

Reference: 20220024

25 February 2022

Dear [REDACTED]

Thank you for your Official Information Act request, received on 14 January 2022. You requested the following:

*Inland Revenue Briefing Note BN2021/533: 39% marginal tax rate update*

*Aide Memoire T2021/2520: The impact of trusts on the capitalised wealth distribution*

*Aide Memoire T2021/2899: SWC 17 November: Advice for COVID-19 papers*

*Treasury Report T2021/2560: Update on New Zealand's Emissions Reduction Plan and process ahead of CRMG meeting.*

On 27 January 2022, I wrote to you to transfer *Inland Revenue Briefing Note BN2021/533: 39% marginal tax rate update* to the Inland Revenue Department.

The remaining parts of your request have been extended by an additional 10 working days.

### Information being released

Please find enclosed the following document:

Item	Date	Document Description	Decision
1.	16 November 2021	Aide Memoire T2021/2899: COVID-19 papers at SWC on 17 November	Release in part

I have decided to release the document listed above, subject to information being withheld under the following section of the Official Information Act:

- direct dial phone numbers of officials, under section 9(2)(k) – to prevent the disclosure of information for improper gain or improper advantage.

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Direct dial phone numbers of officials have been redacted under section 9(2)(k) in order to reduce the possibility of staff being exposed to phishing and other scams. This is because information released under the OIA may end up in the public domain, for example, on websites including Treasury's website.

### **Information to be withheld**

There are two documents covered by your request that I have decided to withhold in full under the following section of the Official Information Act:

- advice still under consideration, section 9(2)(f)(iv) – to maintain the current constitutional conventions protecting the confidentiality of advice tendered by Ministers and officials.

<b>Item</b>	<b>Date</b>	<b>Document Description</b>	<b>Proposed Action</b>
2.	5 November 2021	Aide Memoire T2021/2520: The impact of trusts on the capitalised wealth distribution	Withhold in full
3.	19 November 2021	Treasury Report T2021/2560: Update on New Zealand's Emissions Reduction Plan and process ahead of CRMG meeting	Withhold in full

In making my decision, I have considered the public interest considerations in section 9(1) of the Official Information Act.

Please note that this letter (with your personal details removed) and enclosed documents may be published on the Treasury website.

This reply addresses the information you requested. You have the right to ask the Ombudsman to investigate and review my decision.

Yours sincerely

Reubhan Swann  
**Manager, Ministerial Advisory Service**

Reference: T2021/2899 SH-3-5



Date: 16 November 2021

To: Minister of Finance (Hon Grant Robertson)  
Associate Minister of Finance (Hon Megan Woods)  
Associate Minister of Finance (Hon David Parker)

Deadline: SWC on 17 November at 10am

## **COVID-19 papers at SWC on 17 November**

There are three related COVID-19 Protection Framework (CPF) papers being considered at the Social Wellbeing Committee (SWC) on 17 November at 10am. Cabinet has given SWC powers to act to take decisions on the *COVID-19 Minimisation and Protection approach – changes to testing, case investigation and contact tracing* paper [CAB-21-MIN-0481 refers].

You are meeting with officials at 8.15am on 17 November to discuss these papers ahead of SWC. A fourth paper on support for Pacific communities has been briefed on separately and is attached in Appendix two. This briefing has been prepared under urgency.

### **Context**

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Following on from our advice (T2021/2840 refers) last week on these papers, we have focussed this advice on the fiscal implications arising from these papers.

The proposals in the papers contain critical elements for making the new COVID Protection Framework operate successfully. The most important being the changes to the testing, case investigation and contact tracing system as this underpins the shift away from the elimination strategy to a minimisation and protection approach which includes managing COVID-19 in the community .

Further, these papers are proposing to set up systems that have significant interdependencies that have not yet been fully explored and tested. One of the reasons for this is because the systems have been developed in parallel due to the pressure to shift from an elimination strategy as result of the Delta resurgence. These systems also have implications for the wider CPF work programme including the operationalisation of the CPF and Reconnecting New Zealanders. There are also important impacts on health system deliverability over the next 6-12 months in light of Health Reform.

## The three papers

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1. **COVID-19 Minimisation and Protection approach – changes to testing, case investigation and contact tracing.** This paper outlines changes to COVID-19 testing, case investigation and contact tracing, which are being made to align with the transition to the minimisation and protection approach.
2. **COVID-19 Care in the Community** – This paper outlines the evolving model of care for COVID-19 patients in the community and explains next steps for scaling up the system.
3. **COVID-19: A whole of system welfare approach under the COVID-19 Protection Framework.** This seeks agreement to a whole of system welfare approach targeted to people who need support to be able to safely self-isolate at home under the new COVID-19 Protection Framework (CPF).

## Fiscal implications

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1. **COVID-19 Minimisation and Protection approach.** *Note that at the time of writing this Aide Memoire we have not seen the final version of the paper or the final funding amounts that are being sought.* We understand this paper will seek additional funding to support testing 2021/22 in response to higher testing numbers since the Delta resurgence started in August. It is also expected to seek funding for contact tracing in 2021/22 in response to higher demand, and for 2022/23 to enable Public Health Units to commit to contracts beyond the end of this financial year.

