

# Health Report

## Additional Draw Down on the Managed Arrivals Contingency

**Date due to MO:** 13 May 2020 **Action required by:** 18 May 2020

**Security level:** IN CONFIDENCE **Health Report number:** 20200714

**To:** Hon Dr David Clark, Minister of Health  
Hon Grant Robertson, Minister of Finance

### Contact for telephone discussion

Name	Position	Telephone
Fergus Welsh	Chief Financial Officer, Corporate	s 9(2)(a)
Deborah Woodley	Deputy Director General, Population Health and Prevention	

### Action for Private Secretaries

To be signed by 18 May 2020 so changes can be included in the Additional 2019/20 Supplementary Estimates.

**Date dispatched to MO:**

# Additional Draw Down on the Managed Arrivals Contingency

## Purpose of report

This report seeks joint agreement to a call for the remaining \$54.7 million tagged contingency established for the costs in providing managed isolation or quarantine facilities as part of the COVID 19 response, to meet the forecast additional unfunded costs either incurred or forecast to be incurred by the Ministry of Health for this programme by 30 June 2020.

## Key points

1. A group of Ministers (Minister of Finance, Minister of Health, Minister of Police and Minister of Customs) agreed to established tagged contingency of up to **§ 9(2)(j)** (COVID-19 border response – Tagged Contingency) to provide for the COVID-19 border measures (Joint report from the National Crisis Management Centre and the Ministry of Health titled Managed Arrival's into New Zealand, dated 17 April 2020).
2. At the time, Ministers agreed to appropriate \$3.3 million to Vote Health from the Tagged Contingency to meet the unfunded costs incurred to date for the border response, pending a decision on who the lead Minister would be to provide oversight of the Managed Arrivals process going forward.
3. A decision on who will lead this has not yet been made, and in the interim the Ministry has continued to meet costs associated with this programme. The costs now far exceed the original \$3.3 million, which was established on the assumption a decision would made towards the later part of April.
4. As at 4 May the Ministry had been invoiced almost \$7.4 million, with a further 6 hotels yet to provide invoices for their initial provision for services.
5. The average cost per day is currently around **§ 9(2)(j)** **§ 9(2)(g)(i)**  
**§ 9(2)(j)**  
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**§ 9(2)(j)**
6. The projected costs have been calculated as follows:

Average total PAX in facilities	2,627	Average total # of people in a facility at any one time since 26 March
Average rooms in use	2020	Room occupancy is approx. 1.3 pax per room
Estimated cost per room, per day*	<b>§ 9(2)</b>	This is our medium estimate at this point of time. <b>§ 9(2)(j)</b> <b>§ 9(2)(j)</b>
Days active to 4 May	24	Days since mandatory isolation implemented (10 April)

Total days until 30 June 2020	81	
Estimated total cost per day	§ 9(2)(j)	Based on rooms in use rather than actual PAX numbers
Estimated total running costs to 4 May	§ 9(2)(j)	
Estimated total by end of 30 June 2020		Until the end of the 19/20 FY

\*Note that work is underway to consolidate our financial and contracting workstreams. This will give stronger tracking and monitoring of actual costs in real time and cost projections.

7. The IQR team have worked hard to manage the daily cost per day and this has been successful as the approach has moved from rapidly standing up facilities to being able to take a more commercial view. Contracts are now being negotiated from 20 May to 30 June with facilities with commercial arrangements taking more prominence to manage costs.
8. The following provides a breakdown to show the addition appropriation required

Invoiced costs to 4 May	§ 9(2)(j)
Estimated total costs to 4 May*	§ 9(2)(j)
Estimated additional cost to June 30	§ 9(2)(j)
Total estimated costs to 30 June on current assumption	§ 9(2)(j)
Minimum level of savings that will be required from negotiations	§ 9(2)(j)
Less already approved appropriation	\$3.3 million
<b>Appropriation required</b>	<b>\$54.7 million</b>

\*Note that invoices received is less than estimated costs due to the lag in provider invoicing

9. This request also seeks your agreement to transfer any unspent funding already agreed § 9(2)(j) to the 2020/21 financial year to ensure that any unspent funding from the additional funding sought can be transferred to 2020/21 for either Vote Health or another Vote should as decision be made that these responsibilities transfer to another agency.
10. The Treasury has been consulted on this paper and supports its recommendations.

## Risks

### Fiscal risks

1. Our assumption was that the arrival rate will at remain the same, and new negotiations will need to find additional savings to bring the rate down and to stay within the tagged contingency. § 9(2)(f)(iv)

§ 9(2)(g)(i), § 9(2)(j)

2. s 9(2)(j) [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

## Recommendations

The Ministry recommends that you:

- a) **Note** Joint Ministers previously agreed to establish a 'COVID-19 border response - Tagged Contingency' of s 9(2)(j) [REDACTED] to meet the costs in providing managed isolation or quarantine facilities, of which \$3.3 million has already been appropriated to meet costs in Vote Health in 2019/20, pending decisions on who would lead this programme longer term.
- b) **Note** no decision has yet been made on who will take responsibility for this programme longer term, and that as at 4 May the Ministry have been invoiced almost \$7.4 million, and it forecasts total costs by 30 June 2020 of up to \$61.4 million, based on current projections.
- c) **Agree** to provide additional funding to meet the forecast unfunded costs in Vote Health for the border response, to ensure that unappropriated expenditure is not incurred in 2019/20 for any costs relating to this programme. **Yes/No**
- d) **Approve** the following changes to appropriations to provide for the decision in recommendation c) above, with a corresponding impact on the operating balance: **Yes/No**

	\$m - increase/(decrease)				
	2019/20	2020/21	2021/22	2022/23	2023/24 & Outyears
<b>Vote: Health</b>					
<b>Minister of Health</b>					
<b>Non-Departmental</b>					
<b>Output Expense:</b>					
Public Health Service Purchasing	54.700	-	-	-	-
<b>Total Operating</b>	<b>54.700</b>	-	-	-	-
<b>Total Capital</b>	-	-	-	-	-

- e) **Agree** that the changes to appropriations for 2019/20 above be included in Addition to the 2019/20 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply. **Yes/No**

- f) **Agree** that the expenses incurred under recommendation d) above be charged against the 'COVID-19 border response - Tagged Contingency' described in recommendation d) above. **Yes/No**
- g) **Agree** to transfer any unspent funding agreed under recommendation d) to the 2020/21 financial year, as required, with no impact on the operating balance and net core Crown debt across the forecast period. **Yes/No**
- h) **Note** that work is being done to address the enduring border management arrangements, funding and governance. **Yes/No**



Fergus Welsh  
Chief Financial Officer  
**Corporate**



Hon Dr David Clark  
**Minister of Health**  
Date: 16 May 2020

Hon Grant Robertson  
**Minister of Finance**  
Date: