

# The Treasury

## Advice on COVID-19 Response Information Release

December 2021

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### Cabinet Document Details

Title: **Cabinet Minute: CAB-21-MIN-0392: Wage Subsidy August 2021 Scheme: Six-week Review**

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**No information has been withheld.**

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# Cabinet

## Minute of Decision

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### Wage Subsidy August 2021 Scheme: Six-week Review

**Portfolios**                      **Finance / Social Development and Employment**

On 27 September 2021, Cabinet:

- 1        **noted** that the Wage Subsidy August 2021 scheme was activated by Ministers with Power to Act from 20 August 2021, in response to an escalation to COVID-19 Alert Level 4 that began on 17 August 2021 [CVD-21-MIN-0004];
- 2        **noted** that Ministers with Power to Act 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 Wage Subsidy August 2021 scheme every six weeks should it remain open at that point [CVD-21-MIN-0004];
- 3        **noted** that on 20 September 2021, Cabinet agreed that Auckland will remain in Alert Level 3 until at least 5 October 2021 [CAB-21-MIN-0379];
- 4        **agreed** to continue the Wage Subsidy August 2021 scheme for a further six weeks from 1 October 2021 should Alert Level 3 or higher remain in place anywhere in the country, with the same settings agreed by Ministers with Power to Act for the first six weeks of the scheme [CVD-21-MIN-0004], subject to paragraphs 5, 6 and 7 below;
- 5        **agreed** that applicants to the scheme will be required to use the following revenue test periods:
  - 5.1      payment four (WSSAUG21-4): 28 September 2021 to 11 October inclusive;
  - 5.2      payment five (WSSAUG21-5): 12 October to 25 October inclusive;
  - 5.3      payment six (WSSAUG21-6): 26 October to 8 November inclusive;
- 6        **agreed** that the Wage Subsidy weekly rate will continue to be \$600.00 for full-time and from \$359.00 for part-time employees;
- 7        **agreed** that, if a region moves from Alert Level 3 or 4 to Alert Level 2, or from Alert Level 2 to Alert Level 3 or 4 during a revenue test period, businesses in that region will be allowed to meet the revenue decline test by attributing their revenue decline to a combination of Alert Level 4, 3, and 2 effects, but not to Alert Level 2 effects alone;
- 8        **noted** that businesses which receive a payment under the Wage Subsidy August 2021 scheme will be required to re-apply for each subsequent payment;

- 9 **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;
- 10 **authorised** a further three payments be made available on the following basis ('Payment Triggers'):
- 10.1 payment four (WSSAUG21-4): if Cabinet decides that Alert Level 3 or 4 remains in place anywhere in New Zealand after 11:59pm on 1 October; and
- 10.2 payment five (WSSAUG21-5): if Cabinet decides that Alert Level 3 or 4 remains in place anywhere in New Zealand after 11:59pm on 15 October; and
- 10.3 payment six (WSSAUG21-6): if Cabinet decides that Alert Level 3 or 4 remains in place anywhere in New Zealand after 11:59pm on 29 October;
- 11 **noted** that the Ministry of Social Development (MSD) will open each further payment at approximately 9:00 am on the day of the relevant Payment Trigger (being 1, 15 or 29 October 2021), if Cabinet makes the relevant Alert Level decisions described in the Payment Trigger;
- 12 **agreed** that if, having made an Alert Level decision that triggers a payment under paragraph 10, Cabinet subsequently decides to lower an Alert Level below Alert 3 before a Payment Trigger takes effect, Joint Ministers will return to Cabinet to seek a further decision on the impact that lowering the Alert Level may have on Payments four, five or six;
- 13 **noted** that based on Cabinet's decision on 20 September that Auckland will remain in Alert Level 3 until at least 5 October 2021 [CAB-21-MIN-0379], the Payment Trigger for Payment four has been met;
- 14 **noted** the table at Appendix 1 to the submission under CAB-21-SUB-0392, which outlines key dates for the Wage Subsidy August 2021 scheme;
- 15 **authorised** the Minister of Finance and the Minister for Social Development and Employment, to jointly make decisions on revenue test periods and other minor and technical policy decisions or operational settings for the Wage Subsidy August 2021 scheme;
- 16 **noted** that the Minister of Finance will announce the availability of a Wage Subsidy August 2021 Payment four following Cabinet's decisions;

