

The Treasury

COVID-19 Response and Recovery Fund Reporting Information Release

August 2021

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Reference: T2020/3230

PD-5-7-9 (Reporting Cycle 8)

Date: 9 October 2020

To: Minister of Finance (Hon Grant Robertson)

Deadline: None

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

Background

On 25 September 2020, the Treasury provided you and the Implementation Unit (IU) with its seventh report on the delivery progress of the 115 funded initiatives that the IU tracks (T2020/3152 refers). This included initiatives funded through the COVID-19 Response and Recovery Fund (CRRF) and Budget 2020. All updates on progress, presented in the attached slide pack, are based on information provided by the agencies responsible for the delivery of these initiatives.

This is the eighth progress report and includes the usual reporting provided in previous reports. It also includes an overview of reporting progress to date and the lessons learned across the reporting period. There is currently no date set for further progress reports. We intend to provide a Treasury Report to the incoming Minister of Finance, post-election, on future options for similar reporting.

Overview

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

- Overview of Implementation Unit initiatives – Annex A;
- Allocated and actual spending by portfolio (as at 5 October 2020) – Annex B;
- Progress report on key delivery indicators between report one and report eight – Annex C; and
- Lessons learned from the reporting process to date – Annex D.

Progress report

The total allocated operating expenditure (OPEX) and capital expenditure (CAPEX) for all 115 initiatives is \$29,407 million OPEX and \$3,241 million CAPEX. Annex A provides an overview of these initiatives against the Government's broader investment landscape, and key updates for the eighth report.

Total OPEX spending to date has increased by \$1,591 million (+11.1%) since the first report to \$15,929 million (59.3% of total allocated OPEX for 2019/20 and 2020/21).¹ This includes the increase in spending on the wage subsidy scheme and the administration costs for the Ministry of Social Development of \$1,102 million to a total of \$13,526 million (84.9% of total allocated OPEX for 2019/20 and 2020/21 for the scheme). Since the seventh report, there has been \$73.7 million of additional spending (including \$4.6 million of additional wage subsidy spending). See Annex B for a more detailed comparison.

In this report we include a report comparing progress made between the first report and this one. This progress report covers rate of spend, the creation of implementation plans and reporting, progression through delivery status, and frequency of updates. This report is attached as Annex C.

Lessons learned

At your request, we set up a small team to support the IU to track the progress of 115 initiatives funded through the CRRF and Budget 2020. This support role involves reporting on the progress of initiatives based on agency information. Over the last three months, we have provided you with seven fortnightly reports as well as this eighth report. These reports have evolved over time to include additional analysis and insights into key areas you are interested in and focus more on progress towards delivery of outcomes.

To facilitate any future discussion on options for future reporting, we have taken the opportunity to reflect on lessons learned across the reporting period (refer to Annex D for more detail). These are assessed against initial expectations set out by you in your letter to Ministers on 2 June 2020. The key observations suggest that more time spent on initial reporting design may provide more valuable information and advice. Taking time to design a targeted approach that leverages existing agency processes may provide more actionable insights, reduce the costs imposed on agencies, and provide greater assurance over the quality of the data.

Upcoming announcements

No agency reported any new announcements in cycle eight. The list of upcoming announcements remains unchanged from the list provided in the previous report, and so this report does not have an Annex on announcements.

¹ 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.

Next steps

We are interested in your feedback on this report and the reports you have received over this reporting period.

