

# The Treasury

## COVID-19 Response and Recovery Fund Reporting Information Release

August 2021

This document has been proactively released by the Treasury on the Treasury website at

<https://www.treasury.govt.nz/publications/information-release/covid-19-response-and-recovery-fund-reporting>

### 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.

Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

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

- [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
- [39] 9(2)(k) - to prevent the disclosure of official information for improper gain or improper advantage

Where information has been withheld, a numbered reference to the applicable section of the Act has been made, as listed above. For example, a [33] appearing where information has been withheld in a release document refers to section 9(2)(f)(iv).

### Copyright and Licensing

Cabinet material and advice to Ministers from the Treasury and other public service departments are © **Crown copyright** but are licensed for re-use under **Creative Commons Attribution 4.0 International (CC BY 4.0)** [<https://creativecommons.org/licenses/by/4.0/>].

For material created by other parties, copyright is held by them and they must be consulted on the licensing terms that they apply to their material.

### Accessibility

The Treasury can provide an alternate HTML version of this material if requested. Please cite this document's title or PDF file name when you email a request to [information@treasury.govt.nz](mailto:information@treasury.govt.nz).

Reference: T2020/3086

PD-5-7-7 (Reporting Cycle 6)

Date: 11 September 2020

To: Minister of Finance (Hon Grant Robertson)

Deadline: None

## **Aide Memoire: Sixth report on delivery of specific COVID-19 Response and Recovery Fund (CRRF) and Budget 2020 initiatives**

### **Background**

On 28 August 2020, the Treasury provided you and the Implementation Unit (IU) with the fifth report on the delivery progress of the 115 funded initiatives that the IU is tracking (T2020/2831 refers). This included initiatives funded through the COVID-19 Response and Recovery Fund (CRRF) and Budget 2020. All updates on progress since 28 August in the attached slide pack are based on information provided by the agencies responsible for the delivery of these initiatives.

This is the sixth progress report. This report includes the additional information you requested on the NZ Trade and Enterprise (NZTE) spending, the Tourism Sector Recovery Fund, and the Education portfolio. The next report will include analysis on the Conservation portfolio.

### **Overview**

In addition to the updates provided by agencies in the slide pack, the sixth report includes the following analysis:

- Overview of Implementation Unit initiatives – Annex A
- Allocated and actual spending by portfolio (as at 7 September 2020) – Annex B
- Upcoming announcements to October (as at 7 September 2020) – Annex C
- Additional analysis on NZTE spend – Annex D
- Additional analysis on the Tourism Sector Recovery Fund – Annex E
- Additional analysis on the Education portfolio – attached Aide Memoire T2020/3041

## Analysis

The total allocated operating expenditure (OPEX) and capital expenditure (CAPEX) for all 115 initiatives is \$29,407.4 million OPEX and \$3,240.8 million CAPEX. Annex A provides an overview of these initiatives against the Government's broader investment landscape, and key updates for the sixth report.

### Sixth Report Highlights

#### *Key Indicators*

Total spending to date has increased by \$1,266.3 million (+8.83%) since the first report to \$15,604.6 million (58.1% of total allocated OPEX for 2019/20 and 2020/21)<sup>1</sup>. This includes the increase in spending on the wage subsidy schemes and the administration costs for MSD of \$960.9 million to a total of \$13,384.9 million (84% of total allocated OPEX for 2019/20 and 2020/21). Since Report five, there has been \$309.2 million additional spending (including \$254.2 million of additional wage subsidy spending).

See Table 1 below and refer to Annex B for a more detailed comparison:

**Table 1: Total OPEX allocated and spending to date for IU initiatives**

<i>For 115 initiatives</i>	<i>Total OPEX allocated (including out-years)</i>	<i>Total OPEX allocated (2019/20 &amp; 2020/21)<sup>2</sup></i>	<i>Spending to date (as of sixth report)</i>	<i>Change from first report \$ (%)</i>	<i>Spending to date as a % of OPEX allocated (2019/20 &amp; 2020/21)</i>
Total including wage subsidy scheme (WSS)	\$29,407.4	\$26,865.6	\$15,604.6 <sup>3</sup>	\$1,266.3 (+8.83%)	58.1%
WSS	\$15,935.3	\$15,935.3	\$13,384.9	\$960.9 (+7.73%)	84%
Total excluding WSS	\$13,472.1	\$10,930.2	\$2,219.7	\$305.4 (+16%)	20.3%