- **Treasury supports providing additional funding for testing and contact tracing in 2021/22**, seeing as testing rates have been much higher than was forecast for 2021/22. However, we note that the costings we have seen to date are based on high level estimates and we do not have a good understanding of how they relate to testing types or capacity levels.

Additionally, we understand that it is likely further funding will be needed after decisions are made on this paper and that the Prime Minister, Minister of Finance, Minister for COVID-19 Response and Associate Minister of Health (Verrall) will have delegated authority to approve additional funding for testing.

**We recommend you seek further information about the costings before approving additional funding** to ensure that the funding is aligned to testing capacity and types, and that best efforts are made to align any funding assumptions with the wider response to COVID-19.

- **We recommend funding for Public Health Units in 2022/23 is considered as part of the Health System Preparedness paper in December and is aligned with the Care in the Community funding request.** There is little information on this funding request or the underlying assumptions behind the costings, but we understand there is some concern over funding for PHUs ending in June 2022 and the ability to rollover contracts into the next financial year. It will be important to understand how the work of PHUs on contact tracing is linked to PHU Care in the Community activities and to ensure that the appropriate level of funding is provided.

**2. COVID-19 Care in the Community.** The second paper does not seek any funding as the costing work is still in progress, but the paper notes that a significant amount of funding will be required – potentially upwards of \$400-500 million. We expect this funding request to be sought through the Health System Preparedness Cabinet paper in early December. Additional comments on this paper are provided in Appendix one.

- The costs indicated in the paper are at a high level and are based on primary care services that are likely to be required. We understand they need to be tested further with the sector and that there is further work underway to ensure that the assumptions line up with the most recent TPM modelling.
- It will be important to understand the assumptions underlying any funding that is sought in the coming months, including how it relates to funding from other Votes. In particular, noting that the Ministry of Social Development (MSD) is seeking funding through their accompanying paper at this meeting, and Te Puni Kokiri have already received funding for the “transition to the new framework” (\$60 million).
- It will be important that the various funding streams are aligned to ensure the programme is coordinated and is as simple as possible for primary care and providers on the ground, as well as avoiding duplication of funding.

**3. COVID-19: A whole of system welfare approach under the COVID-19 Protection Framework.** The third paper has identified the total cost of delivering the welfare approach to June 2023 to be \$350.5 million. The paper is seeking \$204.1 million now, of which **\$152.1 million will be allocated immediately, and a further \$52 million in a contingency.** The remaining costs for locally-led delivery in 2022/23, which is dependent on case numbers, and currently estimated to be \$146.4 million, may be sought through a subsequent request for funding.

- We are supportive of deferring some of the funding decisions until there is greater certainty on both demand and the model to support communities. Our high level comments following on from our advice last week remains as follows:
  - There is scope for further conversations around the appropriateness of the support proposed directly to households (e.g. discretionary funding to households and food parcels) beyond the transition period into the steady state. The current model proposes:
    - 2 parcels per week per household, costing \$100 per parcel (assume 20% of those isolating will require support),
    - \$300 per household per week discretionary funding (assume 14% of those isolating will require support),
    - Additional community connectors (\$120k per FTE), with a caseload of 30 households,
    - Assessment and referral to pathway services.
  - While we recognise that the level of self-isolation expected is highly dependent on the level of community transmission and settings under the new framework, nevertheless MSD’s assumptions seem high and may

overestimate the level of resourcing required. The modelling is based on the TPM projection of 4,500 new cases per week, however the MSD modelling assumes a high ratio of household demand associated with cases (which isn't something modelled by TPM).

- The proposal includes a range of support where the nexus to the public health objectives is relatively weak, and therefore should be considered through the Budget process
- **Treasury recommends funding a lower amount, and not putting any additional funding into a contingency at this stage.** We do not think there is sufficient certainty to justify a separate contingency, but recognise that an additional draw-down from the CRRF may be required. The funding could be scaled back ahead of Cabinet. Some options are outlined below which would bring the funding down to \$111.7 million:
  - Reducing the number of new community connectors funded now from 105 FTE to 52 FTE (approx. 50%) over the next two years, as this is in addition to the existing community connectors (157 FTE) that are also being funded through to 2023 by this package. This could be scaled up at a later point – **reduces by \$10.1 million.**
  - Deferring further support for communities (e.g. Family and Sexual Violence, Building Financial Capability) until Budget, as the direct nexus with supporting the public health response appears weak – **reduces by \$17.6 million.**
  - Deferring additional funding for a localised lockdown until further decisions on the framework for localised lockdowns have been determined, including and what support is required for individuals, households and businesses impacted – **reduces by \$5.5 million**
  - Scale support to 60% for the MSD national and regional coordination function to allow for further work to be undertaken to determine the appropriateness of this role, and its relation to the public health response – **reduces by \$7.2 million.**
- Further to the advice from last week, the paper now includes a brief description of the proposed housing approach with Ministers to report back in December. We recommend you raise the following concerns with the Minister of Housing to ensure they are addressed in the December paper. We will provide further advice ahead of that paper:
  - The availability of accommodation, noting constrained supply across hotels, motels, and private rentals.
  - What the planned approach is for managing an outbreak of COVID-19 in an Emergency Housing facility, or amongst rough sleepers.
  - If the Temporary Accommodation Service (campervans) option is pursued, clarity on who is responsible for operations and what level of wraparound services will be provided.

