



11 August 2022

OC220488

Hon Michael Wood
Minister of Transport

Action required by:
Tuesday, 16 August 2022

SEED FUNDING FOR ERP SOCIAL LEASING SCHEME TRIAL

Purpose

Provides you with a draft Cabinet Business Committee paper for your comment. The Cabinet paper seeks approval for an initial drawdown of seed funding for the social leasing scheme trial. This briefing also seeks your confirmation of appointing Waka Kotahi as the delivery agency for this initiative.


Key points

- Through Budget 2022, funding was sought for a trial of a Social Leasing Scheme. The Budget bid was successful, and \$10 million for the 22/2023 and 23/2024 years was agreed, subject to further advice to Cabinet on the design of the trial.
- Te Manatū Waka Ministry of Transport (the Ministry) has discussed the trial with Waka Kotahi and we propose that Waka Kotahi is the delivery agency for it. This briefing seeks your formal approval for this arrangement.
- In order to progress this work, Waka Kotahi has requested seed funding, which is the primary purpose of the draft Cabinet paper. Waka Kotahi has asked for seed funding of \$2.55 million from a requested operating budget of \$4.511 million for 2022/2023 to stand up the team to deliver the trial.
- When funding was agreed, Cabinet requested you report back by September 2022 on the design of the scheme. Given the delay in confirming the delivery agency and that seed funding still to be confirmed, this date is no longer feasible. The Ministry considers that a February 2023 deadline, as proposed in the draft Cabinet paper, should be considered.
- This revised deadline provides time for Waka Kotahi to establish its team, and time to identify and build community and industry relationships (including clarifying supply of vehicles) to contribute to a successful delivery of the trial.

Recommendations

It is recommended that you:

- 1 **note** that a draft Cabinet Business Committee Cabinet paper has been prepared to seek seed funding for the delivery agency to commence design work for the proposed social leasing trial;
- 2 **agree** to Waka Kotahi being the delivery agency for the social leasing scheme trial Yes / No
- 3 **note** that the attached draft Cabinet Business Committee Cabinet paper seeks seed funding to enable Waka Kotahi to commence work on developing the design of the trial
- 4 **note** that Waka Kotahi has requested a high proportion of the tagged contingency for its initial funding, and that to mitigate this a funding agreement will be developed to manage the finances;
- 5 **note** that given the delay in confirming the delivery agency and given that seed funding is still to be confirmed, the report back to Cabinet needs to be extended to February 2023, to enable the design of the trial to be completed well;
- 6 **agree** to provide feedback to officials on the draft Cabinet paper by 16 August, prior to your office commencing the Ministerial consultation process; Yes/No
- 7 **agree** to consult with the Minister of Finance in respect of this briefing and the attached draft Cabinet paper, in advance of formal Ministerial consultation occurring: Yes / No
- 8 **note** the Ministry is proposing that Ministerial consultation occurs from 17 – 30 August (if possible);
- 9 **note** that it is intended that the Cabinet paper, once finalised, is submitted to the Cabinet Office by 1 September to enable it to be considered by the Cabinet Business Committee on 5 September 2022.



Ewan Delany
Manager, Environment, Emissions and Adaption
11 / 08 / 22

Hon Michael Wood
Minister of Transport
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Minister’s office to complete:

Approved Declined

Seen by Minister Not seen by Minister

Overtaken by events

Comments**Contacts**

Name	Telephone	First contact
Ewan Delany, Manager, Environment, Emissions, and Adaptation	s 9(2)(a)	
Joanna Pohatu, Principal Advisor, Environment, Emissions, and Adaptation	s 9(2)(a)	✓
Sydney Van Nortwick, Graduate Advisor, Environment, Emissions, and Adaptation	s 9(2)(a)	

SEED FUNDING FOR ERP SOCIAL LEASING SCHEME TRIAL

Funding has been agreed in principle for a Social Leasing Scheme trial

- 1 Through the Climate Emergency Response Fund as part of Budget 2022 in principle funding has been secured for a social leasing scheme trial for 2022/2023 and 2023/2034. Cabinet also agreed that a report back be made by September 2022 on the design and plan for the social leasing trial. The 12 April 2022 letter from the Minister of Finance to the Minister of Transport confirming the successful Vote Transport Budget 2022 initiatives (the Vote Transport Letter) refers.
- 2 This paper sets out the initial steps that must be agreed to be able to progress work on designing and delivering the social leasing scheme trial.

