

The Treasury

Advice on COVID-19 Response - Tranche Two Information Release

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Office of the Minister of Finance

Chair, Cabinet Economic Development Committee

FINANCIAL SUPPORT UNDER THE COVID-19 PROTECTION FRAMEWORK

Proposal

- 1 This paper seeks Cabinet's agreement to the approach for Government-funded financial support for individuals and businesses under the COVID-19 Protection Framework (CPF). It:
 - 1.1 outlines the proposed approach to financial supports under the CPF for now and until early 2022, and
 - 1.2 seeks approvals to give effect to transitional arrangements from the current Alert Level system to the CPF, confirming previous in-principle decisions by COVID-19 Response Ministers with Power to Act, and seeks decisions on technical aspects of current financial support.

Relation to government priorities

- 2 This paper supports the Government's ongoing response to COVID-19 by outlining a proposed approach for the model of financial supports that will be available under the CPF.

Executive Summary

- 3 The increased economic activity under the CPF compared to current Alert Level settings due to our high vaccination rates means we need to re-focus financial support settings for individuals and businesses.
- 4 When we released the CPF on the 22nd of October I indicated that we would move away from the broad-based support that had been provided under the Alert Level system to more targeted support appropriate to the settings of the new framework.
- 5 The financial supports that exist currently were implemented progressively in response to the unfolding pandemic in 2020 and were adjusted as the pandemic evolved. These include:
 - 5.1 the Resurgence Support Payment (RSP), intended to provide financial support to businesses that suffered revenue declines as a result of having to operate in an environment with public health constraints that materially limited economic activity, and

- 5.2 the Wage Subsidy Scheme (WSS) which maintained labour market attachment and supported individuals who were unable to work due to public health measures under the previous Alert Level system.
- 6 Unlike higher levels of the Alert Level system, under all levels of the CPF, businesses will be able to operate at almost full capacity. We need to ensure we have a targeted package of financial supports available which provides certainty and is likely to remain relevant in the short and medium term.
- 7 In light of the above, in addition to seeking Cabinet's agreement to the new Transition Payment for the 10th of December to acknowledge the prolonged period in heightened Alert Levels that Auckland, Waikato, and Northland have experienced, I am proposing the end of our broad-based financial supports.
- 8 I expect to report back to Cabinet in early 2022 with further advice. This advice will be informed by the economic impact that the CPF has had on firms and individuals. Having this information will enable us to better develop a targeted and sustainable package of financial supports.

Background and summary of current settings:

- 9 The existing set of COVID-19 financial supports was progressively implemented in response to the unfolding pandemic in 2020, with adjustments to initiatives as the pandemic evolved.
- 10 These supports are largely broad-based and delivered through employers, with a primary aim of ensuring attachment to employers in the short-term. This reflected the nature and scale of the national and regional public health restrictions to date, and a view that the economic and social shock of COVID-19 would be temporary.
- 11 The Government has allocated more than \$25 billion for income and financial support to businesses since the onset of COVID-19 and the associated public health measures which successfully eliminated the virus during our initial response, and which are suppressing Delta during the current outbreak. This has included:
- 11.1 Broad-based supports like the WSS (\$17.6 billion since March 2020) and the RSP (\$1.8 billion since March 2020) with nearly \$6 billion having been provided through the WSS and RSP during the current outbreak alone.
- 11.2 Significant support for different groups, including:
- 11.2.1 \$20 million paid out through the Leave Support Scheme (LSS) and Short-Term Absence Payment (STAP) as at 17 November
- 11.2.2 Support packages for the Tourism sector, including the 2020 \$400 million Tourism Recovery Package, and \$200 million in Budget 2021 for the Tourism Communities: Support, Recovery and Re-set Plan.