### Financial recommendations

- 17 **noted** that the estimated costs of payments under the Wage Subsidy August 2021 scheme are as follows:

Payment	Alert Level Settings	Cost
WSSAUG21-1	Whole of NZ at Alert Level 4	Around \$1.35 billion
WSSAUG21-2	Auckland at Alert Level 4, and the rest of New Zealand at Alert Level 3 for 8 days of the revenue period (moving to Alert Level 2)	Likely to cost between \$900 million and \$1 billion
WSSAUG21-3	Auckland at Alert Level 4 for 8 days of the revenue period (moving to Alert Level 3), and the rest of New Zealand remaining at Alert Level 2	Estimated to cost between \$550 and \$900 million
WSSAUG21-4	Auckland at Alert Level 3 for at least 8 days of the revenue period, and the rest of New	Estimated to cost between \$350 and \$650 million

## Zealand remaining at Alert Level 2

**Funding for Payments 1 - 3**

- 18 **noted** that on 20 August 2021, Cabinet authorised 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 Wage Subsidy August 2021, up to a maximum of \$2,200 million, to be charged against the COVID-19 Response and Recovery Fund (CRRF) [CAB-21-MIN-0328];
- 19 **noted** that Joint Ministers have approved increases in the appropriation totalling \$1,400 million under this delegation, bringing the total approved to date for the scheme to \$3,500 million;

**Funding for Payments 4 - 6**

- 20 **noted** that the decisions below provide for an additional \$650 million for the Wage Subsidy August 2021 scheme to cover Payment four, and delegate authority to approve further funding for the scheme to cover Payments five and six, if required;
- 21 **agreed** to provide an additional \$650 million to meet further costs of the Wage Subsidy August 2021 scheme to cover the estimated cost of Payment four;
- 22 **approved** the following changes to appropriations to provide for the decision in paragraph 21 above, with a corresponding impact on the operating balance and net core Crown debt:

	\$m – increase/(decrease)				
	2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears
<b>Vote Social Development</b>					
<b>Minister for Social Development and Employment</b>					
<b>Non-Departmental Other Expenses:</b>					
Business Support Subsidy COVID-19	650.000	-	-	-	-
<b>Total Operating</b>	<b>650.000</b>	-	-	-	-

- 23 **agreed** that the expenses incurred under paragraph 22 above be charged against the CRRF established as part of Budget 2020;
- 24 **agreed** 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;
- 25 **authorised** the Minister of Finance and the Minister for Social Development and Employment to agree further appropriation changes for the Business Support Subsidy COVID-19 appropriation to cover funding required for the Wage Subsidy August 2021 scheme, up to a maximum of \$2,000 million, to be charged against the CRRF;
- 26 **noted** that this replaces the delegation referred to in paragraph 18;

**Administration funding for MSD**

- 27 **noted** that the decisions below provide for a draw down of funding for the costs of administering the scheme and to delegate authority to draw down further funding to administer further payments of the Wage Subsidy August 2021 scheme;

- 28 **agreed** to provide an additional \$2 million to meet the costs of administering payments under the Wage Subsidy August 2021 scheme;
- 29 **approved** the following changes to appropriations to provide for the decision in paragraph 28 above, with a corresponding impact on the operating balance and net core Crown debt:

Vote Social Development Minister for Social Development and Employment	\$m – increase/(decrease)				
	2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears
<b>Multi-Category Expenses and Capital Expenditure:</b>					
Improved Employment and Social Outcomes Support MCA					
<b>Departmental Output Expenses:</b>					
Improving Employment Outcomes (funded by revenue Crown)	2.000	-	-	-	-
<b>Total Operating</b>	<b>2.000</b>	-	-	-	-

- 30 **agreed** that the expenses incurred under paragraph 29 above be charged against the CRRF established as part of Budget 2020;
- 31 **authorised** the Minister of Finance and the Minister for Social Development and Employment to approve up to \$1 million from the CRRF to cover the administration costs of possible future payments under the Wage Subsidy August 2021 scheme;
- 32 **agreed** 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.

Michael Webster  
Secretary of the Cabinet