

The Treasury

Advice on COVID-19 Response Information Release

December 2021

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Treasury Report: Choice of impacted window for the purposes of a second Resurgence Support Payment

Date:	7 September 2021	Report No:	T2021/2307
		File Number:	SH-1-6-1-3-3-22

Action sought

	Action sought	Deadline
Hon Grant Robertson Minister of Finance	Respond to the recommendations in this report. Refer to the Minister for Revenue and the Minister for Small Business.	7 September 2021

Contact for telephone discussion (if required)

Name	Position	Telephone	1st Contact
Tayla Forward	Analyst, Regions, Enterprise and Economic Development ^[39]	N/A (mob)	✓
Jean Le Roux	Manager, Regions, Enterprise and Economic Development	n/a (mob)	

Minister's Office actions (if required)

<p>Return the signed report to Treasury. Refer the report to the Minister of Revenue and the Minister for Small Business.</p>

Note any feedback on the quality of the report

Enclosure: No

Treasury Report: Choice of impacted window for the purposes of a second Resurgence Support Payment

Recommended Action

We recommend that you:

- a **note** that the paper you are presenting to the COVID-19 Ministerial Group on 9 September, which seeks agreement to a second payment of the Resurgence Support Payment (RSP) under the RSPAUG21 scheme, will need to confirm the timing of the “impacted window”;
- b **note** that “impacted window” refers to the seven consecutive day period which applicants compare to a typical week in the six weeks prior to an Alert Level escalation in order to demonstrate a 30% revenue decline, as part of the eligibility criteria for the RSP;
- c **note** that the choice of impacted window for a second RSP impacts the fiscal cost of delivering a second payment under the scheme, and determines the degree to which additional fiscal support is targeted towards the most affected firms;
- d **note** that there are three options for the impacted window to commence, each tied to Alert Level changes:
 - i. on 18 August, when all of New Zealand was in Alert Level 4;
 - ii. on 31 August, when Auckland and Northland were in Alert Level 4 and regions south of Auckland were in Alert Level 3;
 - iii. on 8 September, when Auckland was in Alert Level 4 and regions outside of Auckland were in Alert Level 2;
- e **note** that option d(i) is most generous, likely costing \$700m in total; option d(ii) represents a middle-way, costing \$550m, but is not recommended as this is likely to generate confusion amongst applicants, given that areas outside of Auckland have now shifted down to Alert Level 2; and option d(iii) represents the strongest targeting of payments towards firms experiencing ongoing impacts, because firms in Alert Level 2 are likely to experience a rebound in revenue; option d(iii) is also expected to cost the least (\$430m);

EITHER:

- f **agree** that the commencement of the impacted period to be presented in your paper to CMG will be option d(i): 18 August 2021;

Agree/ Do not agree.

OR:

- g **agree** that the commencement of the impacted period to be presented in your paper to CMG will be option d(ii): 31 August 2021;

Agree/ Do not agree.

OR:

h **agree** that the commencement of the impacted period to be presented in your paper to CMG will be option d(ii): 8 September 2021;

Agree/ Do not agree.

i **refer** to the Minister for Revenue and the Minister for Small Business.

Referred/ Not referred.

Jean Le Roux
Manager Regions, Enterprise and Economic Development

Hon Grant Robertson
Minister of Finance

Treasury Report: Choice of impacted window for the purposes of a second Resurgence Support Payment

Purpose of Report

1. This report sets out the choices available for an impacted window for the purposes of a second Resurgence Support Payment ahead of the COVID-19 Ministerial Group meeting on this matter scheduled for 9 September 2021.

Options

2. You have agreed to a second Resurgence Support Payment (RSP) under the current period of elevated Alert Levels, to be implemented under the same settings as the RSPAUG21 [T2021/2218 refers].
3. This report seeks your decision on the choice of impacted window for the second payment, to be confirmed by the COVID-19 Ministerial Group on Thursday 9 September.
4. The “impacted window” refers to the seven consecutive day period which applicants compare to a typical week in the six weeks prior to an Alert Level escalation in order to demonstrate a 30% revenue decline, as part of the eligibility criteria for the RSP. This is the main determinant of the fiscal cost and level of targeting of a second RSP scheme.
5. We therefore suggest there are three options for the commencement of the impacted window for the second payment, each of which result in different estimated fiscal costs and different levels of targeting. These are outlined below.

Option 1 (from 18 August): Applications based on Alert Level 4 impacts – the most generous disbursement supporting social license objectives

6. Choosing the impacted period to be the same as in the first RSPAUG21 payment would result in all businesses who are eligible to apply for the RSPAUG21, or have done so already, being eligible to receive the second payment.
7. Under this approach, all applicants could qualify based on the impacts they experience or experienced under Alert Level 4.
8. This represents the most generous option, providing support to the greatest number of firms and resulting in the largest fiscal cost.
9. Many of these firms would now be operating at Alert Level 2, and no longer be suffering a qualifying level of revenue impact. In this way, the scale of fiscal support may exceed the scale of need for support for firms’ ongoing costs.
10. Nonetheless, to support social license for the ongoing restrictions, this generosity in making support widely available may be favourable.

Option 2 (from 31 August): Applications based on Alert Level 4 impacts for Auckland businesses, and Alert Level 3 impacts for businesses outside of Auckland – a middle-way (not recommended)

11. The window could be placed such that Auckland businesses would qualify based on the impacts they experience under Alert Level 4, while businesses outside of Auckland

would qualify based on the revenue impact they experience under Alert Level 3. This would provide a middling level of fiscal savings and targeting.

12. We do not recommend this option, as it could generate confusion amongst applicants, given that areas outside of Auckland have now shifted down to Alert Level 2. The initial days of Alert Level 3 are also likely to capture overhanging effects of Alert Level 4, reducing the targeting effect of this option.

Option 3 (from 8 September): Applications based on Alert Level 4 impacts for Auckland businesses, and Alert Level 2 impacts for businesses outside of Auckland - targeting ongoing impacts

13. To improve the targeting and reduce the fiscal cost of a second payment, the period in which applicants must demonstrate a revenue drop could be set to be after the most recent shift down in Alert Levels. This would mean that Auckland businesses would qualify based on the impacts they continue to experience under Alert Level 4, while all other firms would qualify based on the impacts they experience under Alert Level 2.
14. This approach means firms operating at lower Alert Levels must demonstrate that any recovery in business activity is insufficient to lift them above the 30% revenue drop level. Businesses operating under more restrictive conditions (e.g. in Auckland) will be more likely to be able to demonstrate the required revenue drop, and proportionately more support will be directed towards those businesses accordingly.
15. Firms impacted by the spill-over effects of Auckland's more severe restrictions (for example, supply chain disruptions constraining activity, or reduced or absent demand from Auckland) will remain eligible as long as they are able to demonstrate an ongoing revenue impact. Those experiencing pressures arising from the additional measures at Alert Level 2, expected to be particularly acute for the hospitality industry, will also be able to apply.

Financial implications

16. Estimated fiscal costs of the scheme under each of these options are given below.
17. Note these are initial estimates. Expected costs are subject to change as we develop our understanding of how the economic implications of Auckland remaining at AL4 affects other regions. The additional public health measures at Alert Level 2 are also expected to put additional pressures especially on the hospitality industry, for the economic impacts of which are yet to be quantified.

Table: Fiscal cost of second RSP payment with impacted period set during different public health scenarios

Impacted period commencing	Alert level		Total cost (\$ million)
	Auckland	RoNZ	
<i>Option 1: 17 August</i>	4	4	700
<i>Option 2: 31 August</i>	4	3	550
<i>Option 3: 8 September</i>	4	2	430