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Title: **Cabinet Paper: CAB-21-SUB-0328: Further Funding for Activating the COVID-19 Wage Subsidy and Resurgence Support Payment August 2021 Schemes**

Date: **20 August 2021**

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Minister of Finance

Chair, Cabinet

Further Funding for Activating the COVID-19 Wage Subsidy and Resurgence Support Payment August 2021 Schemes

Proposal

- 1 This paper seeks agreement to appropriate additional funds for the COVID-19 Wage Subsidy (WSSAUG21) and Resurgence Support Payment (RSPAUG21) schemes to help firms directly impacted by the increase in COVID-19 Alert Levels put in place at 11:59pm on Tuesday 17 August 2021.

Background

- 2 Cabinet agreed to delegate to the Prime Minister, Deputy Prime Minister, Minister for COVID-19 Response and Associate Minister of Health (the Delegated Ministers) the Power to Act in order to activate the Resurgence Support Payment and Wage Subsidy Scheme (CAB-21-MIN-0324 refers).
- 3 On 18 August 2021, Delegated Ministers agreed to activate both the RSPAUG21 and WSSAUG21 and agreed to seek Cabinet approval for additional funding for the RSPAUG21 and WSSAUG21.
- 4 I propose funding the schemes to cover Alert Level 4 continuing for 2 weeks nationwide and assuming strong demand for the schemes. If restrictions end up being lower and/or demand for the schemes is lower, then the expected costs would be lower and any underspends could be reallocated to support other COVID-19 expenditure. Similarly, if the demand for the schemes exceeds current estimates, the costs will end up higher and further funding will be needed.
- 5 The following table provides a high-level estimate for the costs of the schemes under two Alert Level scenarios:

Scenario	WSSAUG21	RSPAUG21	Total
AL4 across all of NZ – 2 weeks	\$1,800 to \$2,100 million	\$400 to \$600 million	\$2,200 to \$2,700 million
AL4 in Auckland, AL3 across rest of NZ – 2 weeks	\$1,200 to \$1,300 million	\$300 to \$400 million	\$1,500 to \$1,700 million

WSSAUG21 Scheme

- 6 For WSSAUG21, two weeks at Alert Level 4 nationwide is expected to cost up to approximately \$2.1 billion.
- 7 There remains approximately \$500 million in the Business Support Subsidy COVID-19 appropriation for the 2021/22 year. Cabinet previously agreed in-principle that any underspends in the Business Support Subsidy COVID-19 appropriations as at 30 June 2021 are to be transferred to the 2021/22 financial year [CAB-21-MIN-0096.19 refers]. This paper seeks early confirmation of a further \$500 million in-principle expense transfer for the Business Support Subsidy COVID-19 appropriation.

- 9 Therefore, in order to meet the upper estimated cost of the WSSAUG21 a further \$700 million of new funding is sought from the CRRF.

RSPAUG21 Scheme

- 10 For the RSPAUG21, two weeks at Alert Level 4 is expected to cost up to \$600 million, subject to demand for the payment.
- 11 There is \$193 million remaining in the COVID-19 Resurgence Support Payment appropriation therefore, if we assume a total cost of \$600 million, a further \$407 million of additional funding is required.
- 12 The funding sources for the two schemes are summarised as follows:

WSSAUG21 Scheme	(\$m)	RSPAUG21 Scheme	(\$m)
Current 21/22 balance	\$500	Current 21/22 balance	\$193
Existing funding	\$900		
<i>Expense transfers from 2020/21</i>	\$500		
<i>Recoveries in revenue transfer</i>	\$400		
New funding from CRRF	\$700	New funding from CRRF	\$407
Total available balance in Business Support Subsidy COVID-19	\$2,100	Total available balance in COVID-19 Resurgence Support Payment appropriation balance	\$600

COVID-19 Leave Support Scheme

- 13 Cabinet previously also agreed-in-principle that any underspends in the COVID-19 Leave Support Scheme as at 30 June 2021 are to be transferred to the 2021/22 financial year [CAB-21-MIN-0096.19 refers]. This paper also seeks early confirmation of the \$40 million in-principle expense transfer for the COVID-19 Leave Support Scheme appropriation.