- 11.2.3 \$327 million through the International Air Freight Capacity scheme, and \$200 million through the subsequent Maintaining International Air Connectivity which have secured air services for exporters and enabled \$15.3 billion of goods to travel to and from New Zealand
 - 11.2.4 \$40 million through the Regional Business Partner Programme, as well as the recently announced \$60 million for business advice and mental health support in Auckland
 - 11.2.5 \$51.6 million to support the long-term strategic recovery for International education
- 12 For context, that support through the WSS and RSP represents more than an annual budget for all Education spending in a given year, and more than the entire annual Health Budget inherited by this Government. New Zealand's broader fiscal response during this Pandemic has been greater than most other advanced economies.
- 13 This unprecedented investment has been necessary, and it has worked: New Zealand's economy is larger than it was pre-COVID, unemployment has fallen from 4.2% pre-COVID to the current record-low of 3.4% (with 22,000 fewer people unemployed in the September 2021 quarter compared to the March 2020 quarter), and key domestic industries like construction and export-focussed sectors are experiencing strong activity and price pressures, as well as labour shortages due to high demand.

Financial support under the CPF going forward

Resetting broad-based support under the CPF

- 14 The CPF is designed to manage COVID-19 as part of our minimisation and protection strategy. It allows a greater level of freedom for vaccinated people than would be possible under the Alert Level system, and so reduces the social and economic effects of public health restrictions.
- 15 Against the backdrop of our strong domestic economy, this means we need to reassess the nature of financial support provided to business under the new framework compared to the Alert Level system. With our new public health strategy, we need to focus on encouraging adaptation and resilience to operating under all levels of the CPF; any further support we provide should not create a broad expectation from businesses that there will be continued financial support, as New Zealand's economy will operate with substantially fewer restrictions under the new framework.
- 16 The WSS and the RSP were both designed to temporarily address severe restrictions on businesses and individuals as a result of the public health measures under the Alert Level system. These schemes have provided time-limited, broad-based support to businesses and individuals to recognise that they were not able to operate as they did pre-COVID, or could only do so under significant restrictions.

This context has changed

- 17 Under the CPF, most businesses will be able to operate normally in the context of COVID-19, particularly under the Green level. Under the Orange and Red levels, the main exception would be businesses that do not implement COVID-19 Vaccine Certificate (CVC) requirements, which we want to discourage.
- 18 The following table shows the difference between the anticipated economic impact of the CPF and the estimated economic impact under the Alert Level system. These initial estimates suggest that the economic impact of the CPF is likely to be much lower when compared with Alert Levels 3 and 4 restrictions. The economic impacts under the CPF will also likely be at the lower ends of the ranges estimated as the international border opens further.

Estimated economic impact under public health frameworks

(Figures note the impact for all of New Zealand and are relative to forecast activity with no public health restrictions. CPF figures do not incorporate the potential impact from any local or regional lockdowns)

| Alert Level system | |
|---------------------------|--------------------|
| Alert Level 2 | -4 to -6% of GDP |
| Alert Level 3 | -10 to -15% of GDP |
| Alert Level 4 | -25 to -30% of GDP |

| COVID-19 Protection Framework | |
|--------------------------------------|------------------|
| Green | -0 to -4% of GDP |
| Amber | -1 to -5% of GDP |
| Red | -2 to -5% of GDP |

- 19 It is worth noting that during our COVID-19 response, GDP has consistently outperformed what independent forecasters expected. The most recent June 2021 quarter GDP growth came in at 2.8% compared to the median market expectation of 1.2% growth.
- 20 While the estimated GDP impact figures between Alert Level 2 and the Red level under the CPF are similar in aggregate, time is needed to understand the actual sectoral outcomes. At Alert Level 2 the economic impact of restrictions affected some industries more than others (for example, the events sector, hospitality and tourism). Under the CPF, many of those sectors operating with CVCs under the Red level will be able to do so with reduced restrictions compared to those under Alert Level 2; any impact on economic activity could therefore be more evenly spread across all sectors.

- 21 As we move to the more open framework, this is the right time to support businesses to transition to the new environment and to innovate or make decisions to direct capital and skills in response to the new opportunities. By providing ongoing subsidies we would run the risk that businesses do not adapt and will become reliant on government subsidies.
- 22 Reducing broad-based support as vaccination rates increase is in line with the approach taken in other highly vaccinated countries like Australia and the United Kingdom.
- 23 In line with the approach that I set out in regard to the transition below, I propose that outside of the transition support I have recommended, no broad-based measures (such as the WSS and RSP) be available under the CPF going forward.