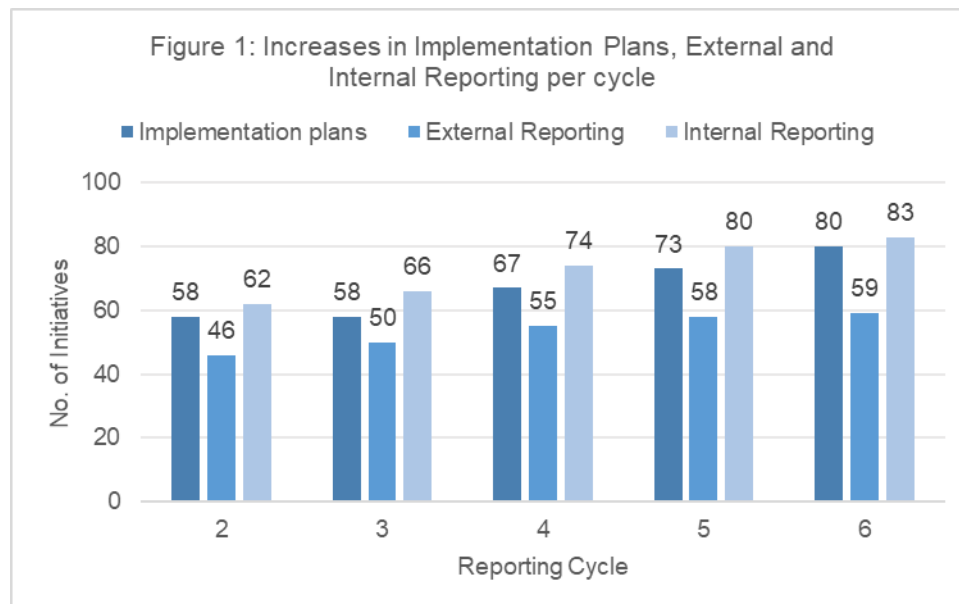
Of the 115 tracked initiatives, 38 initiatives have nil spend to date. 25 initiatives are existing programmes and 13 are new programmes. Of the 25 existing programmes – 7 initiatives are reporting that they have no implementation plans and no external reporting processes in place. Of the 15 new programmes – 4 initiatives are reporting that they have no implementation plans and no external reporting processes in place. Implementation plans and reporting processes are key early steps in the delivery process.

<sup>1</sup> This is based on information provided by agencies for this reporting process. You may have separately received more up-to-date information from other sources.

<sup>2</sup> This includes the \$5.1b March 17 Wage Subsidy funding but does not account for any approved In-Principle Expense Transfers or other transfer mechanisms for 2019/20 funding. Refer Aide Memoire T2020/2504 for more detail.

## Progress

Figure 1 below shows the change between each IU report to date. Specifically, it highlights the progress of implementation plans, and external and internal reporting processes developed between report two and report six. Reports four and five saw the biggest increases in the number of implementation plans and reporting processes put in place by agencies.



Spending (excluding the Small Business Cashflow Loan Scheme (SBCS) and the WSS) has increased by \$171.5m from reporting cycle one to six (see Figure 2 below). On average, spending has increased at a rate of 6% per reporting cycle. However, the largest increase occurred between reports two and three (+10%), driven by a change in expenditure reporting by Arts, Culture and Heritage and Broadcasting, Communications and Digital Media. Excluding this increase, the increase in spending between reports falls to an average rate of 2%.

<sup>3</sup> There has also been an adjustment of \$57.3m to the Tourism Sector Recovery Fund spending to reflect the actual drawn down spend to date. Previous figures reflected funding committed (\$78.7m).

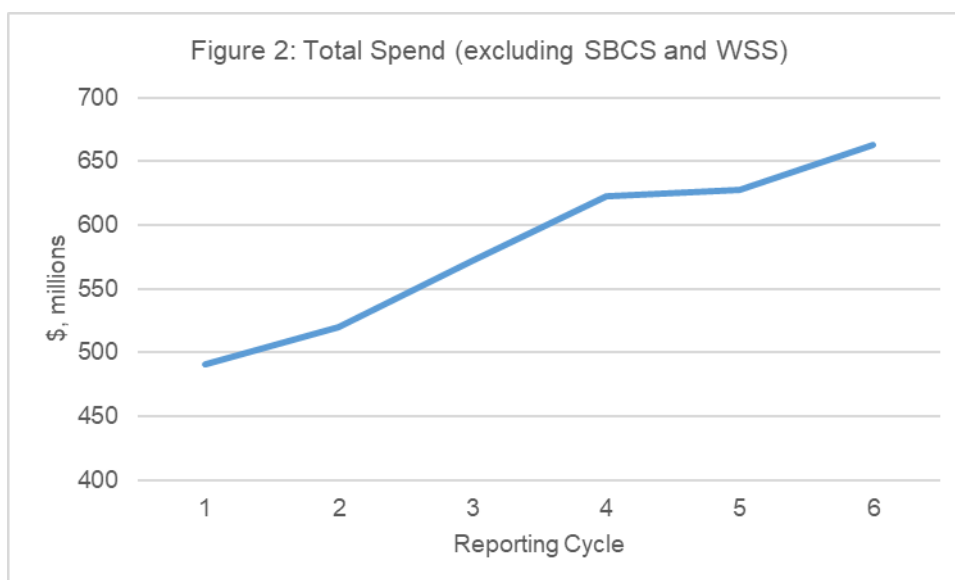


Table 2 summarises the status of the initiatives based on agency reporting as of report six:

**Table 2: Initiative status as of report six**

	No. of initiatives	% of Total Initiatives (115)
Number of initiatives with implementation plans	80 (↑7 from R5)	70%
Number of initiatives with external reporting	59 (↑1 from R5)	51%
Number of initiatives with internal reporting	83 (↑3 from R5)	72%
Number of initiatives with flagged risks	53 (↑2 from R5)	46%
Number of initiatives with flagged outcomes achieved <sup>4</sup>	45 (↑5 from R5)	39%

Annex B provides detailed information on allocated and actual spending by portfolio. Two portfolios with two initiatives have no spending as at 7 September 2020. These are the Minister for Courts (MoJ) and the Minister for Ethnic Communities (Office of Ethnic Communities). We will continue to monitor these portfolios.

The number of Ministerial announcements expected between now and the end of August are summarised in Table 3. Refer to Annex C for more detail on these announcements.

**Table 3: Number of upcoming Ministerial announcements**

Month	Number of expected announcements
September	17
October	7
November	1
TBC	2
<b>Total</b>	<b>27</b>

<sup>4</sup> This includes initiatives that have fully achieved outcomes or achieved outcomes in part.

Table 4 summarizes the number of initiatives by delivery status (i.e. where they are placed across the delivery lifecycle).

**Table 4: Number of initiatives by delivery status**

Delivery Status	Description	Number of Initiatives	OPEX Funding Allocated \$m	OPEX Spend to date \$m
Initiation	Understanding project goals, deadlines, priorities and risks	0 (-3 from R5)	0	0
Planning	Detailed planning underway including estimation & scheduling	41 (-1 from R5)	3,482.7	20.4
Delivery in progress	Delivery of project is being executed	61 (+4 from R5)	9,388.1	2,070.4
Delivery completed	Project delivery has been completed	-	-	-
Outcomes achieved & completed <sup>5</sup>	Project has delivered all benefits	2 (N/C from R5)	31.1	30.57

#### Additional portfolio analysis

As requested, Treasury Vote Teams have provided additional analysis on initiatives in the Education Portfolio, NZTE spending and the Tourism Sector Recovery Fund.

#### *New Zealand Trade and Enterprise (refer to Annex D for more information)*

NZTE received a baseline increase of \$216 million, or \$54 million per annum, to increase the intensity, reach and scale of their services to exporters, and as part of New Zealand's trade recovery. NZTE has already begun scaling up their services and are making progress towards doubling the number of focus customers from 700 to 1,400, hiring additional Business Development Managers in selected premium markets and increasing their digital commerce support to exporters.

#### *The Tourism Sector Recovery Fund (refer to Annex E for more information)*

A \$400m contingency, the 'Tourism Recovery Fund', was established through the May CRRF round for the purposes of cushioning the impact of COVID-19 on the tourism sector and to position the sector for recovery. Tourism Recovery Ministers have now allocated the entire contingency to various initiatives and all the funding has been drawn down into baselines for implementation, except for the funding for the DOC concessions waiver. This has not delayed implementation.

<sup>5</sup> This refers to initiatives that have fully delivered the outcomes expected and delivery has been completed.

All initiatives are progressing, some faster than others given the nature of some initiatives, such as the high contracting mandate associated with providing grants and loans directly to firms. The Treasury will be particularly interested in how the Minister of Tourism plans to monitor the impact of the initiatives in the Fund, particularly those which are aimed at fiscal stimulus and domestic tourism demand.

*Education (refer to attached Aide Memoire for more information)*

The attached Aide Memoire (T2020/3041 refers) looks at the progress on a number of CRRF-funded initiatives from Vote Education and Vote Tertiary Education for 2020/21, including a number of initiatives not currently monitored by the IU. Expenditure of these initiatives has been slower than anticipated, with 7.6% of \$851 million having been spent.

However, we do not consider the Ministry of Education (the Ministry) lacks capability, but rather delays have occurred due to unrealistic planning assumptions and spending profiles, timing of regular funding allocations to the Ministry, application-based and procurement-based initiatives taking time to get off the ground and, in some cases, demand being lower than expected.

We consider that delivery of initiatives may be improved through better coordination at the Ministry as well as continued monitoring. The Aide Memoire provides some suggested questions and potential next steps that you may wish to raise with the Minister of Education, either in writing or discussion.

### **Next steps and suggested follow-up**

We suggest you provide feedback on the slide pack and indicate what initiatives or areas you would like further reporting on, or no longer wish to monitor.

