Hon Paul Goldsmith

Minister for Treaty of Waitangi Negotiations

Proactive release – Takutai Moana Financial Assistance Scheme (FAS) – Interim Changes & ECO-24-MIN-0124

Date of issue: 01 July 2024

The following documents have been proactively released in accordance with Cabinet Office Circular CO (18) 4.

Some information has been withheld on the basis that it would not, if requested under the Official Information Act 1982 (OIA), be released. Where that is the case, the relevant section of the OIA has been noted and no public interest has been identified that would outweigh the reasons for withholding it.

No.	Document	Comments
1.	FAS – Interim Changes Cabinet paper Ministers' Office 1 July 2024	Some information is being withheld in accordance with: • Section 9(2)(f)(iv) • Section 9(2)(h)
2.	ECO-24-MIN-0124 1 July 2024	Some information is being withheld in accordance with: • Section 9(2)(f)(iv) • Section 9(2)(h)



Cabinet Economic Policy 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 Vaitanoi Neootiation released, including under the Official Information Act 1982, by persons with the appropriate authority.

Takutai Moana Financial Assistance Scheme: Interim Changes

Portfolio Treaty of Waitangi Negotiations

On 26 June 2024, the Cabinet Economic Policy Committee:

Background

- noted that the Takutai Moana Financial Assistance Scheme (the Scheme) was established to 1 support applicant groups with the costs of seeking recognition of their customary interests under the Marine and Coastal Area (Takutai Moana) Act 2011;
- noted that a significant funding shortfall for the appropriation was forecast for the 2023/24 2 and 2024/25 financial years due to cost pressures from the court funding workstream;
- noted that the funding shortfall for 2023/24 has been addressed by allocation of funding 3 from the Between Budget Contingency [CAB-24-MIN-0128];
- noted that funding from the Between Budget Contingency for 2024/25 was not approved; 4

Current forecast for 2024/25

- 5 **noted** that the High Court and applicant counsel have been advised of the funding situation for 2024/25;
- 6 **noted** that, at this stage, all hearings scheduled for the 2024/25 financial year are going ahead;
- 7 **noted** that Te Arawhiti has advised applicants that until options to manage within the fund are developed, the Crown cannot commit to funding any hearings in 2024/25;
- noted that, if all scheduled hearings go ahead and urgent changes are not made, the appropriation is expected to be fully committed by December 2024, and up to \$16.049 million over appropriation by the end of the 2024/25 financial year;

Addressing the shortfall

noted that Cabinet has authorised the Minister of Finance and Minister for Treaty of Waitangi Negotiations to finalise and implement the settings for the Scheme following consultation as per Cabinet agreement or to return to Cabinet if there are any material changes [CAB-24-MIN-0128];

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ECO-24-MIN-0124

- noted that the proposals for interim changes to the Scheme, outlined in the paper under ECO-24-SUB-124 (the proposals), do not fit within the authority referred to above, due to needing to be implemented sooner than previously planned and the lack of time available for consultation;
- agreed that as of 1 July 2024, for the duration of the 2024/25 financial year:
 - all applicants will be required to have a budgeted workplan agreed by Te Arawhiti before funding is provided;
 - 11.2 funding levels for pre-hearing and hearing costs will be aligned with legal aid rates;
 - the Crown contribution to court costs will be capped for all hearings in the 2024/25 financial year at \$140,000 per applicant for substantive hearings, \$25,000 per applicant for follow up hearings, and \$30,000 per applicant for appeals;

12 Section 9(2)(n)

Managing costs in future years

Section 9(2)(f)(iv)

- noted that enduring changes to the Scheme's policy and administrative settings are being developed, which may include the interim changes referred to above becoming permanent;
- noted that applicants will be consulted on proposals for enduring changes to the Scheme's settings;
- noted that the Minister of Finance and the Minister for Treaty of Waitangi Negotiations will make final decisions on Scheme settings following consultation or return to Cabinet on any material changes, in accordance with the existing delegated authority [CAB-24-MIN-0128];