Individual supports

- 24 Support to be off work while isolating or to take leave while waiting for test results, currently provided by the LSS and the STAP, will remain available under all levels of the CPF. They will continue to play a critical role in supporting compliance with the new public health approach. Uptake of these schemes is likely to increase with greater case numbers and as the WSS ceases.
- 25 I and the Minister for Social Development and Employment, and the Minister for Workplace Relations and Safety also propose several updates and changes to the LSS/STAP to better target support workers and their employers under the CPF:
 - 25.1 Moving LSS to a seven day payment (currently a 14 day payment) with rounding up/down rules for flexibility to changing self-isolation rules, so that applicants who have been unable to work for a specified COVID-19 related reason for four days or more in a seven day period (and meet other eligibility requirements) are eligible for a weekly LSS payment
 - 25.2 Providing some limited access to the LSS in localised lockdowns
 - 25.3 Continuing the STAP as the new COVID-19 Testing Strategy rolls out.
- 26 I am seeking agreement to transfer some existing funding from the WSS to the LSS as a funding buffer in case of additional take-up in the near-term and to cover the cost of limited LSS support in localised lockdowns.
- 27 ^[4]

- 28 Officials are continuing to advise of the timeframe and details for implementing these policy changes. Further changes to these supports may be needed or desirable as the public health scenario under the CPF evolves, for example moving to a consolidated leave scheme to support workers self-isolating under the CPF or caps to support available in localised lockdowns.
- 29 In the meantime, I am seeking in principle decisions from Cabinet on the LSS as follows:
- 29.1 Provide limited support through the LSS in case of localised lockdowns to share the burden of compliance with workers and firms.
- 29.2 Retain Ministerial discretion over any return to broader economic supports, such as wage subsidies.

Maintaining a flexible approach is necessary

- 30 Given the uncertainties that COVID-19 inevitably creates, we need a flexible and adaptive approach. As we spend more time under the CPF, we will get a better picture of individuals' behaviours, and firms' abilities to operate under the CPF. This will enable us to understand whether future support may be needed for businesses and individuals over the longer-term, particularly if a region experiences a prolonged period under the Red level.
- 31 I have asked the Treasury to continue monitoring the economic outcomes under the CPF, and I will report back to Cabinet on any further support under the CPF in due course.
- 32 If more general support is needed, I consider it likely that it should only be available at the Red level. Where feasible, I also consider it necessary to target that support to firms most impacted by Red level public health settings. This would likely mean instead of broad-based support measures, our focus should be on targeting any support towards firms that would need to operate under capacity or physical distancing limits or that have been unable to operate because a sufficient number of staff are subject to self-isolation orders for a prolonged period of time.
- 33 As part of this, I am working on the form that support will take. My focus is on three types of support:
- 33.1 **Credit based measures:** As businesses are able to operate again, they are likely to be more open to taking on debt to support their future development. Business groups have suggested a loan scheme that shares characteristics of student loans, where the sum borrowed would only have to be paid back when the firm reaches a certain level of revenue. Officials' preliminary view is that such a scheme would be difficult to implement and have significant integrity challenges. I have asked officials to explore options for credit facilities, including this idea and extensions of the SBCS, and to ensure that they incorporate business feedback and views into proposed policy design.

33.2 **Business Advice and Support to Adapt:** The business advice and support provided by the Regional Business Partner Network has been widely used through the pandemic. We have recently allocated \$60 million for this work in the Auckland area, including \$10 million for specific mental health and wellbeing support. I would seek to make this widely available for those in areas that spend time under the Red level, and potentially extend its availability in the Auckland area if demand exceeds the initial funding allocation.

33.3 **Sector specific support:** As I noted above, as we learn more about businesses' ability to operate under new framework and in particular under the Red level, we may need to provide sector specific support. I am particularly mindful of the tourism, hospitality, events and arts sectors who will still be restricted in their operations in the Red level. Decisions about the re-opening of the border will also have an impact on these sectors.

34 I will continue to explore whether there is the potential to link the availability of support to businesses' use of COVID-19 Vaccine Certificates (CVCs). Initial indications from officials suggest there would be significant operational challenges to automatically conditioning support to a firm's use of CVCs, with the only feasible way to condition support being a high-trust model that requires businesses to make a declaration about their CVC use when applying for financial support.