Equity is a core principle of the Emission Reduction Plan (ERP)

- 3 The ERP reaffirms the Government's commitment to ensure an equitable transition to a low-emissions economy. In transport, this equity focus recognises that decarbonisation will slow, or stall, unless all New Zealanders can access low-emission transport.
- 4 The social leasing scheme aims to make low-emissions vehicles more accessible for people in Aotearoa on low-incomes and who are transport disadvantaged, by providing them with a safe, low- or zero-emissions vehicle at a low, set weekly cost.
- 5 The social leasing scheme is one of the tools we are testing as a method of equity assurance in the transition to a low-emissions economy. It is intended that the trial will assess whether a targeted social leasing scheme is generally an effective way to support households on low incomes to shift to cleaner transport. The trial is being conducted to assess the social leasing concept before potentially rolling out a wider national scheme.

A delivery agency is essential to help deliver the social leasing scheme trial

- 6 To deliver this work, Te Manatū Waka had an implementation plan prepared. It identified and confirmed a delivery agency is necessary. The delivery agency would take a lead role to engage with communities and vehicle industry partners as an initial step to progress the trial.
- 7 We have considered this recommendation from the implementation plan and consider this role should be undertaken by Waka Kotahi. Waka Kotahi is also delivering the Clean Car Upgrade and there is potential for synergies to be captured in it delivering both trials.
- 8 We will finalise a Ministerial Direction, for you to sign, to Waka Kotahi regarding your expectations for it for the social leasing trial once Cabinet has considered the seed funding request.

Waka Kotahi has requested seed funding as the delivery agency to commence its work on the trial

- 9 In negotiating the role with Waka Kotahi, it has identified seed funding as a requirement to be able to undertake the work needed. Once Waka Kotahi receives confirmation that seed funding has been approved, it will stand up an appropriate team to deliver the work. Cabinet approval to the draw down of seed funding is the primary purpose of the draft Cabinet paper.
- 10 Waka Kotahi estimates that it will require an operating budget of \$4.511 million for the 2022/2023 period to design and establish the social leasing trial.
- 11 Waka Kotahi's estimated 2022/2023 operating budget includes estimated seed funding of \$2.55 million for draw down by Waka Kotahi as soon as possible. This amount includes a contingency of \$0.85 million, reflecting the high uncertainties, risks, and complexities of the proposed trial.

Description of costs	\$
Salaries To establish a new and dedicated, multi-disciplinary project team. This includes organisation overhead costs and on-costs such as ACC/Kiwisaver/training etc.	992,000
Contractors Roles to be filled by contractors to provide immediate access to resources needed to meet short delivery timeframes, recognising a tight labour market and minimal options to reprioritise and refocus committed internal Waka Kotahi resource. This also includes contracted out services for anticipated specialist support, including legal, financial, and research/insights.	580,000
Consultation To undertake upfront consultation and engagement required to inform the design and development of the scheme, including travel and accommodation, meeting, communication material and media costs.	128,000
Contingency Allowance to account for considerable uncertainties at this stage	850,000
Total	2,550,000

- 12 Waka Kotahi has advised that they will need to stand up a new team for this work, as it does not currently have internal capacity to deliver this work. It has indicated it will need up to 12 people (FTEs and part time equivalents) to deliver the work. However, Waka Kotahi has advised that their resourcing requirements will likely reduce when the project is in the delivery period.
- 13 The draft Cabinet paper proposes that the use of the contingency funding is conditional on Waka Kotahi providing advanced notification, in written form, to Te Manatū Waka, on the need to draw on it. If the need to use the contingency does not arise, the money will be returned to the fund. This has been included in part to manage the administrative costs for the trial.

- 14 Subject to Cabinet agreement to the seed funding, a funding agreement will also be drawn up to establish the formal arrangement between Te Manatū Waka and Waka Kotahi.
- 15 The Minister of Finance must also be consulted on papers which seek approval for funding. Ministers' offices should manage this consultation.