Laura Browne, Senior Analyst, Welfare and Oranga Tamariki, s9(2)(k)  
Keiran Kennedy, Manager, Welfare and Oranga Tamariki, N/A

## Appendix One: Detailed comments on Paper Two: COVID-19 Care in the Community

*We have not seen the final version of this paper. This briefing is based on a draft and we will provide updated advice to your office if necessary.*

This paper represents a significant shift in the way that COVID-19 has been managed to date. The Care in the Community model will require a much higher level of coordination across agencies and across sectors than has been the case in the response to COVID-19 so far.

We consider this paper and work programme carries significant risks, including a lack of clarity on:

- the relationship between the Care in the Community work programme and other COVID-19 strategies (Health System Preparedness, the Testing and Tracing strategy, the new MIQ strategy, Reconnecting NZ and the COVID-19 Protection Framework)
- roles and responsibilities across agencies and sectors
- capacity constraints and trade-offs across the health system (and beyond) that will be required in order to manage COVID-19 in the community, including non-COVID related primary care services
- the plan to make use of Auckland's experience and provider programmes that are currently underway, particularly in regards to creating a culturally responsive and appropriate programme
- the plan to establish success measures and metrics to evaluate the programme, given timeframes

**Capacity constraints.** There is likely to be a trade off in primary care and other providers being able to deliver non-COVID-19 related services alongside the Care in the Community model and other activities required as part of the COVID-19 Protection Framework. We recommend Cabinet requests a report-back on these constraints and efforts to increase workforce capacity to respond to this new model of managing COVID-19 across the health sector. There are also likely to be capacity constraints beyond the health system that will impact the success of the programme, including NGO capacity and accommodation availability.

**Technology.** We expect there will also be funding for technology required. Given tight timeframes for establishing this work programme and the need to get technology builds underway, \$25 million is expected to be allocated for COVID-19 related technology through the CRRF Response Package (planned for DEV on 17 Nov and Cabinet on 22 Nov). We understand from the Ministry of Health that this will meet the requirements of the Care in the Community work programme to March 2022, but additional funding is likely needed in an ongoing capacity. We will work with the Ministry of Health to understand any additional technology funding requirements before funding is sought for the Care in the Community programme. It will also be essential that any new technology requirements also meet the needs of MSD and any other agencies/providers involved in the programme.

## Appendix Two: Transitioning Pacific Communities to the COVID-19 Protection framework

Hon Aupito William Sio, Minister for Pacific Peoples

Treasury contact: Gabriel Simpson (04 917 6170)

Sign out contact: Thomas Parry (04 890 7260)

**Description:** This paper seeks Cabinet agreement to a \$10 million package for targeted support to Pacific communities during the transition to the COVID-19 Protection Framework (CPF).

**Comments:** The Treasury is supportive of efforts to ensure Pacific communities are safe and protected in the transition to the CPF. Pacific communities have faced disproportionate impacts from COVID-19 and Pacific health providers are under strain in meeting increased needs. The transition to the CPF is expected to impact Pacific communities and in turn increase demand for Pacific-tailored services.

This paper seeks funding for two purposes: Pacific health provision to support the increase in demand; and for outreach support to ensure all members of the Pacific community are accessing the services required to remain safe and protected in the transition.

To be successful, this support for Pacific communities will require a high level of coordination across different parts of the system, including collaboration between government agencies, DHBs and the providers and groups that receive this funding. It will also be important to have effective monitoring and oversight in place whilst still enabling targeted and effective responses at the community level. The Lalanga Fou DCEs group could support this oversight.

Although we support the rationale for this funding, there are some parts of this proposal where details are currently limited. We will continue to work with agencies to attend to these concerns and mitigate any associated risks. These areas include:

- Detailed data on nature of demand pressures on Pacific health providers.
- Detailed breakdown of all costings.
- Monitoring and evaluation approaches for proposed new funding.

**Treasury Recommendation:** Support.

**Fiscal Implications:** \$10 million between Vote Pacific Peoples and Vote Health:

- \$2 million to support Pacific community outreach (through MPP)
- \$8 million to accelerate ongoing protection measures and build Pacific health provider resilience (through MoH).

The paper also signals that MPP may seek additional funding if further COVID-19 response requirements are identified and escalated through the Lalanga Fou DCEs group.

Funding source:					COVID-19 Response and Recovery Fund				
Operating (\$m)					Capital (\$m)				
21/22	22/23	23/24	24/25	25/26 & outyears	21/22	22/23	23/24	23/25	25/26
10.000	-	-	-	-	-	-	-	-	-