implementation, for discussion with relevant Ministers shortly. This paper seeks \$100,000 for NEMA to develop these criteria, work with providers to allocate the wider funding, and administer the support.
49. We propose to attach conditions and time limitations to the appropriation to ensure it is used transparently and only as intended to address immediate and short-term needs. These conditions will include a requirement for regular reports back to Ministers on how the appropriation is being spent.
50. As the timing for approval of funding requests, and so the incurring of expenses, may be delayed beyond 30 June 2020, it is proposed that any of the \$10.1 million for meeting immediate and pressing needs associated with the drought, plus related overheads, be available for transfer to 2020/21, subject to confirmation by the Appropriation Minister and Minister of Finance. Any money remaining in the appropriation at 30 June 2021 would be returned to the Crown.

Given the exceptional nature of the drought conditions, additional funding is being sought for Rural Assistance Payments

51. Rural Assistance Payments (RAPs) are a listed recovery measure from the Government in the Primary Sector Recovery Policy for medium- and large-scale event classifications.
52. RAPs are non-taxable payments administered by the Ministry of Social Development (MSD) through the Special Needs Grants Programme under the Social Security Act 2018. RAPs are designed to help cover essential living costs of farmers and growers who operate a primary sector business and whose income from that business has been affected by an adverse event.
53. RAPs are paid at the applicable net rate of Jobseeker Support. Farmers and growers must meet eligibility criteria including an income test and cash asset test. MSD works closely with Rural Support Trusts to administer RAPs.
54. RAPs can be authorised following the Minister of Agriculture's declaration of an adverse event. The Minister of Finance, the Minister of Agriculture, and the Minister for Social Development (joint Ministers) have authority to approve RAPs of up to \$500,000 per event [POL Min (08) 14/5 refers].
55. On 11 February 2020, the Minister of Agriculture classified the drought conditions in the Northland region and parts of the Auckland region as an adverse event for the primary sector. Subsequently, joint Ministers agreed to authorise RAPs for a period of eight months from 2 March 2020 to 2 November 2020 for farmers in the affected areas, at an estimated cost of \$350,000 across two financial years (2019/20 and 2020/21).

56. On 28 February 2020, the Minister of Agriculture extended the classification of an adverse event for drought conditions to the rest of Auckland and the Waikato region. The Ministry for Primary Industries (MPI) estimates that an additional 30 families in this area may need support from RAPs for a period of eight months. The estimated cost for providing RAPs to up to an additional 30 families in the affected areas between 1 April 2020 and 30 November 2020 is \$421,000.
57. As the drought is considered one event, despite being across multiple regions, this estimated costing on top of the \$350,000 for Northland and parts of Auckland exceeds the amount joint Ministers have the authority to approve. Cabinet approval is therefore required for additional funding.
58. The additional expenditure of \$421,000 cannot be absorbed within MSD baselines as it is not a forecast change. It therefore requires an adjustment to the Hardship Assistance appropriation.
59. MPI predicts that it is likely the adverse event classification will extend to other regions across the country as the drought conditions continue. The impact will continue even when the drought breaks, and the long recovery period will need to be considered.
60. The estimated total cost of RAPs depends on how many regions are classified as an adverse event and how many families in those areas need support from RAPs. For example, if 100 families required support from RAPs from 1 April 2020 to 30 November 2020, the estimated cost is \$1,405,000. It should be noted that often forecasted costs exceed actual expenditure for RAPs.
61. Given the exceptional nature of the drought conditions and the likelihood that the adverse event classification will be extended to more regions, agreement is sought to increase the maximum amount that can be approved for RAPs by joint Ministers from \$500,000 to \$2 million for this event.
62. In addition, given the nature of this drought, MPI predicts there may be a need to pay RAPs for a period longer than 12 months. Joint Ministers authority only extends to approving RAPs for a period of up to 12 months. Agreement is sought to increase this period for this event, from 12 months to 18 months.
63. MSD will monitor expenditure and report back to Cabinet if the costs exceed \$2 million, or the period for which RAPs are required is anticipated to be longer than a period of 18 months and further Cabinet approval is required.