Wider and localised lockdowns

35 In the event that a wider lockdown is put in place with restrictions similar to those under Alert Levels 3 and 4, it may be appropriate to reactivate broad-based support such as the WSS and RSP.

36 Localised lockdowns using restrictions similar to Alert Level 3 may be needed for smaller areas or suburbs within regions where there are high rates of spread (including Section 70 restrictions).

37 Cabinet previously agreed an interim position that the LSS and STAP are intended to be limited to public health restrictions with an individual basis, rather than providing broad-based support for restrictions that have a geographic basis (CAB-21-MIN-0458 refers). This avoids automatically creating a de facto wage subsidy through the LSS without the opportunity for ministerial discretion.

38 I am now proposing to allow limited access to the LSS for those who cannot work due to stay at home orders. Some support is justified on the basis that firms and households are facing a time-limited disruption beyond the regular levels of the CPF. As with the WSS, we would expect businesses to be able to withstand a short lockdown without support to pay staff.

- 39 I have asked officials to provide further advice on what support may be needed for such situations, including how to provide limited access to the LSS. I expect to receive this advice in December, and I will report back to Cabinet following this.

Financial support as we transition to the CPF

- 40 Given the shift away from broad-based support, the transition into the CPF is critical to manage expectations while supporting key businesses.
- 41 As I advised in October, there is a case to support the transition to the new framework, particularly for Auckland which will have spent more than twelve weeks at Alert Level 3 and 4 during the current Delta outbreak. I am therefore proposing a one-off Transition Payment focusing on Auckland, Waikato, and Northland.

Transition Payment on the 10th of December

- 42 To acknowledge the prolonged period in heightened Alert Levels that Auckland (and to a lesser extent Waikato and Northland) have experienced, I am proposing a Transition Payment targeting affected businesses in these regions. This payment would be delivered through the existing RSP infrastructure.
- 43 The Transition Payment will be a more generous payment to differentiate it from an ordinary RSP. The payment will be clearly framed as a one-off payment to avoid setting expectations that such support will be provided on an ongoing basis under the CPF.
- 44 I propose that this one-off Transition Payment will be activated on the 10th of December through the Resurgence Support Payment (RSPAUG21). The application period for the Transition Payment will close six weeks after the move to the CPF.
- 45 The affected revenue period for the Transition Payment will be set between the 3rd of October and the 9th of November 2021. During this timeframe Auckland, Waikato, and Northland were all under Alert Level 3 while the rest of New Zealand was in Alert Level 2. Setting the affected revenue period in such a way therefore targets the payment towards businesses in those regions.
- 46 The “affected revenue period” refers to the seven consecutive day period at elevated Alert Levels 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. In this case, that typical week would be prior to the 17th of August 2021.

- 47 The payment rate for the Transition Payment will be \$4,000 plus \$400 per FTE up to a cap of 50 FTE. I propose this rate because it proportionately benefits sole traders and very small businesses more than larger firms. The majority of the RSP to date (more than 90%) has gone to sole traders and businesses with fewer than 10 FTEs. This level of support reflects the one-off nature of the Transition Payment and is not correlated in any way to the level of support that may be provided under the 'steady state' in 2022.
- 48 The Treasury estimates the largest proportion of the total support will go to retail (26%), hospitality (12%), and construction sectors (14%), with an estimated 28,000, 9,000, and 14,000 businesses in these sectors being expected to benefit respectively.
- 49 The current RSP eligibility criteria, including the need to demonstrate a 30% decline in revenue as a result of being in heightened Alert Levels, remain the same. This should make the payment easier to administer and for businesses to access.

Recently acquired businesses issue with the RSP

- 50 An issue has been identified with recently acquired businesses' ability to access the RSP. Unless this issue is addressed, it would also affect Transition Payment proposed for the 10th of December.
- 51 This issue arises because current RSP rules require the applicant to have been operating a business for at least one month before the 17th of August 2021 (i.e. from the 17th of July) at the latest. Therefore, businesses acquired after the 17th of July have not been eligible for any RSP.
- 52 This issue has not been significant in the past due to short periods at elevated Alert Levels. The current prolonged period of COVID-19 restrictions results in these businesses falling outside of the RSP rules and therefore not being eligible for support. Despite this, I estimate that very few businesses will be in this situation.
- 53 To enable recently acquired businesses to be eligible for the RSP, I propose to amend the test that sets how long a business must have been in operation. The amendment would allow a person to satisfy the test where they have acquired a business which has been in operation for at least one month prior to the 17th of August.
- 54 In order to satisfy this test, the business must be carrying on the same or similar activity as before the change in ownership. The 30% revenue decline test also needs to be amended to allow the applicant to use the revenue received by the previous owner over the comparator period in order to demonstrate the necessary revenue decline during the affected revenue period.

