

The Treasury

Budget 2020 Information Release

July 2020

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- [29] 9(2)(d) - to avoid prejudice to the substantial economic interests of New Zealand
- [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
- [35] 9(2)(g)(ii) - to maintain the effective conduct of public affairs through protecting ministers, members of government organisations, officers and employees from improper pressure or harassment;
- [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
- [42] 18(d) - information is already publicly available or will be publicly available soon.

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Treasury Report: Process update on COVID-19 Response and Recovery Fund (CRRF)

Date:	24 April 2020	Report No:	T2020/1195
		File Number:	BM-2-6-2020 (Contingency 2020)

Action sought

	Action sought	Deadline
Minister of Finance (Hon Grant Robertson)	Agree the recommendations in the paper	28 April 2020

Contact for telephone discussion (if required)

Name	Position	Telephone	1st Contact
Phoebe Sparrow	Analyst, Budget Management	[39]	n/a (mob) ✓
Kamlesh Patel	Team Leader, Fiscal Reporting		n/a (mob)

Minister's Office actions (if required)

Return the signed report to Treasury.

Note any feedback on the quality of the report

Enclosure: No

Treasury Report: Process update on COVID-19 Response and Recovery Fund (CRRF)

Purpose of Report

- 1. This report outlines the process for developing new spending packages to be charged against the COVID-19 Response and Recovery Fund (CRRF). It confirms the assessment framework and timelines as discussed with you on Thursday 16 April.
- 2. To progress this work, we would like to understand your preference for the inclusion of Treasury-led initiatives and shovel-ready infrastructure projects into the decision making process for the CRRF on 11 May.

Assessment of Ministers' submissions

- 3. Agencies are preparing initiative templates on behalf of Ministers to be submitted by 10am, Tuesday 28 April. The Treasury will review these prior to developing a package for your consideration by Friday 1 May. We intend to provide your Office with an initial list of initiatives on either Wednesday evening or Thursday morning.

Assessment process

- 4. We will be taking a targeted approach to the assessment of initiatives given the time available. An initiative would need to satisfy all the below criteria to progress to the assessment stage. Even if an initiative is not assessed, it will still be presented with the package that the Treasury provides to you on Friday 1 May.

Criteria	Rationale
Does this initiative directly relate to Wave 1 or 2 of the COVID-19 response and recovery?	This criteria would allow Wave 3 initiatives to be deferred, and other unrelated initiatives to be declined. In particular, this criteria will allow you to decline any unsuccessful Budget 2020 initiatives that have been resubmitted without a focus on the COVID-19 response or recovery.
Is the initiative investment ready?	This criteria allows initiatives with unclear costs or design parameters to be deferred until the policy has been fully designed and costed.
Has the agency demonstrated that this initiative cannot be funded from within baselines?	This criteria relates to the guidance to agencies about ensuring baseline funding options are explored before new funding is sought.
Is there another reason why this initiative should be considered? Please specify.	This provides discretion for the Treasury to assess initiatives that are likely to be supported, despite one or more of the above criteria not being met. For example, some urgent initiatives may require contingencies due to uncertain costs.

5. If an initiative meets the above criteria, the Treasury will then undertake a light-touch assessment using the following questions as a guide:
 - a **Link to COVID-19:** Has the agency demonstrated a clear link to the Government's plan to respond to and recover from COVID-19?
 - b **Outcomes:** Is the agency clear on what wellbeing outcomes this initiative seeks to achieve?
 - c **Government objectives for the economy:** Does the initiative contribute to a productive, sustainable and inclusive economy?
 - d **Options analysis:** Has the agency completed genuine options analysis? Is there a clear case for investing in the preferred option?
 - e **Costings:** Has the agency presented a clear cost breakdown? Are scaling options included? Can this initiative be scaled to improve alignment with these assessment criteria?
 - f **Timing:** Does spending on the initiative need to start immediately?
 - g **Implementation readiness and evaluation:** Is this initiative implementation ready (i.e., is there a supporting business case)? Has the agency identified risks to implementation? If new FTE or contractors are required, is this feasible?
 - h **Implication if funding is not approved:** What are the consequences if the funding is not approved?
 - i **Cross agency implications:** Has the agency ensured that the initiative does not overlap with similar initiatives from other agencies? Has the initiative been developed with other agencies/stakeholders?
 - j **Consideration of Māori and Pacific peoples:** Is this proposal sufficiently tailored and targeted to meet the needs of Māori and Pacific communities?
6. The Treasury assessment will provide an indication of how closely aligned an initiative is to the assessment criteria, and provide a recommendation about whether to support, decline or defer each initiative.