An increase in appropriations for Vote Agriculture, Biosecurity, Fisheries and Food Safety is also being sought, regarding the primary sector, rural communities, and animal welfare

64. When a drought adverse event triggers the classification of a medium- or large-scale event under the Primary Sector Recovery Policy, funding is released by MPI to deliver direct assistance to farmers and growers, workers and their families. The funding is generally provided to community-based organisations such as Rural Support Trusts (RSTs) to coordinate recovery activities and deliver psychosocial services, including one-on-one assistance and referral to other support services. This support helps enable farming families to get through tough times and meet their basic needs.

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65. Large areas of the North Island and the upper South Island are already in meteorological drought or close to it. Many communities that have been coping so far are now approaching the limits of their ability to manage the ongoing dry conditions without some form of external support. We expect most of these areas to seek assistance in the next few weeks in the expectation that they will receive support under the Primary Sector Recovery Policy.
66. So far this year, the Minister of Agriculture has classified 10 medium-scale adverse events in the primary sector and, as a result, the available Adverse Events and Rural Support Contingency Fund has been exhausted. However, the Treasury notes that the appropriation used for this Fund is a multi-category appropriation and, while the amount in the category 'earmarked' for that Fund may have been exhausted, there is still scope for MPI to shift funds from the other categories to this category if it is considered a priority. (As specified in CO (18) 2, requirements for seeking new funding outside of the Budget process are urgency and inability to meet from within existing baselines.)
67. Significant additional resources will be required to support both the work of the RSTs and a much wider range of community-led activities to mitigate the impacts of the drought, which are likely to be felt in many communities for at least the next 18 months.
68. Furthermore, adverse events, such as droughts, are occurring with increasing frequency and severity as a result of climate change. This is leading to a greater level of demand for government assistance to support each event where it occurs. Farmers, growers and rural communities will adapt to a 'new normal' of drier conditions and to more intense storms and rain events, but this will take time.
69. We are seeking an increase in the Vote Agriculture, Biosecurity, Fisheries and Food Safety appropriation of up to \$1 million in each of 2019/2020 and 2020/21 to support community-level initiatives to provide relief from the social, economic and environmental impacts of this event and to protect the welfare of animals.
70. This funding will enable MPI to support the delivery of a wide range of assistance that is tailored to the particular needs of iwi/Māori and communities. It will provide the necessary flexibility to support relief and recovery efforts in a timely way by people and organisations that are a part of affected communities.
71. Animal Welfare support would focus on regional centres, and enable the dissemination of information and provision of expert advice. This would include workshops and drop-in centres for lifestyle block and homesteaders who have less familiarity with managing animals through drought.
72. If the drought situation gets worse, and all avenues to deal with livestock are exhausted, then on-farm slaughter of production animals may need to occur. Such an approach would require both technical information and psychosocial support to assist with this very difficult task for animal owners.

Part B: Longer-term approach to three waters regulatory and service delivery issues

The drought situation illustrates a number of broader, systemic issues that are being addressed through the Three Waters Review

73. The drought situation highlights a number of strategic, systemic issues – exacerbated by, but broader than, the lack of rain – that are facing councils and communities across the country, and need to be addressed in the longer term. These issues have been highlighted in various forums, including inter-agency discussions and situation updates.
74. Key issues affecting the three waters include: access to safe drinking water; public health and environmental issues relating to drinking water and wastewater; infrastructure deficits/failures and resilience issues; service delivery arrangements and affordability issues; and gaps in the regulatory framework and in leadership roles relating to emergency situations of this kind.
75. The Three Waters Review, led by the Minister of Local Government and DIA, has been considering these issues and is progressing the pieces of work outlined below. The key reform proposals target, and should provide a longer-term solution to, many of these issues. However, the underlying core problems – infrastructure deficits, fragmented service delivery, and affordability – will remain difficult to address without a more fundamental consideration of delivery arrangements.
76. Legislation is already being progressed to establish Taumata Arowai, the new Water Services Regulator. This Bill is currently being considered by the Health Committee. It is anticipated the Bill will be enacted by the end of July 2020.
77. A separate Water Services Bill is currently being prepared to give effect to Cabinet decisions in 2019 to reform the drinking water regulatory system. The draft Bill includes Taumata Arowai’s powers during drinking water emergencies.
- 9(2)(f)(iv)
78. 9(2)(f)(iv)
79. 9(2)(f)(iv)
80. When it is operational, and the proposed new regulatory framework is in place, Taumata Arowai will have clear leadership and coordination roles. This means in future it will play a central role in leading and directing a response to drinking water emergency situations of this kind; and work with local authorities to identify, manage and respond to the risks of further events.

