



Proactive Release

The following documents have been proactively released by the Department of the Prime Minister and Cabinet (DPMC), and National Emergency Management Agency (NEMA), on behalf of Hon Kieran McAnulty, Minister for Emergency Management:

Contributions to Local Authority Disaster Relief Funds

The following documents have been included in this release:

Title of paper: Contributions to Local Authority Disaster Relief Funds (GOV-22-SUB-0006 refers)

Title of minute: Contributions to Local Authority Disaster Relief Funds (GOV-22-MIN-0006 refers)

Title of minute: Report of the Cabinet Government Administration and Expenditure Review Committee: Period Ended 8 April 2022 (CAB-22-MIN-0126 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:

- section 9(2)(f)(iv), to maintain the confidentiality of advice tendered by or to Ministers and officials.

~~Security classification — In Confidence~~

Office of the Minister for Emergency Management

Cabinet Government Administration and Expenditure Review Committee

Contributions to Local Authority Disaster Relief Funds

Proposal

1. I seek your agreement to a \$1 million increase to the funding available in the current financial year for Crown contributions to disaster relief funds established by local authorities. This will ensure sufficient funding is available should there be further calls on the appropriation in 2021/22, particularly ahead of winter.
2. I also seek your agreement for any underspend, from this new funding, to be carried forward to 2022/23. ^{s9(2)(f)(iv)} [REDACTED]
3. I further seek your agreement to move to a consistent GST-exclusive approach to any contribution announcements and guidance, to align with standard government practice and mitigate misunderstandings on how GST is handled under fund contributions.

Purpose of Crown contributions to disaster relief funds

4. Crown contributions to disaster relief funds provide a valuable mechanism for early mobilisation of financial assistance to a local authority in the wake of an emergency event. Most commonly these take the form of contributions to mayoral relief funds.
5. Under current policy settings, the Minister for Emergency Management, together with either the Prime Minister or the Minister of Finance, may authorise a lump sum contribution of up to \$100,000 (GST inclusive) per event to a disaster relief fund established by a local authority. Contributions above this threshold require Cabinet approval.
6. This policy is set down in the Guide to the National Civil Defence Emergency Management Plan (the CDEM Guide), which may be amended by Cabinet without consultation.
7. The Government is not responsible for decisions on individual grants made from relief funds. The contribution is in the form of a donation from which the administrator of the fund may expend funds on a discretionary basis. This reflects the view that local authorities are well-placed to know exactly what they need and how best to operationalise disbursement.
8. Expenditure is nevertheless expected to align with the principles for response and recovery assistance set down in the CDEM Guide, including the Government's expectation that fund administrators will address not only the needs of affected individuals and families but also those of community organisations and marae and their associated facilities and infrastructure.

9. A discretionary contribution to a disaster relief fund is only one avenue of Government financial assistance. For example, existing policy provides for local authorities to seek reimbursement of eligible costs from the National Emergency Management Agency (NEMA) for the response and recovery phases of an event. This covers one hundred percent of eligible welfare expenses (such as emergency accommodation, transport, food and clothing) and sixty percent of eligible local authority-owned essential infrastructure repairs.
10. Any extraordinary financial assistance to a local authority following a significant event requires Cabinet approval, as occurred following the 2016 Kaikōura earthquake and more recently with the Buller flooding.

Rising frequency and severity of extreme weather events

11. New Zealand's climate is changing. Current projections¹ are for storms, wildfire, heatwaves and heavy rainfall to be more frequent and intense.
12. Evidence of more frequent extreme weather events is already being seen. The complex, and often compounding, nature of these events is testing the resilience of local authorities and their communities across a range of fronts.
13. This pattern is being reflected in the increased calls on this funding.

Management of funding by the National Emergency Management Agency (NEMA)

14. An annual budget of \$500,000 is provided to support such contributions under a multi-category expenses and capital expenditure (MCA) within Vote Prime Minister and Cabinet. This funding is managed by NEMA. This annual budget has been in place since 2017/18 and, until recently, has been sufficient to address the number and size of disaster relief fund contributions.
15. The current financial year has shown this is no longer the case. To date, five contributions have been made to local authority disaster relief funds during 2021/22 (as outlined in table 1 below).

Table 1: Contributions to local authority disaster relief funds in 2021/22 (to date)

