

# The Treasury

## Advice on COVID-19 Response Information Release

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# Decisions by the COVID-19 Ministerial Group

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## COVID-19: Auckland Community Cases: Wage Subsidy Issues

**Portfolio**                      **COVID-19 Response**

On 17 August 2021, following advice that a community case of COVID-19 had been identified in Auckland, Cabinet authorised a group of Ministers comprising the Prime Minister, Deputy Prime Minister, Minister for COVID-19 Response and Associate Minister of Health (Hon Dr Ayesha Verrall) to have Power to Act to take decisions on Alert Level 4 timings and settings [CAB-21-MIN-0324].

Following discussions on 18 August 2021 with officials and Ministers, the group of Ministers with Power to Act:

### Background

1        **noted** that on 17 August 2021, Cabinet authorised the group of Ministers with Power to Act to activate the wage subsidy scheme and resurgence support payment scheme, and the activation settings (including payment levels) to allow for the schemes to be activated as a result of any Alert Level changes [CAB-21-MIN-0324];

### Activating the Resurgence Support Payment

2        **agreed** to activate the Resurgence Support Payment August 2021 Scheme (RSPAUG21);

3        **noted** that eligible businesses will be able to apply for a one-off payment under the RSPAUG21 from 8.00am on Tuesday, 24 August 2021;

4        **noted** that most firms will receive payment within two days of application;

5        **noted** that the closing date for applications will be one month after the date on which a national return to Alert Level 1 occurs;

### Order in Council

6        **noted** that a new Order in Council COVID-19 Resurgence Support Payment Scheme (August 2021) Order 2021 is required by Tuesday, 24 August 2021, to activate the RSPAUG21 from that day;

7        **authorised** the submission of the COVID-19 Resurgence Support Payment Scheme (August 2021) Order 2021 to the Executive Council;

8        **noted** that a waiver of the 28-day rule is sought so that the Order in Council is able to come into force by Tuesday, 24 August 2021, on the grounds that the COVID-19 Alert Level change necessitates providing financial support as soon as possible;

- 9 **agreed** to waive the 28-day rule so that the Order in Council can come into force by Tuesday, 24 August 2021;

### Financial implications

- 10 **noted** that a total of \$400 million was appropriated to meet the cost of RSPFEB21, RSPMAR21, and RSPJUL21 [CAB-21-MIN-0030, CAB-21-MIN-0042, and CAB-21-MIN-0247];
- 11 **noted** that the RSPAUG21 is expected to cost between \$300-600 million, subject to uptake and the evolving nature of the current COVID-19 resurgence event;
- 12 **agreed** that Cabinet approval will be sought for the financial implications resulting from activation of the scheme, including drawing down additional funding from the CRRF as required;

### Activating the Wage Subsidy Scheme

- 13 **agreed** to activate a nationwide wage subsidy scheme, the COVID-19 Wage Subsidy August 2021 scheme (WSSAUG21), with primarily the same settings agreed to by Cabinet in December 2020 [CAB-20-MIN-0531], from Friday, 20 August 2021;
- 14 **noted** that the seven day activation criterion to activate the scheme will be met within the Auckland and Coromandel regions, as it is anticipated the Alert Level escalation will remain in place for seven days;
- 15 **noted** that in light of the decision of Ministers with Power to Act and the circumstances outlined in the above paragraph, and in order to give certainty and to support businesses to comply with public health rules, the scheme is being activated before the seven days in Alert Level 4 has elapsed;
- 16 **agreed** to increase the Wage Subsidy Scheme (WSS) rate in line with private wage rate growth, which reflects the price of labour faced by employers, and would result in an increase from \$585.80 to \$600.00 (full-time) and from \$350 to \$359.00 (part-time);
- 17 **agreed** to increase the rates of the Leave Support Scheme (LSS) and Short-term Absence Payment (STAP) in line with the WSS rate;
- 18 **noted** that the Ministry of Social Development will implement the LSS and STAP rate change from 24 August 2021, following activation of the WSSAUG21;
- 19 **noted** that if Alert Level 3 or above is extended to last three weeks (21 days from the escalation at 11:59 on 17 August 2021) or more, meaning it remains in place at 11:59pm on 6 September 2021, the WSSAUG21 will be extended to provide a further payment;
- 20 **noted** that opening the WSSAUG21 on 20 August 2021, prior to the seven-day activation criterion being met on 24 August 2021, has flow-on effects for the timing of a second WSS payment;
- 21 **noted** that officials will provide further advice to the Minister of Finance and the Minister for Social Development and Employment on potential settings for a second WSS payment as soon as possible;