Section 9(2)(f)(iv)

Rachel Clarke Committee Secretary

Present (see over)

Present:

Rt Hon Christopher Luxon

Rt Hon Winston Peters

Hon David Seymour

Hon Nicola Willis (Chair)

Hon Brooke van Velden

Hon Shane Jones

Officials present from:

Office of the Prime Minister Office of the Deputy Prime Minister Office of Hon Chris Bishop Office of Hon Erica Stanford Officials' Committee for ECO

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IN CONFIDENCE

Office of the Minister for Treaty of Waitangi Negotiations

Takutai Moana Financial Assistance Scheme – Interim Changes

Proposal

This paper seeks Cabinet approval for urgent interim changes to the Takutai Moana Financial Assistance Scheme (the Scheme) to enable its management within the Vote Te Arawhiti: Non-Departmental Other Expenses: Financial Assistance Towards Determining Customary Interests in the Marine and Coastal Area Takutai Moana Funding appropriation (the appropriation) for the 2024/25 financial year.

Relation to Government Priorities

- 2 This submission:
 - 2.1 will support the Government's commitments to equal citizenship and delivering better public services; and
 - 2.2 is relevant to the commitment in the National-New Zealand First coalition agreement to amend section 58 of the Marine and Coastal Area Act 2011.

Executive Summary

- If all scheduled hearings proceed under current settings the appropriation is expected to be fully committed by December 2024 and up to \$16.049 million over appropriation by the end of the 2024/25 financial year.
- We have communicated very clearly to applicants and the High Court what the overall funding cap for 2024/25 is and that the eight currently scheduled hearings are unaffordable. The Court has said that any applications to adjourn any of the currently scheduled hearings due to funding issues will be dealt with on an individual basis. At this stage, all hearings scheduled for the 2024/25 financial year are going ahead.
- Therefore, to manage costs within appropriation and provide some confidence to applicants about available funding in both pathways, urgent changes need to take effect from 1 July 2024. Cabinet approval for the proposed urgent changes is required. The proposals are not covered by the existing delegated authority [CAB-24-MIN-0128 refers] due to the lack of time for consultation and the proposals involving fundamental changes to the way funding has previously been provided.

IN CONFIDENCE: CUBULOT TO LEGAL PRIVILEGE

- Initial proposed changes to the Scheme previously advised require Cabinet approval to come into effect earlier than planned and without consultation with applicants. These are:
 - 6.1 a requirement for all applicants to provide a budgeted workplan agreed to by Te Arawhiti before funding is provided; and
 - adjusting the current funding levels for pre-hearing and hearing costs to align with legal aid rates.
- These initial measures, even enacted urgently, are not sufficient to bring spending within the 2024/25 appropriation. The Minister of Finance and I considered four options for additional measures to bring spending within the appropriation:
 - 7.1 Option 1: fund all scheduled hearings but cap funding at an affordable level; or
 - 7.2 Option 2: continue 'actual and reasonable' funding but only fund some hearings; or
 - 7.3 Option 3: cap funding (per Option 1) and only fund some hearings; or
 - 7.4 Option 4: prioritise activity funding, with court costs only paid as is affordable after that.
- I am recommending Option 1 because it allows equal treatment of applicants across all hearings, certainty for applicants of funding available and certainty for the Crown of the maximum court costs for the year.

 Section 9(2)(h)



Progress is being made on settings changes recommended in the review of the Scheme. I expect to receive advice in early July 2024 on proposals for enduring changes to the Scheme to be consulted on with applicants. Final decisions will be made following that consultation, including coming back to Cabinet if required per the existing delegated authority.

Background

The Scheme facilitates the recognition of customary interests in the common marine and coastal area as outlined in the Marine and Coastal Area (**Takutai Moana**) Act 2011 (**the Act**). The Act provides two pathways for applicants to seek recognition of their customary interests, through the High Court or through direct Crown engagement.