Potential future payments under WSSAUG21

- 14 If Alert Level 3 or above is extended to last three weeks (21 days from the escalation at 11:59 on 17 August) or more, meaning it remains in place at 11:59pm on 6 September, the WSSAUG21 will be extended to provide a further payment [CVD-21-MIN-0004 refers].
- 15 Cabinet has previously authorised the Minister of Finance and the Minister for Social Development and Employment to jointly make operational changes and decisions on policy settings for the Wage Subsidy, but this delegation does not cover substantial funding decisions [CAB-20-MIN-0531 refers]. Officials are currently providing advice on potential settings for a second WSS payment.

- 16 This paper seeks authority to delegate funding decisions to the Minister of Finance and the Minister for Social Development and Employment, if the Alert Level decisions trigger a further payment of the WSSAUG21. The authority is to approve a maximum of \$2.2 billion of funding from the CRRF, which is an upper estimate of the funding required to cover a further two weeks under current payment settings.

Administration and Support

- 17 [33]

Financial Implications

- 18 This paper seeks a total of \$1107 million in additional operating funding to be charged against the CRRF, made up of \$407 million for the RSPAUG21 and \$700 million for the WSSAUG21.
- 19 This paper also delegates authority to joint Ministers to approve up to \$2.2 billion from the CRRF to cover possible future payments under the WSSAUG21.

Consultation

- 20 The following agencies were consulted in the development of this paper: the Ministry of Social Development, Ministry of Business, Innovation and Employment and the Inland Revenue Department.

Recommendations

The Minister of Finance recommends that Cabinet:

- 1 **note** that on 18 August 2021, the Prime Minister, Deputy Prime Minister, Minister for COVID-19 Response and Associate Minister of Health agreed:
 - 1.1 to activate the RSPAUG21 and WSSAUG21; and
 - 1.2 to seek Cabinet approval for the financial implications resulting from activation of the schemes including drawing down additional funding from the COVID-19 Response and Recovery Fund established as part of Budget 2020 (the CRRF) as required;
- 2 **note** that the following recommendations:
 - 2.1 agree to draw down \$1.107 billion for the RSPAUG21 and WSSAUG21 from the CRRF;
 - 2.2 delegate authority to joint Ministers to draw down up to a maximum of \$2.2 billion from the CRRF to cover possible future payments under the WSSAUG21;
- 3 **note** that the WSSAUG21 scheme is estimated to cost up to \$2.1 billion (in the case of two weeks at Alert Level 4 with strong demand for the payment), funded as follows:
 - 3.1 \$500 million currently in the Business Support Subsidy COVID-19 appropriation for the 2021/22 year
 - 3.2 \$500 million from an expense transfer from 2020/21 to 2021/22 due to underspends
 - 3.3 [33]

3.4 \$700 million of new funding from the CRRF;

4 note that the RSPAUG21 scheme is estimated to cost up to \$600 million (in the case of two weeks at Alert Level 4 with strong demand for the payment), funded as follows:

4.1 \$193 million currently in the COVID-19 Resurgence Support Payment appropriation for the 2021/22 year

4.2 \$407 million of new funding from the CRRF;

WSSAUG21/LSS: Confirmation of the in-principle expense transfers from 2020/21 to 2021/22

5 note that Cabinet has previously agreed in-principle that any underspends in the Business Support Subsidy Covid-19 and COVID-19 Leave Support Scheme appropriations as at 30 June 2021 be transferred to the 2021/22 financial year to ensure that funding is available for that purpose [CAB-21-MIN-0096.19, refers];

6 note that the final expenditure for 2020/21 has not yet been fully audited but that early confirmation of almost all the unaudited underspends is required to avoid the risk of unappropriated expenditure;

7 agree expense transfers of:

7.1 \$500 million for the Business Support Subsidy Covid-19 appropriation from 2020/21 to 2021/22; and

7.2 \$40 million for the COVID-19 Leave Support appropriation from 2020/21 to 2021/22;

8 approve the following changes to appropriations to provide for the decision in recommendation 7 above, with no impact on the operating balance and /or net core Crown debt across the forecast period:

Vote Social Development Minister for Social Development and Employment	\$m – increase/(decrease)				
	2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears
Non-Departmental Other Expenses:					
Business Support Subsidy Covid-19	500.000	-	-	-	-
Covid-19 Leave Support Scheme	40.000				
Total Operating	540.000	-	-	-	-