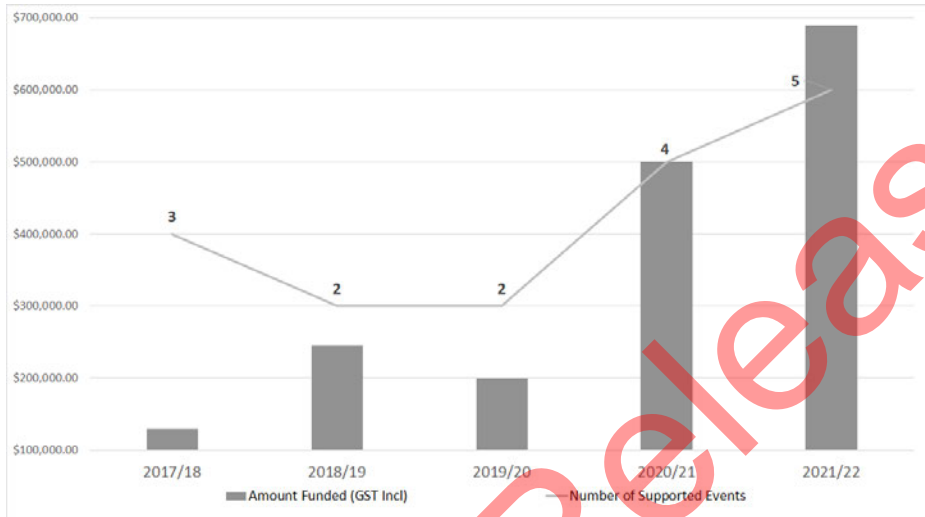
Date	Amount (GST incl)	Event
Mar 2022	\$175,000	Gisborne flooding
Feb 2022	\$100,000	Buller flooding
Jan 2022	\$20,000	Fire in Waiharara (Far North)
July 2021	\$300,000	Buller flooding
July 2021	\$100,000	Marlborough flooding

16. In late 2021, financial reprioritisation from within the MCA was undertaken by NEMA to provide addition funding for anticipated government contributions to Mayoral Relief Funds through to 30 June 2022.

¹ National Climate Change Risk Assessment, Main Report, Ministry for the Environment 2020.

- 17. This approach, however, is not sustainable into the future without compromising other priority initiatives. Furthermore, climate projections strongly suggest this recent rise in the need for additional assistance is not an aberration, but rather an early indicator of what is to come.
- 18. The graph below (Figure 1) outlines recent trends.

Figure 1: Mayoral Relief Fund Contributions 2017/18 to 2021/22



- 19. I am therefore recommending an increase in funding of \$1 million be made available from within the between-Budget contingency to replenish the available funding in 2021/22, with any underspend to be carried forward to 2022/23.

20. s9(2)(f)(iv)

Treatment of Goods and Services Tax (GST)

- 21. Contributions to disaster relief funds are subject to GST. The current approach to disaster relief payments assumes the value of contribution announced by the Government is inclusive of GST. This approach means the actual value of funds available to local authorities to apply to disaster relief is less than that announced by Government. For example, while the Government may agree a contribution of \$175,000, after deducting GST of \$22,826 the funds available to the local authority for disaster relief are \$152,174.
- 22. Because the GST element is not clear when contributions are announced, there can be confusion for local authorities, and instances where the local authority may commit support to the community based on the full value of the announced contribution without knowledge of the GST element.

23. I am proposing that this confusion be addressed through Cabinet agreeing that all future amounts announced by the Government as contributions to disaster relief funds are the GST exclusive value. This change will mean that, while GST will then be added to the amount paid to the local authority, the value announced as a contribution will match the value that will be available to the local authority after accounting for GST. This is consistent with the treatment of appropriations, which are GST-exclusive.

Adjustment of threshold for Cabinet approval to GST-exclusive amount

24. To ensure the figures used in guidance and our communications are consistently in GST-exclusive terms, I am further proposing that the threshold above which Cabinet approval is required is moved from \$100,000 including GST to \$100,000 GST-exclusive.
25. This represents a minor change in the policy setting but allows consistency in presentation and implementation.

26. s9(2)(f)(iv)

Consultation

27. The Treasury and Department of the Prime Minister and Cabinet have been consulted on this paper. The Department of Internal Affairs has been informed.

Financial Implications

28. To date, for 2021/22, contributions to disaster relief funds total \$604,347.83 (excluding GST) which exceeds the \$500,000 annual budget. This difference has been met through reprioritisation of other funding.
29. This paper seeks a \$1 million increase to the Emergency Risk Reduction, Readiness, Response and Recovery category within the Emergency Management Leadership and Support MCA in Vote Prime Minister and Cabinet to ensure funding is available for any further contributions that may be required in 2021/22.

30. s9(2)(f)(iv)

31. s9(2)(f)(iv)

Te Tiriti o Waitangi Implications

32. None.

Other Implications

33. No legislative implications are associated with this paper. A regulatory impact analysis is therefore not required.

34. There are no Human Rights, Gender or disability implications associated with the proposal in this paper.

Proactive Release and Public Notification

35. It is intended this paper be proactively released following the usual Budget release package as the amounts will be reflected in Supplementary Estimates. The proactive release is subject to redactions as appropriate under the Official Information Act 1982.
36. Any agreed changes concerning how GST is handled will be made publicly available. The CDEM Guide is currently undergoing review as part of the current emergency management regulatory reform programme, and this technical update may be transacted within this work programme, if not prior.
37. In line with existing practice, all Crown contributions to disaster relief funds are publicly announced.

