

The Treasury

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Cabinet Document Details

Title: **Cabinet Minute CAB-20-MIN-0219.01: COVID-19: Response and Recovery Fund Foundation Package: Wage Subsidy Scheme Extension**

Date: **11 May 2020**

Creator: Cabinet Office

Information Withheld

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 sections of the Act that would apply have been identified.

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Key to sections of the Act under which information may have been withheld:

- [1] 6(a) - to avoid prejudice to the security or defence of New Zealand or the international relations of the government
- [2] 6(b)(i) - to avoid prejudice the entrusting of information to the Government of New Zealand on a basis of confidence by the Government of any other country or any agency of such a Government
- [4] 6(c) - to avoid prejudice to the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial
- [11] 6(e)(vi) - to prevent serious damage to the economy of New Zealand by disclosing prematurely decisions to change or continue government economic or financial policies relating to the entering into of overseas trade agreements
- [23] 9(2)(a) - to protect the privacy of natural persons, including deceased people
- [25] 9(2)(b)(ii) - to protect the commercial position of the person who supplied the information or who is the subject of the information
- [26] 9(2)(ba)(i) - to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied
- [27] 9(2)(ba)(ii) - to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely otherwise to damage the public interest

- [29] 9(2)(d) - to avoid prejudice to the substantial economic interests of New Zealand
- [31] 9(2)(f)(ii) - to maintain the current constitutional conventions protecting collective and individual ministerial responsibility
- [33] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
- [34] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
- [36] 9(2)(h) - to maintain legal professional privilege
- [37] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice
- [38] 9(2)(j) - to enable the Crown to negotiate without disadvantage or prejudice
- [39] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage
- [40] not in scope
- [41] 18(c)(i) - that the making available of the information requested would be contrary to the provisions of a specified enactment
- [42] 18(d) - information is already publicly available or will be publicly available soon.

Where information has been withheld, a numbered reference to the applicable section of the Act has been made, as listed above. For example, a [23] appearing where information has been withheld in a release document refers to section 9(2)(a).

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Cabinet

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.

COVID-19: Response and Recovery Fund Foundation Package: Wage Subsidy Scheme Extension

On 11 May 2020, Cabinet:

- 1 **agreed** to introduce a targeted extension to the Wage Subsidy Scheme on 10 June 2020, at an estimated cost of \$2.6 billion to \$3.2 billion, after the current Wage Subsidy Scheme ends on 9 June 2020;

Eligibility

- 2 **agreed** that the same entity-eligibility rules, employee eligibility rules, employer obligations, and state sector eligibility determinations will apply to the targeted extension to the Wage Subsidy Scheme as apply to the current Wage Subsidy Scheme;
- 3 **agreed** that instead of the current 30 per cent revenue drop test, the business must have suffered, or expect to suffer, a revenue loss of at least 50 per cent for the 30 day period prior to the application date *versus* the nearest comparable period last year;
- 4 **agreed** that high growth firms and new firms can demonstrate revenue loss using a more recent comparison time period (e.g, 1 January 2020 – 30 January 2020), in line with the approach taken in the current Wage Subsidy Scheme;
- 5 **agreed** that for pre-revenue start-up businesses that are seed or venture backed, or are Callaghan Innovation affiliated as of 17 March 2020, which have no other revenue other than government support and seed or venture capital, revenue loss will be demonstrated by a fall in projected capital income of 50 percent, in line with the approach taken in the current Wage Subsidy Scheme;
- 6 **agreed** that an employer cannot simultaneously claim under the targeted extension to the Wage Subsidy Scheme, the current Wage Subsidy Scheme, or the COVID-19 leave support scheme in respect of the same employee;
- 7 **agreed** that employers must use any surplus funding from the subsidy provided to fund other employees' wages where possible, and where this is not possible the excess should be returned to the Ministry of Social Development (MSD);

Payment and duration

- 8 **agreed** that the subsidy will be for 8 weeks, paid as a lump sum to the employer and at the same weekly rates as the current Wage Subsidy Scheme;

- 9 **agreed** that applications for the scheme will be open for a 12 week period from 10 June 2020 – 1 September 2020;

Scheme integrity

- 10 **noted** that MSD will administer the scheme and publish on its website some details of firms that have received the subsidy, in line with current practice;
- 11 **noted** that MSD is working to improve the integrity of the current Wage Subsidy Scheme;
- 12 **directed** officials to advise the Minister of Finance, the Minister for Economic Development, the Minister for Social Development and the Minister for Workplace Relations and Safety on any further administrative changes to the scheme based upon experiences to date;
- 13 **invited** the Ministers in paragraph 12 above to report back to Cabinet with any proposed changes to the administration of the scheme;

Financial and other recommendations

- 14 **authorised** the Minister of Finance, the Minister for Economic Development, the Minister for Social Development, and the Minister for Workplace Relations and Safety to make technical or minor implementation changes;
- 15 **noted** that the above Ministers will report back to Cabinet on any changes made;
- 16 **approved** the following change to appropriations to fund the targeted extension to the Wage Subsidy Scheme 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
Non-Departmental Other Expenses:					
Business Support Subsidy Covid-19	3,200	-	-	-	-
Total Operating	3,200	-	-	-	-

- 17 **noted** that there is uncertainty in the cost estimate due to uncertainties in the current economic environment;
- 18 **noted** that MSD may need additional funding to establish, administer and/or pay the scheme and to audit the scheme retrospectively, and the Minister for Social Development will report back to Cabinet if more funds are required;
- 19 **agreed** that 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;
- 20 **agreed** that the operating balance impact be charged against the COVID-19 Response and Recovery Fund established as part of Budget 2020;

- 21 **noted** that the spending profile of the targeted extension to the Wage Subsidy Scheme is highly uncertain and requires the in-principle transfer of up to \$3,200 million of operating from 2019/20 to 2020/21;
- 22 **authorised** the Minister of Finance and the Minister for Social Development jointly to agree the final amount to be transferred, within the policy settings agreed, following completion of the 2019/20 audited financial statements of the Ministry of Social Development or beforehand if necessary, with no impact on the operating balance and/or net core Crown debt across the forecast period.

Michael Webster
Secretary of the Cabinet