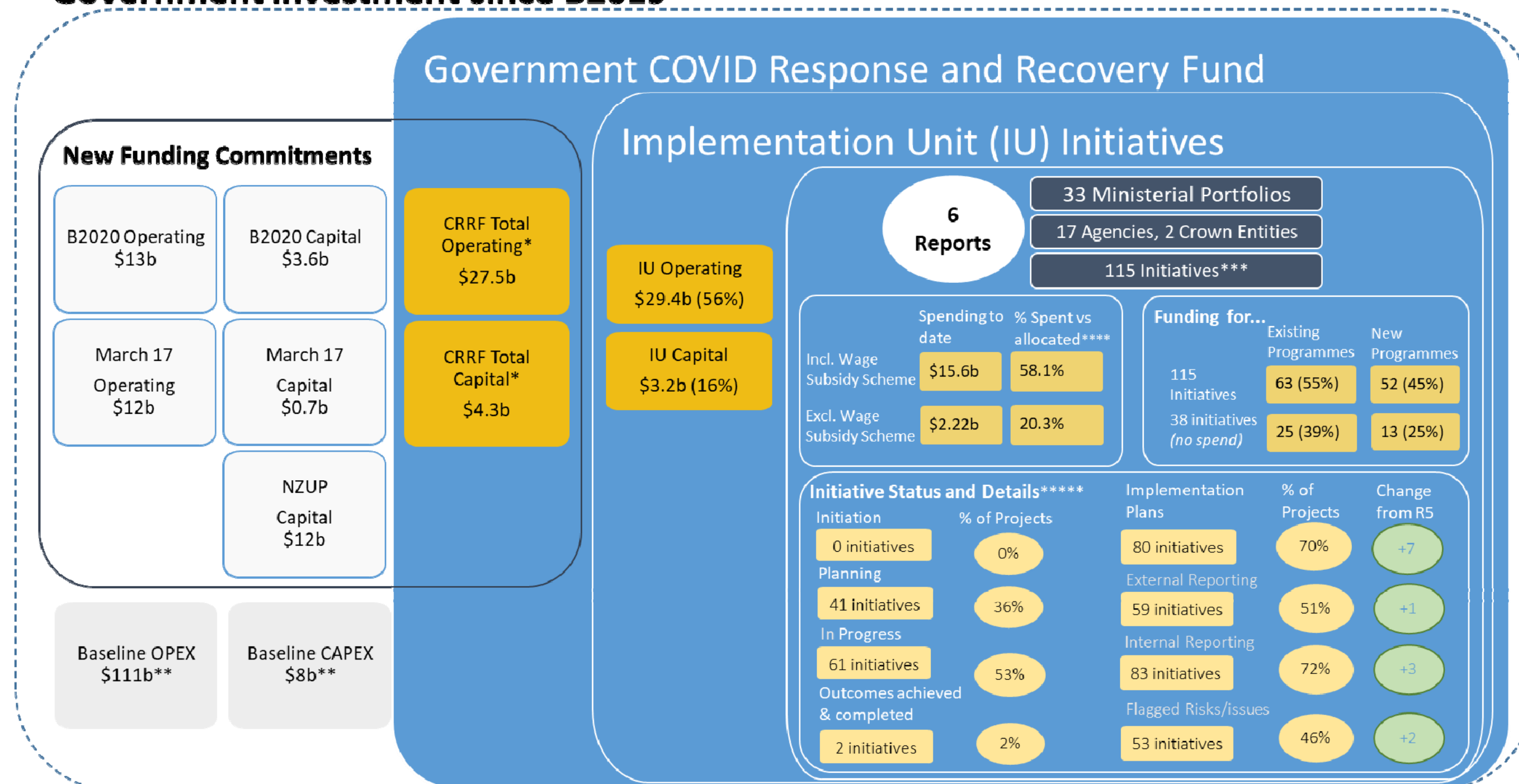
We intend to report to you and the IU next on 25 September 2020. This report will include additional analysis on initiatives in the Conservation portfolio. We expect to send you a final report based on agency reporting (Report 8) on Friday 9 October. We also suggest you provide feedback on when you would like to receive a concluding summary report on the progress of initiatives tracked by the IU to date.

Tadhg Walker, Analyst, Implementation Unit Support, [39]

Rima Khorshid, Senior Analyst, Implementation Unit Support, [39]

Megan Taylor, Manager, Strategic Performance Improvement, Implementation Unit Support, [39]

## Government investment since B2019



\*Excludes CRRF 2 funding

\*\*Interim Financial Statements of the Government of New Zealand for the ten months ended 30 April, 2020

\*\*\*This includes the IRG infrastructure initiative however, reporting on this has been agreed through a different process.

\*\*\*\*Allocated to 2019/20 and 2020/21 and does not exclude approved In-Principle Expense Transfers or other transfer mechanisms

\*\*\*\*\* The delivery status detail excludes the IRG infrastructure initiative and WSS-related initiatives.