81. 9(2)(f)(iv) [REDACTED]
82. Finally, the Minister of Local Government is continuing to explore options for three waters service delivery and funding reform, as outlined in the paper that was agreed by the Cabinet Business Committee in January 2020 [CBC-20-MIN-0006 refers]. The Minister has indicated a preference for regional or multi-regional entities, as part of any voluntary reform proposals. Entities of this kind would be better placed to plan for, and strategically respond to, drought-related events, which are likely to become increasingly common as the impact of climate change is felt.
83. As noted earlier in this paper, once the immediate crisis in the upper North Island has passed, there will be further conversations with councils about service delivery models. 9(2)(f)(iv) [REDACTED]

Consultation

84. This paper was developed under urgency by DIA and DPMC/NEMA, and involved conversations with, and a limited opportunity to provide feedback for, the following agencies: The Treasury; DPMC (PAG); MPI; MSD; Fire and Emergency New Zealand; Department of Corrections; Ministry of Health; Ministry of Business, Innovation and Employment (Provincial Development Unit); and Ministry for the Environment.
85. The content of the paper seeking appropriations relating to Vote Social Development and Vote Agriculture, Biosecurity, Fisheries and Food Safety was provided by the responsible agencies (MSD and MPI).
86. Given the urgent need to make decisions on this matter, and the timeframe for preparing this paper, it has not been possible to undertake wider consultation with local government, iwi/Māori, and other stakeholders. However, there will be engagement with relevant local authorities, organisations, and iwi/Māori during implementation.

Financial implications

Additional funding for immediate response to the North Island drought

87. This paper seeks a new appropriation of \$10 million in 2019/20 in Vote Prime Minister and Cabinet.
88. This appropriation is intended to cover a range of potential interventions that require further development, so is sought now ahead of the Budget moratorium, with drawdown subject to the approval of the Deputy Prime Minister, Minister of Finance, Minister of Local Government, and Minister of Civil Defence.
89. This paper also seeks new funding of \$100,000 to enable NEMA to adequately support the management and administrative processes associated with interventions that are being proposed through this initiative.

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90. As noted above, it is proposed that any of the \$10.1 million for this appropriation would be available for transfer to 2020/21, subject to confirmation by the Appropriation Minister and Minister of Finance. Any money remaining in the appropriation at 30 June 2021 would be returned to the Crown.

Additional funding for Rural Assistance Payments

91. To date \$350,000 across two financial years, 2019/20 and 2020/21, has been approved by joint Ministers from the between-Budget contingency to pay RAPs to eligible farmers in the Northland region and parts of the Auckland region.
92. This paper seeks agreement to an additional \$157,000 in 2019/20 and \$264,000 in 2020/21 (\$421,000 total) as a pre-commitment against the Budget 2020 operating allowance to extend the payments of RAPs to the rest of Auckland and to Waikato for eight months.
93. There are likely to be further costs if drought conditions continue across the country and more areas need support from RAPs. The estimated total cost of RAPs depends on how many regions are classified as an adverse event and how many families in those areas need support. If 100 families require support from RAPs across the country, the total estimated cost is \$1,405,000. As forecasted costs often exceed actual expenditure for RAPs, MSD will monitor expenditure and report back to Cabinet if the costs exceed \$2 million for this event.

Additional funding for Vote Agriculture, Biosecurity, Fisheries and Food Safety regarding primary sector, rural communities and animal welfare

94. This paper seeks agreement of up to an additional \$1 million in each of 2019/20 and 2020/21 to increase the support provided to the primary sector under the Primary Sector Recovery Policy, and to support rural communities and animal welfare through adverse events.

Human rights

95. The proposals in this paper are intended to ensure people in affected communities receive support in a time of need. There are no legislative or regulatory implications that affect human rights.