- 55 To provide Inland Revenue time to implement this change, I propose that it come into effect on the 10th of December 2021. Recently acquired businesses would then be eligible for RSPs made on and after the 29th of October. This includes the RSPs introduced on the 29th October, the 12th November, and the 26th November, as well as the 10th of December Transition Payment.

Other support available on transition

- 56 All the other support measures we have put in place will remain available. This includes:

- 56.1 The \$200 million Tourism Communities: Support, Recovery and Re-set Plan as part of Budget 2021 targets Queenstown Lakes, Southland, Kaikoura, Mackenzie, and Westland, which had a high dependence on international tourism.

The Strategic Tourism Assets Protection Programme (STAPP) also continues to support the core of New Zealand's essential tourism offerings to ensure their survival through the disruption caused by COVID-19.

- 56.2 The Events Transition Support Payment will assist paid, ticketed events with over 5,000 attendees. This will provide assurance to organisers of large-scale events scheduled to begin between the 17th of December 2021 and the 3rd of April 2022. Organisers can apply for up to 90% of the event's unrecoverable sunk costs if the event needs to postpone or cancel due to public health restrictions.

The Ministry of Culture and Heritage has established a \$5 million Cultural Sector Emergency Relief Fund. This is a fund of last resort which provides support to cultural organisations, including sole traders, at clear risk of no longer operating viably.

- 56.3 The Auckland business support package as part of the announcement of the CPF on the 22nd of October - \$60 million package for business advice and mental health support will be made available to help Auckland businesses through the transition period. Businesses will also be able to apply for up to \$3,000 worth of advice and planning support, and then receive up to \$4,000 to implement that advice through the Regional Business Partners (Auckland Unlimited). Further work is also being carried out by the Ministry of Business, Innovation and Employment and the Ministry for Social Development regarding targeted support for Auckland.

Financial Implications

- 57 This paper contains three proposals with financial implications:

57.1 Changes to the RSP for recently acquired businesses

57.2 The Transition Payment, and

57.3 The LSS under the CPF.

Changes to the RSP for recently acquired businesses

- 58 Extending the RSP to include recently acquired businesses is expected to have a minor unquantifiable fiscal cost. This cost will be covered by the existing appropriation.

The Transition Payment

- 59 The Transition Payment which I have proposed will be paid on the 10th of December 2021 is expected to cost between \$350 and \$490 million.
- 60 To fund this cost, I am seeking Cabinet's agreement to appropriating \$300 million in new operating funding for the Transition Payment. This recognises that considerable uncertainties in the current economic environment may influence the potential uptake of the Transition Payment. New operating funding will be drawn down from the COVID-19 Response and Recovery Fund.
- 61 The table below provides the Treasury's indicative estimates of the costs of the RSPAUG21 payments including the Transition Payment:

| | Fiscal cost |
|--|--------------------------------|
| Current appropriation limit for RSPAUG21 | \$2,850 million |
| RSPAUG21 to date – estimated final cost for payments up to the sixth payment (26 November) | \$2,170 - \$2,530 million |
| RSPAUG21 – estimated cost for final RSPAUG21 payment (10 December Transition Payment) | \$350 - \$490 million |
| Estimated combined cost of all RSPAUG21 payments | \$2,520 – 3,020 million |
| Further amount to appropriate to meet costs of final RSPAUG21 payment | \$300 million |

- 62 There is an existing authorisation for the Minister of Finance and the Minister of Revenue to draw down on the CRRF to meet the costs generated by the scheme, should they escalate beyond estimates, up to a cap of \$100 million (CAB-21-MIN-0344 refers).
- 63 Similar to the approach taken for the WSS, any underspends in the RSP appropriation after the scheme closes will be retained and could be used to fund payments under a future activation of the RSP scheme (subject to Cabinet approval).