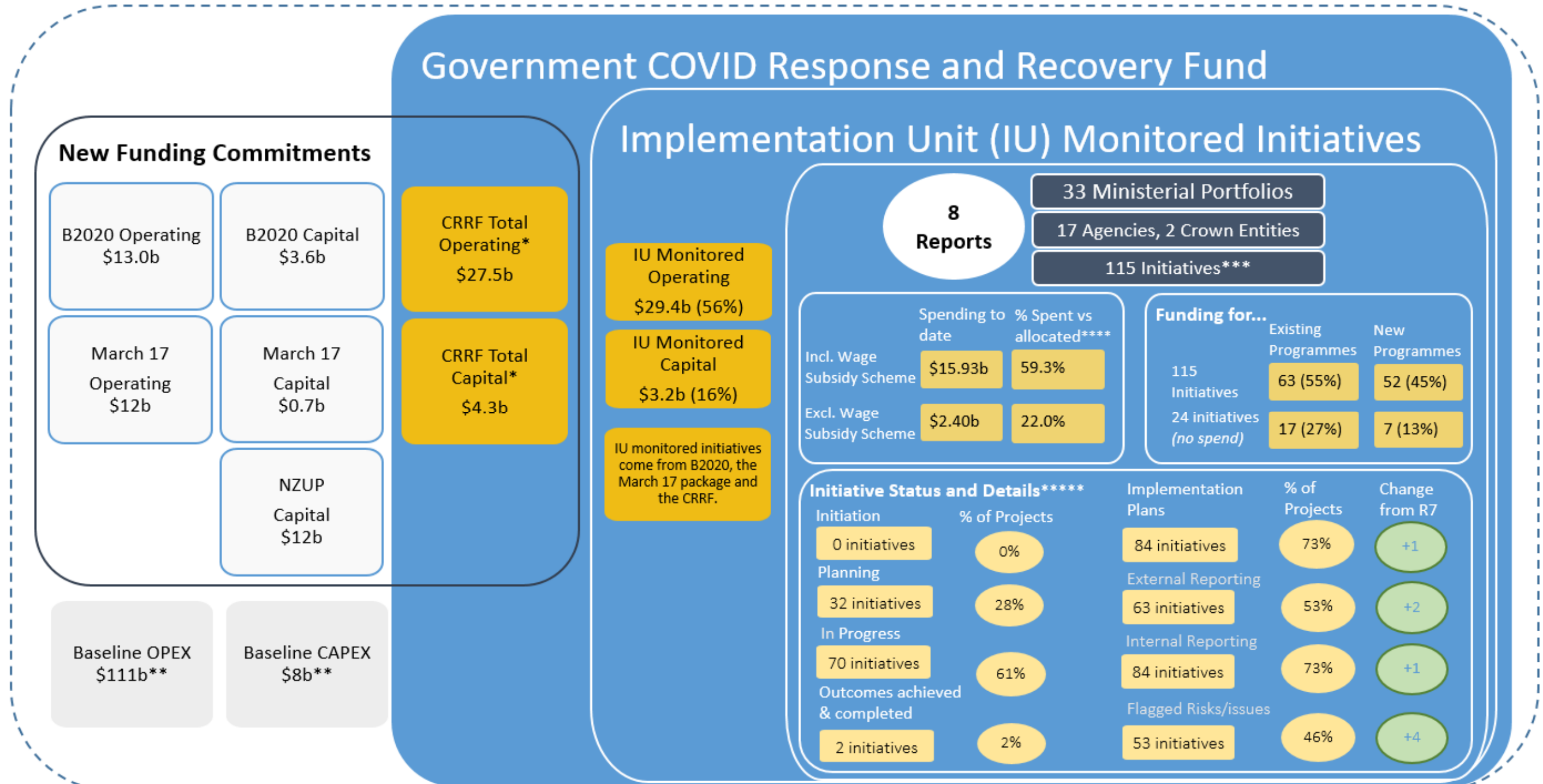
Following the election, we will look to engage with the incoming Minister of Finance to understand what future progress reporting could involve. We would work with the Minister of Finance and their office to understand the key objectives from progress reporting and ensure that it delivers information and analysis that suits the Minister's needs in an efficient and useful form.

Alex Rodgers, Senior Analyst, Implementation Unit Support, [39]

Tom Brooke, Team Leader, Implementation Unit Support, [39]

Annex A: Overview of Implementation Unit initiatives

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 5 October 2020)