Annex B: Allocated and actual spending by portfolio (as at 7 September 2020)

Portfolio	Number of initiatives	Total spending to date as at first report (\$m)	Change in spending (first to fifth report) (\$m)	Change in spending (fifth to sixth report) (\$m)	Total spending to date as at sixth report (\$m)	Total Budget OPEX Allocated (\$m)	% of Spending vs allocation (in 2019/20 & 2020/21)
Minister for Social Development (MSD)	23	12,439.5	786.4	276.9	13,502.8	17,180.5	80.1%
Minister of Revenue (IR)	3	1,510.0	137.8	13.2	1,661.1	5,022.0	23.5%
Minister of Health (MoH)	5	99.6	-1.8	0.0	97.7	367.1	55.5%
Minister of Education	14	33.5	11.3	3.3	48.1	1,678.9	5.2%
Minister for Racing (DIA)	1	41.2	6.7	0.2	48.1	52.5	91.5%
Minister of Research, Science and Innovation (MBIE)	2	45.8	0.0	0.0	45.8	118.4	38.8%
Minister of Broadcasting, Communications and Digital Media	1	18.1	21.5	0.0	39.6	50.0	79.2%
Minister of Transport (MoT)	2	13.2	20.2	3.8	37.2	242.2	15.4%
Minister for Small Business	3	22.7	0.0	0.0	22.7	37.3	60.7%
Minister of Tourism (MBIE)	1	78.7	-57.3	0.0	21.4	400.0	10.7%
Minister for Whānau Ora (TPK)	1	20.5	0.0	0.0	20.5	136.1	21.7%
Minister for Arts, Culture and Heritage	11	0.7	15.1	0.7	16.5	365.0	7.7%
Minister for Energy and Resources	1	2.6	8.1	4.9	15.6	56.4	55.2%
Minister of Agriculture (MPI)	2	2.1	2.3	2.6	7.1	34.2	29.7%
Minister for Sport and Recreation (Sport NZ)	2	4.6	0.1	0.0	4.7	266.7	3.1%
Minister for Children (Oranga Tamariki)	2	0.1	2.7	0.9	3.7	177.9	12.6%
Minister of Conservation (DOC)	3	0.0	0.5	2.2	2.7	501.8	1.8%
Minister for the Environment (MfE)	3	0.0	1.3	0.8	2.1	457.1	3.9%
Minister for Economic Development	3	0.2	0.8	0.7	1.7	279.5	1.9%
Minister of Internal Affairs (DIA)	2	0.6	0.5	0.4	1.4	61.9	5.4%
Minister of Housing	5	0.6	0.1	0.2	0.8	795.0	3.2%
Minister of Finance (TSY)	2	0.8	0.0	0.0	0.8	538.0	1.3%
Minister for Employment	4	0.1	0.5	0.1	0.6	244.5	1.0%
Minister for Pacific Peoples (MPP)	5	0.0	0.0	0.5	0.48	64.7	1.8%
Minister for Rural Communities (MPI)	1	0.1	0.2	0.0	0.3	15.6	3.9%
Minister for Māori Development (TPK)	3	0.0	0.0	0.3	0.3	33.8	1.7%
Minister for Biosecurity (MPI)	3	3.0	0.2	-2.9	0.3	160.0	0.6%
Minister for Workplace Relations and Safety	2	0.0	0.0	0.2	0.2	11.0	2.7%
Minister for Government Digital Services (DIA)	1	0.2	0.0	0.0	0.2	15.0	1.4%
Minister of Fisheries (MPI)	1	0.0	0.1	0.1	0.1	4.6	6.8%
Minister for Courts (MoJ)	1	0.0	0.0	0.0	0.0	37.9	0.0%
Minister for Ethnic Communities (Office of Ethnic Communities)	1	0.0	0.0	0.0	0.0	2.1	0.0%
Minister for Infrastructure	1	0.0	0.0	0.0	0.0	0.0	
<b>Grand Total</b>	<b>115</b>	<b>14,338.3</b>	<b>957.1</b>	<b>309.2</b>	<b>15,604.6</b>	<b>29,407.4</b>	<b>58.1%</b>