- After the passage of the Act, the Crown made a commitment to provide financial assistance to applicants through Vote Te Arawhiti [CAB Min (12) 7/5 refers]. Financial assistance is available to applicants in both pathways.
- In February 2022 Cabinet agreed to fundamental changes to the Scheme's policy settings and detailed functions of the appropriation [CAB-22-MIN-0037 refers]. These changes were provided for through Budget 2022 [CAB-22-MIN-0129 refers].
- 14 The appropriation consists of two streams:
 - 14.1 <u>activity funding</u> to support research, project management, engagement and administration across the Crown engagement and High Court pathways, up to a maximum amount per applicant; and
 - 14.2 <u>court funding</u> to support preparing for and participating in court proceedings, including legal costs, on an 'actual and reasonable' basis.
- The cost of financial assistance for applicants this financial year, and forecast costs for next financial year, significantly increased due to the higher-than-expected number of High Court hearings and the complexity of applications being heard (including overlapping applications for the same parts of the common marine and coastal area). This led to a risk of the appropriation for 2023/24 being exhausted by the end of April 2024.
- On 15 April 2024 Cabinet agreed to allocate \$17.300 million from the Between Budget Contingency to address the shortfall in 2023/24 [CAB-24-Min-0128 refers]. This is sufficient to cover all costs already sought by applicants and forecast costs for the remainder of this financial year. Additional funding for the 2024/25 financial year was not approved.

Current Forecast for 2024/25

- On 22 April 2024, a memorandum of counsel filed in the High Court by counsel for the Attorney-General advising the Court of Cabinet's 15 April decision. The memorandum set out the implications for hearings scheduled in the 2024/25 financial year in light of the decision not to provide additional funding.
- On 10 May, a national Takutai Moana case management conference was held by Justice Churchman, prompted by the 22 April memorandum. The Attorney-General's submission during the conference was that the Crown could not give an assurance that funding would be available for any High Court hearings in the 2024/25 financial year.
- Justice Churchman released his minute from the national case management conference on 15 May. The minute noted that it is not appropriate or necessary for the Court to comment on Cabinet decision-making as to the funding of hearings under the Act. The minute also noted that the timetabling of any litigation before the High Court is a matter for the High Court. Therefore, to the extent any funding issues result in applications to adjourn

IN CONFIDENCE: SUBJECT TO LEGAL PRIVILEGE

- any of the currently scheduled hearings, the Court will deal with these applications on an individual basis.
- 20 Consequently, at this stage, all hearings scheduled for the 2024/25 financial year are going ahead.
- On 24 May, Te Arawhiti communicated to all applicants that, until options for managing within the appropriation are developed, the Crown cannot commit to funding any of the scheduled hearings in 2024/25. Applicants were also advised that there may be an impact on activity funding for 2024/25.
- Now that applicants and counsel are aware of the fiscal pressures that the Scheme is under, and that funding is limited for 2024/25 and onwards, they have begun to seek payment of costs previously incurred but for which reimbursement has not yet been sought. There are also indications applicants and counsel will seek costs for pre-hearing preparation outside of our forecasts for 2024/25. This could be considered analogous to a 'run on the bank'.
- Table 1 shows the current total forecast of expenditure for 2024/25 if all hearings proceed. This includes the expected savings from the initial changes to the Scheme I previously indicated to Cabinet (see below). The appropriation is expected to be fully committed by December 2024 and up to \$16.049 million over appropriation by the end of the 2024/25 financial year.

Table 1: Forecast 2024/25 costs, all hearings

Non-Departmental Other Expenses: Financial Assistance Towards Determining Customary Interests in the Marine and Coastal Area Takutai Moana Funding	Forecast 30 June 2025 (\$m)
Total appropriation	14.892
Baseline	12.023
IPET from 2023/24	2.869
Less	
Total spend at year end	30.942
Forecast activity funding	6.678
Forecast court funding ¹	22.178
'Run on the bank' costs	2.086
Financial position	-16.049

¹ Includes forecast funding for the two hearings begun in 2023/24 (Aotea Inner Harbour and Kapiti-Manawatū) prior to the settings changes taking effect, for which funding requests are not expected to be received until after the end of the 2023/24 financial year.