Package development

7. Alongside the bottom-up assessment of initiatives, the Treasury is developing top-down frameworks for prioritising across the initiatives that are submitted (T2020/988 refers). Following the assessment stage the Treasury will consider the initiatives that meet the assessment criteria and advise you on those that will best support the response to and recovery from the impacts of COVID-19.
8. The Treasury will provide you further advice on the initiatives submitted by Ministers on Friday 1 May. This advice will likely present the initiatives grouped by their alignment to the waves of the recovery, a technical package (for fiscally neutral adjustment), and out of scope initiatives.
9. We can provide further advice to support your discussion with Budget Ministers in the week beginning 4 May. Final packages would need to be agreed mid-week for the Cabinet paper to be lodged on 8 May and approved on 11 May. As discussed, a press release will be prepared for Budget Day on the package of CRRF initiatives.

Infrastructure projects

10. A separate process is underway by Crown Infrastructure Partners (CIP) to compile a 'top ten' list of shovel-ready infrastructure projects, to be considered for the 11 May Cabinet meeting.¹
11. It is currently unclear how many of these projects will be submitted as agency bids in the CRRF process. Given the scope of the CIP work includes considering private sector and local government projects, the 'top 10' list may include projects that are not in the normal scope of government departments.
12. We intend to run a separate assessment process for these CIP-recommended infrastructure projects, and will provide recommendations to you alongside the broader COVID-19 expenditure process. We understand these projects will be shared with the Treasury in the coming week.
13. We would recommend that the supported infrastructure projects that require new funding be charged against the CRRF. We seek your view if you would like these to be included in the CRRF Cabinet paper for 11 May, or a separate Cabinet paper.

Broad-based fiscal stimulus options

14. As previously advised by the Treasury, a broad-based demand stimulus will be required to support the economy in the short term, in addition to targeted sectoral measures. The Treasury is developing separate advice on options for a demand stimulus, which we will provide you on 1 May alongside our advice on CRRF initiatives and their impact on your fiscal strategy.

¹ CIP and the Infrastructure Reference Group are still intending to deliver a full list of recommended projects in the first half of May.

Recommended Action

We recommend that you:

- a **note** that the Treasury is coordinating a process to assess ministerial submissions of new spending initiatives to be charged against the COVID-19 Response and Recovery Fund (CRRF) for consideration in a Cabinet paper on 11 May 2020
- b **note** that the Treasury will be taking a targeted approach in assessing ministerial submissions relating to Waves 1 and 2 of the Government's response to COVID-19
- c **note** that the Treasury will provide advice on ministerial CRRF submissions on 1 May
- d **note** that the Treasury will provide advice on broad-based demand stimulus measures on 1 May to be considered alongside advice on ministerial CRRF submissions
- e **agree** to consult Budget Ministers on near-final packages on Wednesday 6 May prior to the lodgement of the 11 May Cabinet paper, and

Agree/disagree

- f **agree** to include CIP-recommended infrastructure projects in scope of the package of initiatives to be considered by Budget ministers in the week beginning 4 May

Agree/disagree

Kamlesh Patel
Team Leader, Fiscal Reporting

Hon Grant Robertson
Minister of Finance