## Annex C: Upcoming announcements

Portfolio	Month	Date	Announcement description
Minister for Arts, Culture and Heritage	September	04/09/2020	<i>New Zealand Music Recovery Fund</i> : NZ Music Commission will announce the next round of recipients
	September	TBC	<i>Mātauranga Māori</i> : Funding allocations.
	October	29/10/2020	<i>Expansion of Creatives in Schools</i> : Results announcement of successful Schools and Kura of Round 2
Minister of Conservation	September	15/09/2020	<i>Protecting Nature</i> : Ministerial announcement of Kaimai-Mamaku in Tauranga
	September	17/09/2020	<i>Protecting Nature</i> : Ministerial announcement of Kiwis for Kiwis initiative
Minister for Economic Development	October	TBC	<i>Industry Policy</i> : Launch of draft digital technologies ITP
	November	TBC	<i>Industry Policy</i> : Launch of fund for EMF
Minister of Education	September	18/09/2020	<i>School Lunches</i> : Tender to be launched on GETS
	September	TBC	<i>Adult And Community Education (ACE)</i> : Funding application on TEC website for 2021 opens
	September	23/09/2020	<i>Targeted support for Pacific Learners and Families</i> : Announcement on Broker Fund for Auckland
	October	TBC	<i>Targeted support for Pacific Learners and Families</i> : Announcement of Pacific Education Fund
Minister for Employment	September	TBC	<i>Regional Skills Leadership Groups (RLSG)</i> : Announcement of the two remaining interim RSLGs
	September /October	TBC	<i>Maori Apprenticeships Fund</i> : Announce initial Māori entities chosen to deliver partnership initiatives
	October	TBC	<i>He Poutama Rangatahi</i> : announcements around expanding the scheme
Minister of Housing	September	TBC	Progressive Home Ownership Fund: Phase 1: Announcement on Second Group of Phase 1 contracts
Minister of Fisheries	TBC	TBC	<i>Fisher Support Network</i> : Reference to Fisher Support Network might be made as part of other Fisheries announcements
Minister for Government Digital Services	TBC	TBC	<i>Digital Skills</i> : Description of activity in Action Plan to be released
Minister for Pacific Peoples	September	TBC	<i>Tupu Aotearoa</i> : nationwide event when all existing Tupu providers confirm their updated contracts/volumes and funding (approximately 12 providers across 21 individual contracts covering 9 different regions).
	September	18/09/2020	<i>Toloa - Increasing Skills and Income Through Empowering Pacific Participation in STEM</i> : announcement re successful Community fund and Kenese applicants
	September	TBC	<i>Pacific Community Content</i> : Announcement re AOG effort for Pacific Communities
	October	TBC	<i>Tupu Aotearoa</i> : A separate launch event is expected for the successful Northland and Nelson/Marlborough providers, once selected
Minister for Rural Communities	September	TBC	<i>Mitigating the impacts on primary sector and rural communities</i> : Establishment of interagency community hub forum and COVID recovery report on uptake and services
Minister for Social Development	September	30/09/2020	<i>He Poutama Taitamariki</i> : Current work is underway for external marketing of HPT services accessibility. The collateral covers Brochures for Youth, Caregivers, Employer, General public, use of Social media platform, Marketing tools (Banners, Plinths and Virtual reality).
	October	1/10/2020	<i>Services To Support More Disabled New Zealanders</i> : Announcement of services
	October	TBC	<i>Covid-19: Boosting Building Financial Capability Services To Assist The Recovery Of Individuals And Whanau Impacted</i> : Announcement of additional funding allocation
Minister for Small Business	September	TBC	<i>Supporting Small Business into Digital Commerce</i> : press release from Minister for Small Business announcing initiatives and broader Small Business Enablement Strategy
Minister for Workplace Relations and Safety	September	TBC	<i>Investment in Labour Market Response</i> : outcome of fund applications announced

## Annex D: NZ Trade and Enterprise (NZTE) additional analysis

---

You have requested further information about New Zealand Trade and Enterprise's (NZTE) delivery of initiatives funded through the May CRRF round. Through CRRF, NZTE received \$216 million over the forecast period (\$54 million per annum) to expand their services to exporters as a response to the economic impacts of COVID-19. Through their baseline increase, NZTE will be looking to increase their level of support under three pillars: **intensity, reach and scale**. We have provided a summary of these pillars and their delivery based on information provided by NZTE.

### Intensity

The objective of this pillar is to significantly increase the number of exporters that receive intensive NZTE support. To achieve this, NZTE received **\$8 million** per annum to double the number of Focus customers they service from 700 to 1,400. Focus customers receive the most intense level of bespoke support from NZTE and are companies that have significant international growth potential on a scale that benefits New Zealand.

NZTE has been progressing with scaling up their services and is on track to double its focus customers from 700 to 1,400 by the end of the 2020/21 financial year. As of 7 September 2020, an additional 270 companies are now receiving a Focus engagement with NZTE, bringing the total number of Focus customers to over 970. The current year to date spend for assisting additional Focus customers is \$600,000.

As the number of NZTE's Focus customers have increased, **\$30 million** was provided to double the International Growth Fund (IGF) baseline to \$60 million. The International Growth Fund is available to NZTE Focus customers with less than \$500 million in international revenue. It specifically funds international growth projects that are considered beyond BAU, either involving new activities or adding value to existing activities. Projects are funded on a 40:60 government: customer basis. To further de-risk and accelerate export companies' international growth projects, NZTE is seeking to make minor changes to the International Growth Fund which require Cabinet approval. The Cabinet paper is currently scheduled for Cabinet consideration on 21 September.

### Reach

The objective of this pillar is to (i) increase the number of new export customers and (ii) help firms build capability and resilience through the utilisation of NZTE tools and services.

CRRF funding was provided to enable NZTE to scale up their digital portal "myNZTE" to service the entire export sector (12,000 companies). myNZTE was launched in June 2020 and is a free, online portal that gives exporters access to curated, in-depth information and guidance, including comprehensive market guides, research on emerging global trends, learning modules on export and capital raising and information on regulations, logistics and international compliance. For 2020/21, NZTE are aiming to service 4,000 myNZTE customers (with a target of 300 for Māori customers). To date, over 1700 customers have registered for myNZTE since launch.