9 agree that the proposed change to appropriations for 2021/22 above be included in the 2021/22 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply;

[33]

10 [33]

11 [33]

12

- 1 **approve** the following changes to appropriations to provide for the decision in recommendation 12 above, with no impact on the operating balance and /or net core Crown debt:

	\$m – increase/(decrease)				
Vote Social Development Minister for Social Development and Employment	2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears
Non-Departmental Other Expenses:					
Business Support Subsidy Covid-19	400.000	-	-	-	-
Total Operating	400.000	-	-	-	-

- 2 **agree** that the proposed change to appropriations for 2021/22 above be included in the 2021/22 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply;
- 3 **agree** that any audit changes that reduce the amount of the revenue recognised from the Business Support Subsidy Scheme for 2020/21 to fund the increase in appropriation is charged against the CRRF and that the Minister of Finance and the Minister for Social Development and Employment will confirm the final amount charged;

WSSAUG21: Increased funding for COVID-19 Wage Subsidy August 2021 scheme

- 13 **note** that Wage Subsidy costs are highly uncertain and depend on the specific public health scenario that eventuates as well as business uptake decisions;
- 14 **note** that subject to the decisions taken above, there will be \$1.4 billion in the Business Support Subsidy COVID-19 appropriation;
- 15 **agree** to provide an additional \$700 million from the CRRF to meet the remaining estimated cost of the WSSAUG21 (assuming two weeks at Alert Level 4 with strong demand), bringing the balance in the appropriation to approximately \$2.1 billion;
- 16 **approve** the following changes to appropriations to provide for the decision in recommendation 15 above, with a corresponding impact on the operating balance and net core Crown debt:

	\$m – increase/(decrease)				
Vote Social Development Minister for Social Development and Employment	2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears
Non-Departmental Other Expenses:					

Business Support Subsidy COVID-19	700.000	-	-	-	-
Total Operating	700.000	-	-	-	-

- 17 **agree** that the expenses incurred under recommendation 14 be charged against the COVID-19 Response and Recovery Fund (CRRF) established as part of Budget 2020;
- 18 **agree** that the change to the appropriations for 2021/22 above be included in the 2021/22 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply;

RSPAUG21: Increased funding for Resurgence Support Payment August 2021 scheme

- 19 **note** 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, CAB-21-MIN-0247 refer], and \$192.9 million remains in the COVID-19 Resurgence Support Payment appropriation;
- 20 **agree** that the cost of the RSPAUG21 will be met from within the COVID-19 Resurgence Support Payment appropriation, and costs incurred in excess of the funds remaining in the appropriation will be met with \$407 million of additional funding subject to Cabinet approval; bringing the balance in the appropriation to approximately \$600 million;
- 21 **approve** the following changes to appropriations to provide for the decision in recommendation 20 above, with a corresponding impact on the operating balance and net core Crown debt:

	\$m – increase/(decrease)				
Vote Revenue	2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears
Minister of Revenue					
Non-Departmental Other Expenses:					
COVID-19 Resurgence Support Payment	407.000	-	-	-	-
Total Operating	407.000	-	-	-	-

- 22 **agree** that the expenses incurred under recommendation 20 be charged against the CRRF;
- 23 **agree** that changes to the appropriations for 2021/22 above be included in the 2021/22 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply;

Possible future payments under the WSSAUG21

- 24 **note** that if Alert Level 3 or above is extended to last three weeks (21 days from the escalation at 11:59 on 17 August) or more, meaning it remains in place at 11:59pm on 6 September, the WSSAUG21 will be extended to provide a further payment [CVD-21-MIN-0004 refers];
- 25 **note** that Cabinet has previously authorised the Minister of Finance and the Minister for Social Development and Employment to jointly make operational changes and decisions on policy settings for the Wage Subsidy, but this delegation does not cover substantial funding decisions [CAB-20-MIN-0531 refers];
- 26 **authorise** the Minister of Finance and the Minister for Social Development and Employment to agree appropriation changes for the Business Support Subsidy COVID-19 appropriation to

cover future payments under the WSSAUG21, up to a maximum of \$2.2 billion, to be charged against the CRRF; and

[33]

27 [33]

27.1 [33]

27.2

27.3

Authorised for lodgement

Hon Grant Robertson
Minister of Finance