Legislative implications

96. There are no legislative implications arising from the proposals in this paper.

Publicity

97. This paper will be published, subject to any redactions, pursuant to Cabinet Office circular CO (18) 4. The Ministers of Local Government and Civil Defence will develop a communications plan for communicating with local authorities, iwi, and the public.

Recommendations

98. The Minister of Local Government and Minister of Civil Defence recommend that the Cabinet Economic Development Committee:

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1. **note** that the upper North Island is experiencing a severe drought, no significant rainfall is forecast across the region until May 2020 at the earliest, many places in Northland are experiencing severe water shortages, and further areas are likely to be similarly affected as the impact of the drought extends further south;
2. **note** that preliminary analysis suggests that the total cost of meeting immediate and pressing needs associated with the drought could be up to \$16 million, based on experience to date with transporting water to temporary locations, securing new waters sources, information from the Department of Corrections about the situation at the Northland Region Corrections Facility, and anticipated extra demand for Rural Assistance Payments for drought-affected primary sector businesses and short-term assistance under the Primary Sector Recovery Policy;
3. **note** that, while some of these costs (such as the Department of Correction's costs) can be expected to be met from existing baselines, the severity and urgency of the situation, the fact that details of the response have yet to be worked through, the proximity to the Budget moratorium (after which date it will not be possible to adjust appropriations), and the need to avoid the risk of incurring unappropriated expenditure, all indicate that it is prudent to appropriate some new funding for this purpose for 2019/20;

Additional funding for an immediate response to the North Island drought

4. **agree** to new funding of \$10 million in 2019/20, to provide for immediate and pressing needs associated with the drought, to be used only in the event that existing baseline funding is not available for this purpose;
5. **agree** to establish the following new appropriation:

Vote	Appropriation Minister	Title	Type	Scope
Prime Minister and Cabinet	Minister of Civil Defence	Maintaining water supply in periods of drought	Non-Departmental Other Expense	This appropriation is limited to contributions towards maintaining water supply during periods of drought

6. **agree** to new funding of \$0.100 million in 2019/20 to the National Emergency Management Agency hosted by the Department of the Prime Minister and Cabinet, to provide support to the work programme associated with the new appropriation;
7. **approve** the following changes to appropriations to give effect to the policy decisions in recommendations 4 and 6 above, with a corresponding impact on the operating balance and net core Crown debt:

(\$m) - increase/(decrease)

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Vote Prime Minister and Cabinet Minister of Civil Defence	2019/20	2020/21	2021/22	2022/23	2023/24 & Outyears
Multi-Category Expenses and Capital Expenditure: Emergency Management MCA Departmental Output Expense: Management of Emergencies (funded by revenue Crown)	0.100	-	-	-	-
Non-Departmental Other Expense: Maintaining water supply in periods of drought	10.000	-	-	-	-
Total Operating	10.100	-	-	-	-

8. **agree** that the proposed changes to appropriations for 2019/20 above be included in the 2019/20 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply;
9. **agree** that the expenses incurred under recommendation 7 above be charged as a pre-commitment against the Budget 2020 operating allowance;
10. **agree** that any unspent amounts of the appropriation increases in recommendation 7 above be available for transfer to 2020/21, subject to confirmation by the Appropriation Minister and Minister of Finance;
11. **agree** that any spending against the Non-Departmental Other Expense item "Maintaining water supply in periods of drought" be subject to the agreement of the Deputy Prime Minister, Minister of Finance, Minister of Local Government, and Minister of Civil Defence;
12. **note** that the Minister of Civil Defence intends to delegate authority to the Chief Executive of the Department of the Prime Minister and Cabinet, who would sub-delegate to the Chief Executive of the National Emergency Management Agency in line with existing Departmental Agency agreements, to approve payments from this appropriation, and that approvals would be made following consultation with the Department of Internal Affairs and other relevant agencies as appropriate;
13. **direct** the National Emergency Management Agency, in consultation with the Department of Internal Affairs and other relevant agencies, to develop and refine more detailed plans and procedures relating to this appropriation, including:
 - 13.1 identifying specific solutions for Northland, and an approach that could be used in other places if required; and
 - 13.2 developing criteria and procedures for granting funding requests and monitoring implementation;