Portfolio	Number of initiatives	Total spending to date as at first report (\$m)	Change in spending (first to eighth report) (\$m)	Change in spending (seventh to eighth report) (\$m)	Total spending to date as at eighth report (\$m)	Total Budget OPEX allocated (\$m)	% of spending vs allocation <i>(in 2019/20 & 2020/21)</i>
Minister for Social Development (MSD)	23	12,439.5	1,230.5	17.4	13,687.4	17,180.5	81.2%
Minister of Revenue (IR)	3	1,510.0	161.5	14.9	1,686.4	5,022.0	23.9%
Minister of Health (MoH)	5	99.6	-4.8	0.0	94.7	367.1	53.8%
Minister of Education	14	33.5	26.1	6.6	66.2	1,678.9	7.1%
Minister for Racing (DIA)	1	41.2	6.9	0.1	48.2	52.5	91.8%
Minister of Research, Science and Innovation (MBIE)	2	45.8	0.0	0.0	45.8	118.4	38.8%
Minister of Transport (MoT)	2	13.2	28.7	2.4	44.3	242.2	18.3%
Minister of Broadcasting, Communications and Digital Media	1	18.1	21.3	0.1	39.5	50.0	79.0%
Minister for Biosecurity (MPI)	3	3.0	34.1	0.0	37.1	160.0	82.8%
Minister for Whānau Ora (TPK)	1	20.5	8.2	0.0	28.7	136.1	30.4%
Minister for Arts, Culture and Heritage	11	0.7	15.8	9.5	26.0	365.0	12.1%
Minister for Energy and Resources	1	2.6	13.0	9.2	24.8	56.4	87.9%
Minister for Small Business	3	22.7	0.0	0.1	22.8	37.3	61.0%
Minister of Tourism (MBIE)	1	78.7	-57.3	0.0	21.4	400.0	10.7%
Minister for Sport and Recreation (Sport NZ)	2	4.6	12.0	0.0	16.6	266.7	11.1%
Minister for Economic Development	3	0.2	1.5	8.2	10.0	279.5	10.8%
Minister of Agriculture (MPI)	2	2.1	4.6	0.0	6.7	34.2	28.2%
Minister for Children (Oranga Tamariki)	2	0.1	4.5	0.9	5.5	177.9	18.9%
Minister of Conservation (DOC)	3	0.0	2.7	1.8	4.5	501.8	3.0%
Minister for the Environment (MfE)	3	0.0	2.5	1.5	4.0	457.1	7.4%
Minister of Internal Affairs (DIA)	2	0.6	1.7	0.7	3.0	61.9	11.4%
Minister for Māori Development (TPK)	3	0.0	1.4	0.1	1.5	33.8	10.4%

Portfolio	Number of initiatives	Total spending to date as at first report (\$m)	Change in spending (first to eighth report) (\$m)	Change in spending (seventh to eighth report) (\$m)	Total spending to date as at eighth report (\$m)	Total Budget OPEX allocated (\$m)	% of spending vs allocation <i>(in 2019/20 & 2020/21)</i>
Minister of Housing	5	0.6	0.4	0.0	1.0	795.0	3.8%
Minister of Finance (TSY)	2	0.8	0.0	0.0	0.8	538.0	1.3%
Minister for Pacific Peoples (MPP)	5	0.0	0.6	0.1	0.71	64.7	2.7%
Minister for Employment	4	0.1	0.6	0.0	0.6	244.5	1.0%
Minister for Workplace Relations and Safety	2	0.0	0.2	0.1	0.4	11.0	4.2%
Minister for Rural Communities (MPI)	1	0.1	0.2	0.0	0.4	15.6	4.5%
Minister for Government Digital Services (DIA)	1	0.2	0.0	0.0	0.3	15.0	1.7%
Minister of Fisheries (MPI)	1	0.0	0.1	0.1	0.2	4.6	10.2%
Minister for Ethnic Communities (Office of Ethnic Communities)	1	0.0	0.0	0.0	0.1	2.1	5.4%
Minister for Courts (MoJ)	1	0.0	0.0	0.0	0.0	37.9	0.0%
Minister for Infrastructure	1	0.0	0.0	0.0	0.0	0.0	
Grand Total	115	14,338.3	1,517.1	73.9	15,929.3	29,407.4	59.3%

Annex C: Progress report on key delivery indicators between report one and report eight

Overview

The total allocated operating expenditure (OPEX) and capital expenditure (CAPEX) for all 115 initiatives is \$29,407 million OPEX and \$3,241 million CAPEX. See Table 1 below and refer to Annex B for a detailed breakdown and comparison.