\$2m has been invested in scaling up NZTE's support for digital commerce, which provides digital commerce content, tools and advice to exporters. NZTE are aiming to increase the amount of customers utilising digital services from 45 to 370 by the end of 2020/21. Digital services offered by NZTE include Beachhead advisors<sup>6</sup>, Digital Clinics, Export Essentials workshop, and market research. As of 7 September 2020, 138 Digital Clinics had been fully completed for individual exporters and a further 92 Clinics are underway with digital commerce experts. The current spend for these Digital Clinics is \$300,000.

A freight and supply chain service was established with CRRF funding. A Supply Chain Lead has been appointed and expert advisors are now in place for this new bespoke service.

While the funding for the Regional Business Partner COVID-19 Business Advisory Fund was funded separately to the \$216m baseline increase, NZTE are on track to service 10,000 customers through the Regional Business Partner Fund by the end of 2020/21, including 800 Māori customers. There is currently \$26 million still available in vouchers and it is expected to be fully utilised by November 2020.

## **Scale**

\$10 million was provided to increase the number of NZTE business development managers to provide on the ground assistance for exporters in selected premium markets with proven long-term demand for New Zealand products. NZTE have begun recruiting these managers, to bring the total from 217 to 260. Two thirds of all new international roles for Tranche 1 recruitment have now been appointed and will commence in September. The current 2020/21 spend on recruitment is \$600,000. \$4 million has been provided to NZ Story to develop a strategy to maintain, promote and broaden New Zealand's national brand appeal in priority markets. NZTE and NZ Story have launched a campaign, working alongside Tourism NZ and Ministry for Primary Industries, which focuses on building New Zealand's brand in the Food and Beverage and Ingenuity (Tech) sectors, and marketing New Zealand as a place for investment in innovation. Markets including Australia, China, USA and Japan are being targeted.

## **Implementation Challenges**

- As with any significant baseline increase, it may be challenging to scale up at pace. In particular, an increase of 700 to 1,400 Focus customers is substantial and it may take time to identify additional firms with the requisite growth potential to become focus customers, and identify projects to fund through the IGF.
- An ongoing challenge is that the domestic and international economic outlooks remain uncertain for exporters, and that delivery of support for NZTE's customers will need to be flexible to changing conditions so that support remains appropriate and effective.

---

<sup>6</sup> Beachhead advisors are private sector businesspeople with valuable expertise and commercial experience in exporting or entrepreneurship. NZTE engages Beachhead advisors to assist customers when they have a specific need, challenge or strategy to be developed.

- Supply chains may also be vulnerable and it is unclear whether international demand for New Zealand exports will increase due to factors outside New Zealand's control.

[34]

## **Annex E: Tourism Sector Recovery Fund additional analysis**

---

You have requested further information about delivery and implementation of the \$400 million tagged contingency 'Tourism Sector Recovery Fund' (the Fund), established through the May CRRF round. As you have been receiving MBIE's weekly updates on the Fund through the Tourism Recovery Ministers (TRM) group, we have only included some high level points for your consideration.

The Fund was established for the purpose of cushioning the impact of COVID-19 on the tourism sector, and to position the sector for recovery, including through measures which:

- are swift and simple to administer;
- aim to minimise economic scarring effects;
- include short-term liquidity and solvency support for firms where it is evident that existing solutions are deficient; and
- support the just transition of the sector to become more productive, sustainable and inclusive in the long term, including through Active Labour Market Policies.

### **Spending profile**

As of 10 September 2020, \$375 million of the contingency has been allocated, publically announced and drawn down into baselines for implementation by TRM. Announcement of the various initiatives which will support firms but also stimulate domestic demand was an important step to achieving the policy intent of the Fund because demand uncertainty is having a major impact on tourism firms.

The remaining \$25 million, in financial year 2020/2021, has been ring-fenced in principle by TRM for the Department of Conservation (DOC) Concessions Fee Waiver, more information on this initiative below. The spending profile and initiative allocation is as follows:

**Table 5: Spending profile and OPEX allocation per initiative**

Project	\$ million				
	2020/21	2021/22	2022/23	2023/24	TOTAL
<b>Strategic Assets Protection Programme (STAPP)</b>	<b>\$147.817</b>	<b>\$137.678</b>	-	-	<b>\$285.495</b>
<b>New Zealand Māori Tourism (through TPK)</b>	<b>\$10.000</b>	-	-	-	<b>\$10.000</b>
<b>Funding administration</b>	<b>\$1.250</b>	<b>\$0.300</b>	<b>\$0.200</b>	-	<b>\$1.750</b>
<b>Tourism Futures Taskforce</b>	<b>\$0.755</b>	-	-	-	<b>\$0.755</b>
<b>Development of COVID-19 Response plans</b>	<b>\$17.000</b>	-	-	-	<b>\$17.000</b>
Support through Qualmark	\$5.000	-	-	-	\$5.000
Support through New Zealand Māori tourism	\$2.000	-	-	-	\$2.000
Support through Regional Business Partners Network	\$10.000	-	-	-	\$10.000
<b>Building digital capability</b>	<b>\$10.000</b>	-	-	-	<b>\$10.000</b>
Qualmark Digital Capability	\$5.000	-	-	-	\$5.000
Digital Enablement Package	\$5.000	-	-	-	\$5.000
<b>Regional Events Fund</b>	<b>\$49.850</b>	<b>\$0.075</b>	<b>\$0.075</b>	-	<b>\$50.000</b>
<b>DOC Concessions Waiver</b>	<b>\$25.000</b>	-	-	-	<b>\$25.000</b>
<b>TOTAL</b>	<b>\$261.672</b>	<b>\$138.053</b>	<b>\$0.275</b>	-	<b>\$400.000</b>

### **DOC concessions waiver**

This \$25 million initiative was agreed by TRM in June 2020 for the purposes of easing cash flow pressures for COVID-19 affected tourism businesses that hold DOC concessions, and to fund the conservation activities and investment which concessions revenue from tourism normally contributes.

DOC has not yet provided TRM with a request to draw-down on the \$25 million allocated for the waiver of DOC concession fees but this is likely to occur within the next two weeks. This delay in drawing down the funding has not impacted the delivery of the policy objective of easing cash flow pressures. This is because relevant tourism businesses have been informed that their fees will be waived and so can better plan ahead. In addition, approximately 90-95% of those businesses who had already paid concessions for the period in which the waiver was granted have been administered refunds.

DOC is still determining how it will account for “waived fees” going forward, and will likely require concessionaries to submit activity reports so DOC knows how much it would have charged them had the waiver not been given. Once this detail is better worked out, DOC will draw down on the funding needed which will, in essence, compensate DOC for foregone revenue. Early estimates suggest DOC will only require approximately \$18 million.

## **STAPP - delivery of grants and loans**

For the grants component of the STAPP, all successful applicants have received their funding agreements and negotiations are at varied stages. The loans component of the STAPP is still in the contracting stage. Furthermore:

- The terms and conditions of the loans has been publically announced and MBIE are engaging with successful firms.
- As at Thursday 10 September, \$15,846,811 in grants has been paid to successful STAPP applicants. Of the 130 successful STAPP applicants, 81 have signed funding agreements and 70 have received their first payment.
- TRM will receive updates on the funding agreements and timing for the deployment of loans once this contracting phase is complete, this will include when firms are likely to expend the grant component and take up the loan component.

## **Delivery of other initiatives in the Fund**

It is important that this suite of initiatives is delivered as soon as possible, especially leading up to the summer season, as many have an objective of stimulating domestic demand. The Treasury does not have particular concerns with the way these initiatives are currently tracking, especially because TRM have only recently made final decisions on the full allocation of the Fund. Initiatives in the Fund which have not yet been fully implemented include:

- Regional events fund – details have been announced this week, MBIE are in the contracting phase with Regional Tourism NZ and Regional Tourism Organisations. Next step is assessment of investment plans provided by each International Marketing Alliance (IMA), before distribution of funds. Distribution will likely happen early November.
- Digital Capability initiative – details are expected to be announced in September, MBIE are in the contracting phase.

The Tourism Futures Taskforce has announced that an 'invitation to contribute' process is open from 1 September to 22 September for stakeholders in the wider tourism system to provide their view on the future of tourism. The Taskforce will provide an initial report by December 2020 and a final report in April 2021.



## Potential oversubscription of the Fund

Through finalising the cost of all the firms which would receive funding through the STAPP, MBIE highlighted the risk of the Fund being oversubscribed by up to \$6m. The Treasury have been engaging closely with MBIE on this and considered the risk of oversubscription to be low. This is because:

- As mentioned above, DOC may only need approximately \$18 million which will leave \$7 million remaining in the Fund to be re-prioritised;
- MBIE's engagement with the tourism sector so far tells us that some firms (we are not yet clear on how many) are unlikely to take up 100% of what they are eligible for through the STAPP loan scheme. This is because their willingness to take on significant additional debt, even at concessional rates, is low and when they applied for the STAPP, the funding that they asked for may have been based on it being treated as a grant rather than a loan; and
- Any other government funding received since they applied for STAPP two months ago (such as the extended wage subsidy scheme, 'resurgence' wage subsidy and DOC concessions) will be deducted from what they can receive through the STAPP.

MBIE expect to provide more concrete information on take-up to TRM within the next two weeks, once they have engaged with all successful firms with the terms and conditions of the loan. The Treasury is comfortable waiting for this information before progressing options to address the potential shortfall. If the short fall does eventuate, the Treasury's preferred option to address it would be re-prioritisation within the Tourism Recovery Fund. For example, giving TRM options around delaying funding or ceasing funding for other initiatives to cover this short-fall.

[34]