Reporting on the design of the trial will be delayed to February 2023

- 16 We will work with Waka Kotahi as the delivery agency to finalise the design and plan for a trial that is larger than the current one in South Auckland. We will emphasise with Waka Kotahi that this trial should build on the 20 car South Auckland trial that is currently underway.
- 17 The full release of funding is contingent on Cabinet's approval on the design, location, and delivery model for the trial. Following the Vote Transport Letter, this was to be reported back to Cabinet in September 2022.
- 18 Due to resourcing constraints and competing priorities this report back date now needs to be shifted to February 2023. Doing so will ensure there is sufficient time for Waka Kotahi to hire the team needed to fully develop this initiative.
- 19 We will work closely with Waka Kotahi on the design to ensure we have the necessary detail for this report back.

There are some risks that will need to be monitored for this project

- 20 As noted above, Waka Kotahi has indicated that they will need a large portion of the tagged contingency to begin this work. Cabinet may be unwilling to release this level of funding, which will impinge upon Waka Kotahi's ability to deliver this initiative. To mitigate this, we will ensure the funding agreement that is prepared provides a requirement for Waka Kotahi to consider synergies with the Clean Car Upgrade work. We will also require Waka Kotahi to formally request the proposed contingency funding so that we understand what it is to be used for.
- 21 There are also a number of risks which can be managed by extending the report back to Cabinet date to February 2023, including:
 - 21.1 Waka Kotahi may struggle to find the right people to form this new team. This can be mitigated by the appropriate amount of funding for this project being released, and by allowing time to find the appropriate people.
 - 21.2 A key role for the delivery agency is the identification and engagement with community partners. A tight timeframe may restrict the development of strong, trust-based relationships which may hinder the success of the trial.
 - 21.3 If community partners are not easily identified a rapid shift in approach may be necessary. Managing this will require Waka Kotahi to be agile and open minded about which community groups can fulfil this role.
 - 21.4 A supply of zero- and low-emission vehicles is still needing to be identified for this trial. Waka Kotahi will need time to find partners with industry who will be

able to provide the vehicles at cost or at reduced commercial cost. This will require some time to work through, given supply chain constraints.

- 22 Shifting the date to February 2023 also holds risks, as it may have knock on effects to the start date of the trial. We consider that this is a small risk compared to shortening the design time to meet the original report back date.
- 23 Te Manatū Waka will work with Waka Kotahi to endeavour to meet the intended roll out date of April 2023. ^{s 9(2)(f)(iv)}

We have undertaken departmental consultation on the draft Cabinet paper

- 24 We have provided the draft Cabinet paper to the following agencies for comment: Waka Kotahi, Te Puni Kokiri, Ministry for Pacific Peoples, Ministry of Social Development (MSD), Ministry of Disabled People (ODI), Ministry of Primary Industries, Treasury, Ministry for the Environment, Department of Internal Affairs, Ministry of Business, Innovation and Employment, and the Energy Efficiency and Conservation Authority. The Department of Prime Minister and Cabinet was informed.
- 25 We have received specific feedback from Waka Kotahi as follows:
- 25.1 Timing: Waka Kotahi was concerned by our initial proposed report back date of November 2022. We have taken on their concerns, and through negotiation with them, have changed our requested extension increase to February 2023.
- 25.2 Funding: Waka Kotahi has asked that the seed funding be fungible between categories. We propose that this be agreed with the same condition as with the use of the contingency- advanced written notice of intended use.
- 26 We also received feedback from the MSD and the ODI. Both departments raised concerns around equity for disabled people, people with health conditions, and older people in the design of the trial (cost, types of vehicles, etc). In the case of the ODI we will update the Cabinet paper to reflect their comments, and we will reflect MSD's comments in the design of the trial. We will consult with these departments during the design process to ensure equity for these groups is considered in the design from the outset.
- 27 The Treasury has not yet provided comment on the draft Cabinet paper. We will follow this up with them while you are considering the draft.

Next Steps

- 28 There is a challenging timeline to progress the draft Cabinet paper through to Cabinet. The following sets out the proposed timeline for this process:

Deliverable	Date
Draft to Minister for comment	12 August 2022

Minister comments received and actioned	16 August 2022
Ministerial consultation	Begins 17 August 2022 Ends 30 August 2022
Lodge paper	1 September 2022
Cabinet Business Committee meeting	5 September 2022
Cabinet confirmation	12 September 2022