Table 1: Total OPEX allocated and spending to date for IU initiatives (\$millions)

<i>For 115 initiatives</i>	<i>Total OPEX allocated (including out-years)</i>	<i>Total OPEX allocated (2019/20 & 2020/21)²</i>	<i>Spending to date (as of eighth report)</i>	<i>Change from first report (%)</i>	<i>Spending to date as a % of OPEX allocated (2019/20 & 2020/21)</i>
Total including wage subsidy scheme (WSS)	\$29,407.4	\$26,867.2	\$15,929.1	\$1,590.8 (+11.1%)	59.3%
WSS	\$15,935.3	\$15,935.3	\$13,526.0	\$1,102.0 ³ (+8.9%)	84.9%
Total excluding WSS	\$13,472.1	\$10,931.9	\$2,403.1	\$488.8 (+25.5%)	22.0%

Spending progress

Spending (excluding the Small Business Cashflow Loan Scheme (SBCS), the Wage Subsidy Scheme (WSS) and Income Relief Payments (CIRP)) has increased by \$210.3 million from reporting cycle one to eight (see Figure 1 below). On average, spending has increased at different rates across the eight reporting cycles. However, the largest increase occurred between reports two and three with 8% driven by a change in expenditure reporting by Arts, Culture and Heritage and Broadcasting, Communications and Digital Media, and 12.8% between reports six and seven driven by a change in expenditure reporting by Biosecurity.

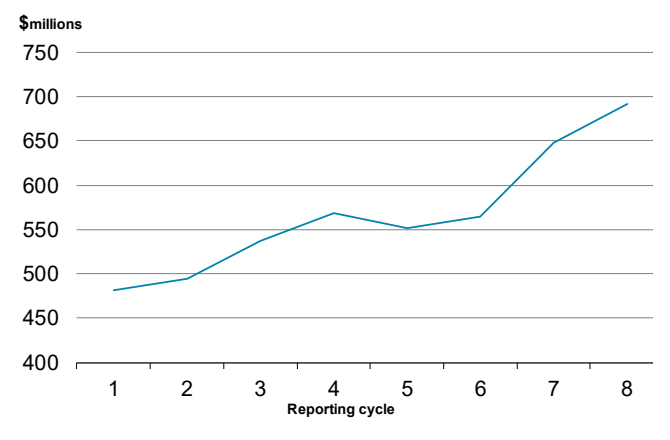
The decrease in spend between report four and five resulted from an amendment of \$57.3 million to reflect actual drawn down spend to date by The Tourism Sector Recovery Fund.

² This includes the \$5.1 billion 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.

³ Most of the wage subsidy scheme was spent prior to Implementation Unit reporting.

Of the 115 tracked initiatives, 24 initiatives have had no expenditure across the eight reports. Of those initiatives, 17 initiatives are existing programmes, out of which three have no implementation plans and no external reporting processes in place. Of the initiatives with nil spending, seven initiatives are new programmes, out of which two have no implementation plans and no external reporting processes in place.

Figure 1 – Total spend (excluding WSS, CIRP and SBCS)



Of these 24 initiatives, four initiatives are considered as “emergency” to respond to the impact of COVID-19 as reported on in the seventh report.

Agency plans and reporting

Table 2 summarises the status of the initiatives based on agency reporting as of report eight.

Table 2: Initiative status as of report eight

	No. of initiatives	% of total Initiatives (115)
Initiatives with implementation plans	84 (↑1 from R7)	73%
Initiatives with external reporting	63 (↑2 from R7)	55%
Initiatives with internal reporting	84 (↑1 from R7)	73%
Initiatives with flagged risks	53 (↑4 from R7)	46%
Initiatives with flagged outcomes achieved ⁴	48 (↑3 from R7)	42%

Figure 2 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 eight. Reports four and six saw the biggest increases in the number of implementation plans and reporting processes put in place by agencies.

⁴ This includes initiatives that have fully achieved outcomes or achieved outcomes in part.

Figure 2 – Initiatives progress against implementation plan, external reporting and internal reporting