Addressing the Shortfall

- 24 On 15 April 2024 Cabinet also:
 - 24.1 authorised the Minister of Finance and me to finalise and implement settings for the Scheme following consultation as per Cabinet agreement or return to Cabinet if there are any material changes; and
 - 24.2 noted that changing settings to the Scheme now will have some effect in 2024/25, but that further changes will be needed (and will form part of the review) to manage costs to appropriation levels [CAB-24-MIN-0128 refers].
- Due to the lack of time available for consultation and the proposals involving fundamental changes to the way funding has been provided previously, the proposals in this paper do not fit within that delegated authority.
- The initial proposed changes previously noted are:
 - 26.1 a requirement for all applicants to provide a budgeted workplan agreed to by Te Arawhiti before funding is provided; and
 - 26.2 adjusting the current funding levels for pre-hearing and hearing costs to align with legal aid rates.
- These changes will allow Te Arawhiti to manage the annual activity funding spend more closely and reduce court funding pressures. They were intended to come into effect 1 January 2025 following consultation. This must be brought forward to avoid the appropriation being fully committed by December 2024. I therefore seek approval for these changes to come into effect from 1 July 2024 for the duration of the 2024/25 financial year.
- I have considered four additional measures in consultation with the Minister of Finance to address the shortfall:
 - 28.1 Option 1: fund all scheduled hearings but cap the amount per applicant at an affordable level;
 - 28.2 Option 2: continue to provide 'actual and reasonable' court funding but only fund some hearings;
 - 28.3 Option 3: cap the amount per applicant at an affordable level and only fund some hearings; and
 - 28.4 Option 4: prioritise activity funding, with court funding only provided as is affordable after that.
- Analysis of each option is provided in **Appendix One**. I am recommending Option 1 because it allows equal treatment of applicants across all hearings, certainty for applicants of funding available and certainty for the Crown of the maximum court costs for the year.

I seek approval for this

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change to also come into effect on 1 July 2024 and apply to all hearings scheduled to begin between 1 July 2024 and 30 June 2025, for costs incurred during that period.

30 Funding will be capped at \$140,000 per applicant for substantive hearings², \$25,000 per applicant for follow up hearings³ and \$30,000 per applicant for

Table 2: Forecast 2024/25 costs	all hearings with funding capped
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up hearings° and	d \$30,000 per applicant for
Forecast 30 June 2025 (\$m)	and Leo
14.892	
12.023	100
2.869	
N.	
14.892	
3.122	
9.683	
2.086	
0	
	he revised fored by the revised for the 2024/25 for the 2024/25 for the 2024/25 for the 2024/25 for the 2025 (\$m) 14.892 12.023 2.869 14.892 3.122 9.683 2.086

Legal risks

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Section 9(2)(h)



² The first High Court hearings for those areas.

³ Additional High Court hearing time for specific issues after substantive hearings.

⁴ Includes capped funding for 2024/25 hearings plus forecast 'actual and reasonable' funding for the two hearings begun in 2023/24 (Aotea Inner Harbour and Kapiti-Manatwatu) prior to the settings changes taking effect.

Treaty of Waitangi Implications

In 2020, The Marine and Coastal Area (Takutai Moana) Act 2011 Inquiry Stage 1 Report was released by the Waitangi Tribunal. The Tribunal found that the Crown not covering 100 percent of all reasonable costs that iwi, hapū and whānau incur in progressing their applications through the High Court was not consistent with the Treaty principles of active protection and partnership.

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Managing Costs in Future Years

- Te Arawhiti has received a draft report from the review of the Scheme and are making progress on developing enduring settings changes based on the recommendations. Consideration will also be given to making the proposed interim changes in this paper permanent. I expect to receive proposals for enduring changes in early July. Applicants will be consulted on those proposals.
- The Minister of Finance and I will then consider options for enduring changes to the Scheme settings under our existing delegated authority. As noted in that authority, I will return to Cabinet if any material changes are proposed.