Recommendations

38. The Minister for Emergency Management recommends that Cabinet:
- note** that contributions to local authority disaster relief funds in 2021/22 have been greater than previous years due to more frequent and more extreme weather events;
 - note** that the 2021/22 budget has been fully utilised and other reprioritised funding is also almost exhausted, and it would be prudent to ensure there is sufficient provision to respond to future events, especially heading into winter, to avoid the risk of unappropriated expenditure;
 - agree** to a \$1 million increase in funding for Crown contributions to local authority disaster relief funds for 2021/22 only;
 - approve** the following change to appropriations to give effect to the policy decision in recommendation 2 above, with a corresponding impact on the operating balance and net core Crown debt:

Vote Prime Minister and Cabinet Minister for Emergency Management	\$m – increase/(decrease)				
	2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears
Multi-Category Expenses and Capital Expenditure:					
Emergency Management Leadership and Support MCA					
Non-Departmental Other Expenses:					
Emergency Risk Reduction, Readiness, Response and Recovery	1.000	-	-	-	-

- agree** that the proposed change 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;
- agree** that the expenses incurred under recommendation 3 above be charged against the between-Budget contingency established as part of Budget 2021;

7. **agree** that any underspend in the above increase in funding for disaster relief fund contributions be carried forward to 2022/23 to ensure funding remains available for this purpose s9(2)(f)(iv) [REDACTED], with the final amount for transfer to be confirmed jointly by the Minister of Finance and the Minister for Emergency Management following completion of audited 2021/22 financial statements for the Department of the Prime Minister and Cabinet;
8. **agree** that all future announcements of Crown contributions to disaster relief funds be made on a GST-exclusive basis.
9. **agree** that the threshold, above which Cabinet approval is required for contributions, be raised from \$100,000 GST inclusive to \$100,000 GST exclusive with immediate effect;
10. s9(2)(f)(iv) [REDACTED]
11. s9(2)(f)(iv) [REDACTED]

Authorised for lodgement

Hon Kiri Allan

Minister for Emergency Management



Cabinet Government Administration and Expenditure Review 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.

Contributions to Local Authority Disaster Relief Funds

Portfolio **Emergency Management**

On 7 April 2022, the Cabinet Government Administration and Expenditure Review Committee:

- 1 **noted** that contributions to local authority disaster relief funds in 2021/22 have been greater than previous years due to more frequent and more extreme weather events;
- 2 **noted** that the 2021/22 budget has been fully utilised and other reprioritised funding is also almost exhausted, and it would be prudent to ensure there is sufficient provision to respond to future events, especially heading into winter, to avoid the risk of unappropriated expenditure;
- 3 **agreed** to a \$1.0 million increase in funding for Crown contributions to local authority disaster relief funds for 2021/22 only;
- 4 **approved** the following change to appropriations to give effect to the policy decision in paragraph 3 above, with a corresponding impact on the operating balance and net core Crown debt:

Vote Prime Minister and Cabinet Minister for Emergency Management	\$m – increase / (decrease)				
	2021/22	2022/23	2023/24	2024/25	2025/26 & outyears
Multi-Category Expense and Capital Expenditure: Emergency Management Leadership and Support MCA Non-Departmental Other Expenses: Emergency Risk Reduction, Readiness, Response and Recovery	1.000	-	-	-	-

- 5 **agreed** that the change 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;

6 **agreed** that the expenses incurred under paragraph 3 be charged against the between-Budget contingency established as part of Budget 2021;

7 **agreed** that any underspend in the above increase in funding for disaster relief fund contributions be carried forward to 2022/23^{s9(2)(f)(iv)}

8 **authorised** the Minister of Finance and the Minister for Emergency Management to jointly approve the final amount for transfer following completion of audited 2021/22 financial statements for the Department of the Prime Minister and Cabinet;

9 **agreed** that all future announcements of Crown contributions to disaster relief funds be made on a GST-exclusive basis;

10 **agreed** that the threshold, above which Cabinet approval is required for contributions, be raised from \$100,000 GST inclusive to \$100,000 GST exclusive with immediate effect;

11 s9(2)(f)(iv)

12 s9(2)(f)(iv)

Rachel Clarke
Committee Secretary

Present:

Hon Grant Robertson (Chair)
Hon Chris Hipkins
Hon Peeni Henare
Hon Jan Tinetti
Hon Michael Wood
Hon Kiri Allan
Hon Dr David Clark

Officials present from:

Office of the Prime Minister
Officials Committee for GOV



Cabinet

Minute of Decision

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Report of the Cabinet Government Administration and Expenditure Review Committee: Period Ended 8 April 2022

On 11 April 2022, Cabinet made the following decisions on the work of the Cabinet Government Administration and Expenditure Review Committee for the period ended 8 April 2022:



GOV-22-MIN-0006 **Contributions to Local Authority Disaster Relief Funds** CONFIRMED
Portfolio: Emergency Management



Michael Webster
Secretary of the Cabinet