Additional funding for Rural Assistance Payments

14. **note** that the Minister of Finance, the Minister of Agriculture, and the Minister for Social Development (joint Ministers) have authority to approve Rural Assistant Payments (RAPs) of up to \$500,000 per event following the classification of an adverse event by the Minister of Agriculture [POL Min (08) 14/5 refers];
15. **note** that joint Ministers have already approved RAPs for eligible farmers in Northland and parts of Auckland, and that RAPs are now required for the rest of Auckland and Waikato;
16. **agree** that RAPs be made to eligible farmers and growers whose income is affected by drought in the Waikato region and rest of the Auckland region for eight months;
17. **approve** the following changes to appropriations to provide for the decision in recommendation 16 above, with a corresponding impact on the operating balance and net core Crown debt:

Vote Social Development Minister for Social Development	(\$m) - increase/(decrease)				
	2019/20	2020/21	2021/22	2022/23	2023/24 & Outyears
Benefits or Related Expenses: Hardship Assistance	0.157	0.264	-	-	-
Total operating	0.157	0.264	-	-	-

18. **agree** that the change to appropriations for 2019/20 above be included in the 2019/20 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply;
19. **agree** that the expenses incurred under recommendation 17 above be charged as a pre-commitment against the Budget 2020 operating allowance;
20. **note** that, subject to agreement to recommendation 16 and 17, \$771,000 will have been approved to support farmers in Northland, Waikato and Auckland;
21. **note** it is likely further areas will require assistance for RAPs, and that the cost will be more than joint Ministers have authority to approve;
22. **agree** to increase the maximum amount able to be approved by joint Ministers for RAPs for this event from \$500,000 to \$2 million (including the funding approved to date as detailed in recommendation 20 above), and that any further funding above this amount would require Cabinet's approval;
23. **agree** to increase the period in which joint Ministers can make RAPs available for this event from 12 months to 18 months;

Additional funding for Vote Agriculture, Biosecurity, Fisheries and Food Safety regarding primary sector, rural communities and animal welfare

24. **note** that so far this year, the Minister of Agriculture has classified 10 medium-scale adverse events in the primary sector and, as a result, the available Adverse Events and Rural Support Contingency Funding has been exhausted;
25. **agree** to provide additional assistance of up to \$1 million in each of 2019/20 and 2020/21 to the primary sector, to wider rural communities, and to those with animal welfare needs to help alleviate the impact of the current drought, to be used only in the event that existing baseline funding is not available for this purpose;
26. **approve** the following changes to appropriations to give effect to the decision in recommendation 25 above, with a corresponding impact on the operating balance and net core Crown debt:

Vote Agriculture, Biosecurity, Fisheries and Food Safety Minister of Agriculture	(\$m) -increase/(decrease)				
	2019/20	2020/21	2021/22	2022/23	2023/24 & Outyears
Agriculture: Programmes Supporting Sustainability MCA					
Non-Departmental Output Expenses	1.000	1.000	-	-	-
Agriculture: Recovery Assistance (funded by revenue Crown)					
Total Operating	1.000	1.000	-	-	-

27. **agree** that the proposed change to appropriations for 2019/20 above be included in the 2019/20 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply;
28. **agree** that the expenses incurred under recommendation 26 above be charged as a pre-commitment against the Budget 2020 operating allowance;
29. **agree** that any unspent amounts of the appropriation increase in recommendation 26 above be available for transfer to 2020/21, subject to confirmation by the Appropriation Minister and Minister of Finance;

Longer-term approach to three waters regulatory and service delivery issues

30. **note** that the drought illustrates a number of broader issues relating to the three waters regulatory and service delivery system that are being considered through the Government's Three Waters Review, and that work being progressed through this Review includes:

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- 30.1 ensuring Taumata Arowai, the proposed new Water Services Regulator, will have the leadership roles and emergency powers needed to manage drinking water emergencies associated with water shortage issues in future;
- 30.2 exploring options for resolving systemic, structural issues relating to three waters service delivery, infrastructure, and funding; and
31. **note** that, once the immediate crisis facing the upper North Island has passed, the Minister of Local Government anticipates there will be further conversations with councils about service delivery models, ^{9(2)(f)(iv)}