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Cost-of-living Implications

The proposal does not have any direct cost-of-living implications, however, reduction in financial assistance to whānau, hapū and iwi applicant groups may affect them financially if they decide to meet costs themselves rather than slow progress of their applications.

Financial Implications

Approval of the proposal in this paper does not have financial implications. If the proposal is not approved, it is likely that the appropriation will be fully committed by September 2024 and substantially overspent by the end of the 2024/25 financial year.

Legislative Implications

This paper does not have legislative implications.

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Impact Analysis

40 An impact analysis is not required as this paper does not contain regulatory proposals.

Population Implications

The proposal in this paper will ensure that whānau, hapū and iwi applicant groups are able to access financial assistance to seek recognition of their marine and coastal customary interests under current legislation (the Act).

Human Rights

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Use of External Resources

Contractors have provided a material contribution to the preparation of the policy advice in this paper. This includes a fixed term senior advisor undertaking the review of the Scheme and a fixed term senior analyst undertaking financial modelling for the proposals in this paper and the Scheme in general.

Consultation

The Treasury and Crown Law Office were consulted in development of this paper.

Communications

No publicity is intended for the proposal in this paper. Applicants will be informed of Cabinet's decision immediately following that decision.

Proactive Release

I intend to withhold this paper in full until Cabinet has had the opportunity to consider options to reform the Financial Assistance Scheme. At that time, I will consider proactive release, with any necessary redactions.

Recommendations

The Minister for Treaty of Waitangi Negotiations recommends that the Committee:

Background

note that the Scheme was established to support applicant groups with the costs of seeking recognition of their customary interests under the Marine and Coastal Area (Takutai Moana) Act 2011;

- 2 **note** a significant funding shortfall for the appropriation was forecast for the 2023/24 and 2024/25 financial years due to cost pressures from the court funding workstream;
- 3 note the funding shortfall for 2023/24 has been addressed by allocation of funding from the Between Budget Contingency [CAB-24-Min-0128 refers];
- ilationas note funding from the Between Budget Contingency for 2024/25 was not 4 approved;

Current forecast for 2024/25

- note the High Court and applicant counsel have been advised of the 5 funding situation for 2024/25;
- note that, at this stage, all hearings scheduled for the 2024/25 financial 6 year are going ahead;
- 7 note that Te Arawhiti has advised applicants that until options to manage within the fund are developed the Crown cannot commit to funding any hearings in 2024/25;
- note that if all scheduled hearings go ahead and urgent changes are not 8 made the appropriation is expected to be fully committed by December 2024 and up to \$16.049 million over appropriation by the end of the 2024/25 financial year;

Addressing the shortfall

- note Cabinet authorised the Minister of Finance and Minister for Treaty of 9 Waitangi Negotiations to finalise and implement the settings for the Scheme following consultation as per Cabinet agreement or return to Cabinet if there are any material changes [CAB-24-Min-0128 refers];
- note the proposals for interim changes do not fit within that authority due to 10 needing to be implemented sooner than previously planned and the lack of time available for consultation;
- agree that as of 1 July 2024 for the duration of the 2024/25 financial year: 11
 - all applicants will be required to have a budgeted workplan agreed by Te Arawhiti before funding is provided;
 - funding levels for pre-hearing and hearing costs will be aligned with legal aid rates; and
 - the Crown contribution to court costs will be capped for all hearings 11.3 in the 2024/25 financial year at \$140,000 per applicant for substantive hearings, \$25,000 per applicant for follow up hearings and \$30,000 per applicant for appeals;