- 22 **noted** that the Ministry of Social Development will continue to administer the scheme using existing WSS integrity measures, such as pre-payment validation of application details with Inland Revenue and a manual check process where applications meet one or more integrity risk criteria;
- 23 **noted** that standing up the WSSAUG21 has resource impacts on the Ministry of Social Development, which will increase if the scheme is extended beyond the initial three-week period, and that therefore the Ministry may need to reprioritise within its wider work programme;

### **Wage Subsidy Scheme settings**

- 24 **agreed** to retain core WSS settings including a revenue decline test of 40 percent, employee retention obligations, pass-through requirements, and the scheme being available on a nationwide basis by default;
- 25 **agreed** that to be eligible for the wage subsidy, employers must have been affected by the escalation to Alert Level 3 or above, and:
- 25.1 the business is or will be affected by the national escalation in Alert Levels that began on 17 August 2021; and
- 25.2 the business has had or is predicting it will have a decline in revenue that is attributable to the national escalation in Alert Levels that began on 17 August 2021;
- 26 **noted** that businesses who receive a payment under the WSSAUG21 will be required to re-apply for each subsequent payment;
- 27 **invited** the Minister of Finance and the Minister for Social Development and Employment to report back to Cabinet on the ongoing availability and settings of the scheme every six weeks should it remain open at that point;
- 28 **agreed** that applicants to the scheme will utilise a revenue decline test period of 14 consecutive days during the period 11:59pm 17 August to 30 August 2021 inclusive;
- 29 **agreed** that the default comparator period for the revenue decline test for the WSSAUG21 be a typical 14-day consecutive period of revenue within the six weeks prior to the Alert Level 4 escalation on 17 August 2021;
- 30 **agreed** that employers that have highly seasonal revenue be allowed to use a 14-day comparator period that is either 12 or 24 months before their revenue decline test period if they can show that the seasonality in their revenue makes it harder to meet the revenue decline test with the default comparator period, than if their revenues were not seasonal;
- 31 **authorised** the Minister of Finance and the Minister for Social Development and Employment to jointly make decisions on revenue decline assessment periods, scheme settings should the scheme be extended beyond an initial two-week period, and other minor technical and policy decisions or operational settings for the WSSAUG21;
- 32 **noted** that exemptions previously provided to State Sector Organisations (including State Owned Enterprises) enabling them to apply for a COVID-19 Wage Subsidy Scheme will be automatically extended to the WSSAUG21, as previously agreed by Cabinet [CAB-21-MIN-043];
- 33 **noted** that officials are considering interactions between an LSS and WSS during an Alert Level 4 escalation, and will provide advice on this if further decisions are required;

**Treatment of pre-revenue firms**

- 34 **agreed** to clarify that to be eligible to apply for the WSS as a pre-revenue start-up firm, the business must:
- 34.1 be a research and development intensive ‘start-up’ business; and
  - 34.2 be a ‘seed’ or ‘venture’ backed; and
  - 34.3 be recognised by Callaghan Innovation as a legitimate research and development start-up business; and
  - 34.4 have no other revenue other than government support and seed or venture capital;
- 35 **noted** that the clarification that pre-revenue firms must be recognised by Callaghan Innovation is consistent with the requirements of WSS declarations to date;

**Treatment of commonly-owned groups**

- 36 **agreed** that commonly-owned groups (COGs) that use a shared employer across the group can only apply for the WSS as a whole group;
- 37 **agreed** that WSS applicants that apply as a shared-employer COG must base the revenue decline test on a complete and accurate representation of their business as a whole, reflecting changes in real world trading activity as opposed to internal transfers;

**Financial implications**

- 38 **noted** that wage subsidy costs are highly uncertain and depend on the specific public health scenario that eventuates, as well as business uptake decisions;
- 39 **noted** the following indicative cost estimates for a single, two-week lump sum payment of the WSSAUG21:

Scenario	WSSAUG21 cost (single, two-week lump sum)
National AL4 for 1 week or less	\$1,000 million
National AL4 for 2 weeks	\$2,000 million

- 40 **noted** that at this stage, the Ministry of Social Development will absorb the costs of administering the scheme from within existing baseline;
- 41 **noted** that after an expense transfer of underspends from 2020/21 is confirmed, there will be approximately \$900 million unspent in the Business Support Subsidy Covid-19 appropriation in 2021/22;
- 42 **agreed** to seek Cabinet approval for the financial implications resulting from activation of the scheme, including drawing down additional funding from the CRRF as required.