Authorised for lodgement

Hon Nanaia Mahuta

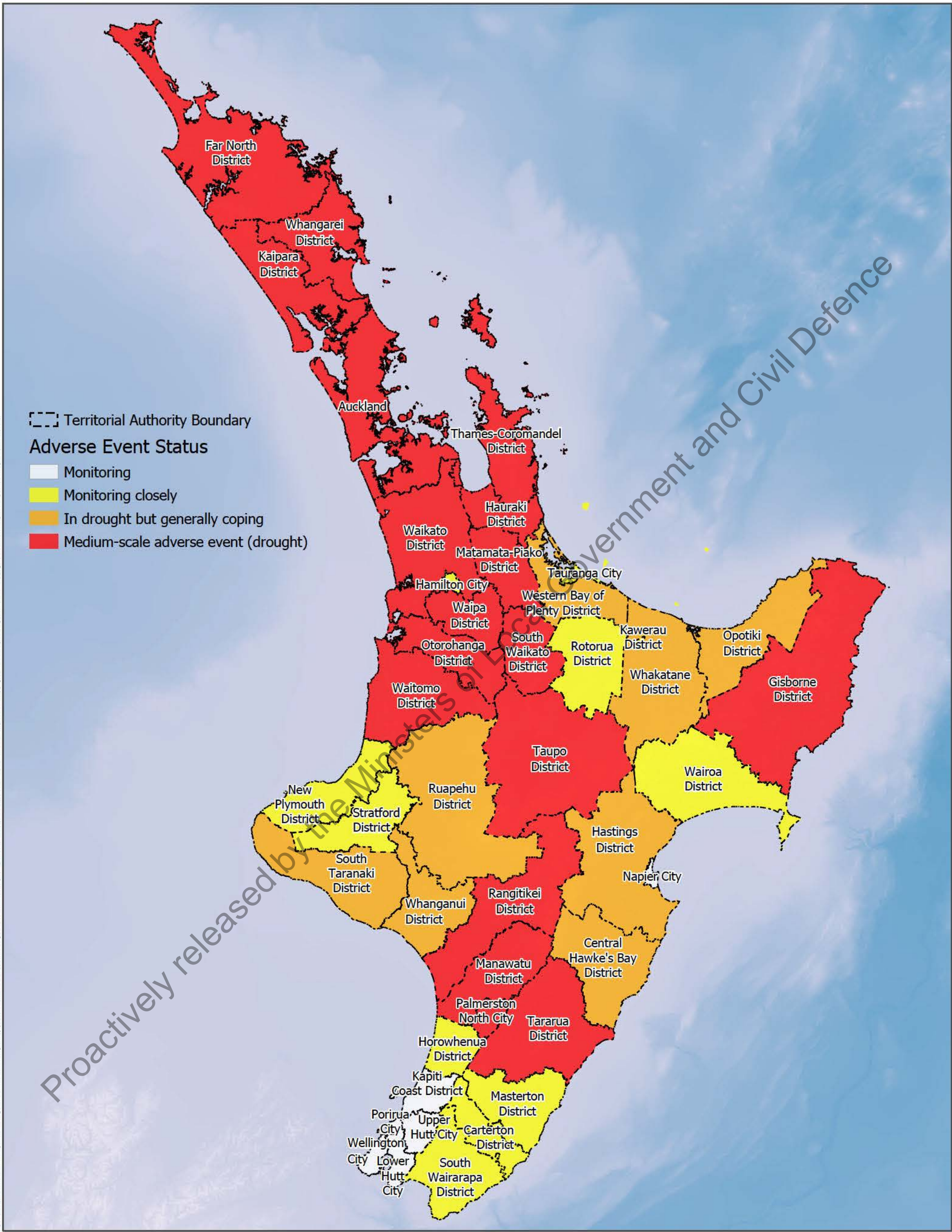
Minister of Local Government

Hon Peeni Henare

Minister of Civil Defence

Proactively released by the Ministers of Local Government and Civil Defence

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Territorial Authority Boundary
Adverse Event Status
 Monitoring
 Monitoring closely
 In drought but generally coping
 Medium-scale adverse event (drought)

ADVERSE EVENT STATUS - NORTH ISLAND

Date: 6/03/2020
 Produced by: Spatial Intelligence
 Reference: r200009
 Coordinate System: NZGD 2000 New Zealand Transverse Mercator



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