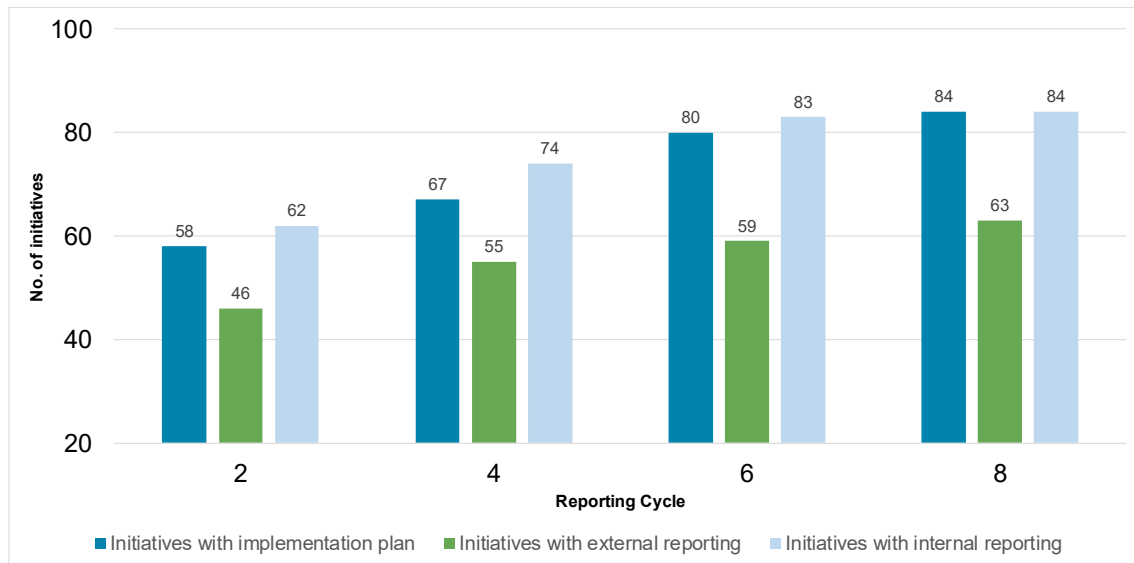


Table 4 summarises the number of initiatives by delivery status (i.e. where they are placed across the delivery lifecycle).

Table 4: Number of initiatives by delivery status

Delivery status	Description	Number of initiatives ⁵	OPEX funding allocated \$m	OPEX spend to date \$m
Initiation	Understanding project goals, deadlines, priorities and risks	0 (NC from R6)	-	-
Planning	Detailed planning underway including estimation & scheduling	32 (-3 from R7)	2,801.9	13.1
Delivery in progress	Delivery of project is being executed	70 (+3 from R7)	10,068.9	2,231.3
Delivery completed	Project delivery has been completed	-	-	-
Outcomes achieved & completed ⁶	Project has delivered all benefits	2 (N/C from R5)	31.1	30.6

⁵ The delivery status detail excludes the IRG infrastructure initiative and WSS-related initiatives.

⁶ This refers to initiatives that have fully delivered the outcomes expected and delivery has been completed.

Frequency of updates

Table 5 summarises the number of initiatives by the frequency of updates across the eight fortnightly cycles, excluding WSS and CIRP initiatives. 32 initiatives have reported updated information fortnightly, out of which only five initiatives reported a change in spend every fortnight. Of the initiatives tracked, 69% have provided an update that included change five times or less. Changes in spend occurred at an even lower rate, with 95% of initiatives reporting a change in spend five times or less.

Table 5: Number of initiatives by frequency of change updates

Frequency of updates across the eight cycles	Number of Initiatives with:	
	Any change	Spend change
≥ 6 times	32	5
3-5 times	47	21
< 3 times	25	78

Where an initiative is at in its lifecycle and the type of initiative heavily impacts on whether there is any reported change from report to report. More frequent reporting might be more valuable early on to ensure the initiative is set up for success. Once the initiative is in a delivery stage, change in status would depend on the type of initiative and its expected delivery timelines.

Annex D: Lessons learned from the reporting process to date

We have assessed the lessons learned across the reporting period against initial expectations set out by you in your letter to Ministers on 2 June 2020. The below may be useful to consider in any development and implementation of future reporting processes.

Establishing the core elements of the Budget 2020 and CRRF package in respective Minister portfolios

The current scope of IU reporting does not reflect a complete view of the Budget 2020 and CRRF package. The 115 initiatives included in IU reporting make up 49% (\$29.4 b) of total new committed operating funding in Budget 2020⁷. There could be other relevant factors, such risk profile or implementation capability of the agency, that mean there may be some initiatives in scope which might not need such active monitoring, and some initiatives outside of scope which potentially should be included.