Section 9(2)(h) 12 13

Managing costs in future years

- 14 note enduring changes to Scheme's policy and administrative settings are being developed, which may include the interim changes becoming permanent;
- note applicants will be consulted on proposals for enduring changes to the 15 Scheme's settings; and
- note the Minister of Finance and Minister for Treaty of Waitangi 16 Negotiations will make final decisions on Scheme settings following consultation or return to Cabinet on any material changes, in accordance with the existing delegated authority [CAB-24-Min-0128 refers]; and

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Authorised for lodgement

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Hon Paul Goldsmith Minister for Treaty of Waitangi Negotiations Proactivelyrelec



Appendix One: Analysis of options

Option 1 – fund all scheduled hearings but cap the amount per applicant

- The Crown contribution per applicant per hearing for all costs (pre-hearing, inhearing and disbursements e.g. travel) would be capped at \$140,000 for substantive hearings⁵, \$25,000 for follow up hearings⁶ and \$30,000 for appeals. The proposed funding caps have been calculated with consideration for the type of hearing, the amount of hearing time involved and ensuring some activity funding remains available. All currently scheduled High Court hearings would be funded plus two appeals in which the Crown is an appellant.
- The total cost of court funding for hearings in 2024/25 would be \$7.085 million and approximately \$3.122 million would be available for activity funding⁷.
- All hearings and applicants in those hearings would receive equal treatment, but the Crown contribution they each receive will be substantially lower than previously. Under current settings there is a wide range of levels of costs being claimed. We estimate that costs of around \$30,000 per applicant per hearing week are being claimed, and the average total Crown contribution is around \$400,000 per applicant per substantive hearing. However, applicants may be able to work together to reduce costs to enable their hearings to proceed within the available funding.
- Activity funding would be less than half of what has been spent in previous years. This reduction will be managed through the approval of work plans by Te Arawhiti, but progress for some applicants will likely need to be slower than before.

Option 2 – provide 'actual and reasonable' funding but only fund some hearings

- Only follow up hearings and appeals would be funded, on an 'actual and reasonable' costs basis.
- The total cost of court funding for hearings in 2024/25 would be approximately \$3.763 million and approximately \$6.444 million would be available for activity funding.

Section 9(2)(h)

There would be no limit on the funding applicants could receive, although it is likely to be lower than previously due to the reduction to legal aid rates.

Applicants in unfunded hearings may need to seek to adjourn those hearings in light of funding not being available. Court costs would still be demand driven and could be higher than forecast.

⁶ Additional High Court hearing time for specific issues after substantive hearings.

⁵ The first hearings in the High Court for those areas.

⁷ Does not add to total forecast spend. Under all options funding will be set aside for the expected 'run on the bank' and 'actual and reasonable' funding for the two hearings begun in 2023/24 (Aotea Inner Harbour and Kapiti-Manawatū) prior to the settings changes taking effect.

Activity funding would likely be only slightly reduced from what has been spent in previous years.

Option 3 – cap the amount per applicant and only fund some hearings

- As for Option 1, the Crown contribution per applicant per hearing would be capped at \$140,000 for substantive hearings, \$25,000 for follow up hearings and \$30,000 for appeals. Follow up hearings, two appeals and two substantive hearings (of four scheduled) would be funded.
- The total cost of court funding for hearings in 2024/25 would be \$4.565 million and approximately \$5.642 million would be available for activity funding.
- All applicants in funded hearings would receive equal treatment, but the Crown contribution they each receive will be substantially lower than previously. However, applicants may be able to work together to reduce costs to enable their hearings to proceed within the available funding.

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Activity funding would be reduced by around \$1.000 million from what has been spent in previous years.

Option 4 – prioritise activity funding

No funding would be provided for hearings until the total activity spend for the year is known (likely the end of the third quarter – 31 March 2025). The total cost of court funding for hearings in 2024/25 could be approximately \$3.530 million if activity funding remains at the same level as previous years (\$6.678 million). However, activity funding would be able to increase to as much as \$10.208 million if required (i.e. leaving no funding available for the 2024/25 hearings).

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This is the most administratively complex option and would provide the least certainty for applicants and the Crown.