Setting clear timelines and deliverables across initiatives

We reported on the timelines, spending and outputs achieved across initiatives, as informed by agency information. However, the quality and availability of this information varies across initiatives. This may be a result of:

- a. The lag between funding approval and implementation. The unprecedented nature of the pandemic required a fast and early response to COVID-19, meaning funding decisions were made quickly to support the response. However, time is needed to develop the right implementation strategies to ensure quality delivery of outcomes.
- b. Unclear guidance due to the speed at which the IU support team was set up and the top-down commissioning of reporting. There was little time to develop and provide agencies with standardised guidelines and language, resulting in varied quality and interpretation by agencies. With more time to reflect and advise on how to best provide the desired information, we could provide greater confidence on the quality of information provided and better analysis.

A more active shift towards reporting on delivery of outcomes and outputs highlights that spending to date is not a sole determinant of delivery progress. Spending across initiatives (excluding large demand-driven initiatives like the Wage Subsidy) was consistently slow. However, other activity across agency reporting has indicated progress to implement initiatives, including development of implementation plans, hiring of programme staff, ministerial approvals and committing funding.

⁷ This includes funding as part of CRRF.

Milestone setting and reporting progress against these milestones

We reported on key upcoming initiative milestones where available, to help present a picture on upcoming delivery outputs. However, initiatives progress at different speeds, resulting in different expected delivery milestones and milestone timelines. Therefore, it may be more valuable to categorise initiatives to understand what and when reporting on them may be most valuable. For instance, existing programmes receiving top-up funding or funding for 'emergency' initiatives may require more regular reporting than those on slower delivery tracks.

Outputs and outcomes New Zealanders will benefit from because of this programme

We provided, where available, agency information on outcomes and outputs achieved against initial agency expectations. However, the ease of assessing performance is varied depending on the nature of outputs and outcomes, and there are different timeframes for these (with some not expected in the short-term).

Other observations

This has been an iterative process which has required tight turnaround from agencies. A significant amount of momentum has been generated and agencies are increasingly integrating this as part of their reporting expectations. Leveraging the influence through the Prime Minister's and Minister of Finance's offices, in the setup of the Implementation Unit, has largely driven this response.

This highlights the importance of setting expectations around monitoring across agencies and the need to drive momentum to develop and implement reporting mechanisms. However, the value of high frequency reporting may diminish over time once these processes are put in place and expectations for reporting to Ministers are established with agencies.

Existing reporting should be leveraged more in any future design. IU reporting currently introduces an additional manual reporting requirement which has resulted in reporting fatigue and duplication, impacting the quality of the information being reported. There are a number of existing reporting processes in place in addition to current IU reporting. This includes reporting to the Employment, Education and Training secretariat, as well as other reporting processes agencies have in place (internally and externally). This environment creates additional costs to the system, including costs associated with ensuring consistency of information across different reporting requirements that are often unaligned. We believe it may be more useful to find ways to leverage existing reporting to provide a consolidated view rather than create new reporting mechanisms and content.

Direct feedback from agencies

Collaboration with the owners of this information (other agencies/departments) in designing and implementing reporting helps to maximise value whilst minimising the cost on them.

As a first step in understanding the cost implications to agencies, we engaged with a selection of them to better understand barriers to reporting, if any.

This feedback is summarised below:

- a. Reporting frequency does not align with other reporting requirements, resulting in workload pressures and/or inconsistencies in the information being reported to different stakeholders. Aligning with monthly or quarterly reporting cycles is considered more practical. This alignment would better ensure information can be included in existing processes and signed off by appropriate authorities (for example, by the Chief Financial Officer); further improving the quality and integrity of information reported. This reporting frequency has also meant tight turnaround times which have been difficult for large agencies to meet.
- b. Lead time is necessary as the quality of the information is also dependant on the mode of service delivery. Projects delivered by Crown entities or third parties (e.g. partners, community groups etc.) are more challenging to monitor. Contracts under negotiations with Crown Entities/other service delivery bodies can influence the type of information (financial and non-financial) available and the frequency of reporting.
- c. Quality of information reported varies depending on the size of the agency and internal capability. Ambiguity of information request results in agency interpretation of what information is needed. Guidance on what financial information is required will be needed in the future to ensure reduced misinterpretation (for example, expenditure to date or costs can be interpreted differently).
- d. Greater visibility across how agency information is translated to and used by Ministers provides valuable insight and direction for agencies. Ambiguity of how agency information is used by Ministers to make decisions provides greater uncertainty on the value of agency reporting. Greater transparency and sharing of end-product reporting to Ministers can provide useful feedback loops to agencies and their partners whose capacity is often consumed in collating and reporting this information.