The LSS under the CPF

- 64 For the LSS, I am seeking Cabinet approval to transfer \$100 million from the Business Support Subsidy COVID-19 appropriation (which funds the WSS) to the COVID-19 Leave Support Scheme appropriation. Demand for Wage Subsidy payments 6 and 7 have been below the funding allowed for (CAB-21-MIN-0458 refers), creating an underspend in this appropriation. This transfer will ensure sufficient LSS funding is available for the next three months in case of significantly increased scheme uptake and in case of support in localised lockdown.

Legislative Implications

- 65 On the 22nd of November, Cabinet considered amendments to the Tax Administration Act 1994 that would enable Inland Revenue to make the Transition Payment.

Order in Council for recently acquired businesses and the RSP

- 66 The COVID-19 Resurgence Support Payments Scheme (August 2021) Amendment Order (No 7) 2021 would amend the COVID-19 Resurgence Support Payments Scheme (August 2021) Order 2021. The principal Order was made under section 7AAC the Tax Administration Act 1994. The amending Order:
- 66.1 allows a further payment to be made under RSPAUG21 on the 10th of December;
 - 66.2 allows recently acquired businesses the ability to apply for RSPs made on the 29th of October, the 12th of November, the 26th of November, and the 10th of December Transition Payment.
- 67 A waiver of the 28-day rule is sought to allow the Order to come into force on the 29th of November 2021, on the basis that the Order is required as soon as possible to help businesses directly impacted by the Alert Level change to cover their expenses.
- 68 The amending Order complies with:
- 68.1 the principles of the Treaty of Waitangi;
 - 68.2 the rights and freedoms contained in the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993;
 - 68.3 the principles and guidelines set out in the Privacy Act 1993;
 - 68.4 relevant international standards and obligations;
 - 68.5 the Legislation Guidelines (2018 edition), which are maintained by the Legislation Design and Advisory Committee.

- 69 There are no anticipated grounds for the Regulations Review Committee to draw the amending Order to the attention of the House of Representatives under Standing Order 327.

Impact Analysis

Regulatory Impact Statement

- 70 The Treasury's Regulatory Impact Analysis (RIA) Team has determined that:
- 70.1 The proposals relating to the Transition Payment are exempt from the requirement to provide a Regulatory Impact Statement (RIS) on the grounds that relevant issues have already been adequately addressed by existing Impact Analysis for the RSP scheme that is used to deliver the Transition Payment (CAB-20-MIN-0531, Supplementary Analysis Report).
- 70.2 The proposals extending the eligibility of recently acquired businesses for the RSP and adapting the Leave Support Scheme are exempt from the requirement to provide a RIS on the grounds that they have no or only minor impacts on businesses, individuals and not-for-profit entities.
- 71 The RIA Team supports the monitoring of financial support under the CPF and subsequent report-back in early 2022, given the significance of economic and regulatory impacts.

Population Implications

- 72 The proposals in this paper will support our continued response to COVID-19, for the benefit of all New Zealanders. The direction proposed for the long-term and the measures proposed for the transition will support businesses and individuals with the economic burden of COVID-19, and ensure they are enabled to do the right thing under the CPF.

Human Rights

- 73 There are no human rights issues raised by this proposal.

Consultation

- 74 This paper was prepared by the Treasury. The following agencies were consulted in developing this paper: The Ministry of Social Development, Inland Revenue, the Department of Prime Minister and Cabinet, and the Ministry of Business, Innovation and Employment.

Communications

- 75 I will work with the Prime Minister's office on the announcement of the proposals in this paper.

Proactive Release

- 76 I propose to release this Cabinet paper within 30 business days of decisions being confirmed by Cabinet, subject to any redactions applicable under the Official Information Act 1982.

Recommendations

The Minister of Finance recommends that the Committee:

Strategy for economic support under the CPF

- 1 note that when we released the COVID-19 Protection Framework (CPF) I indicated we would move away from the broad-based support that had been provided under the Alert Level system to more targeted support under the CPF
- 2 note that the Government has provided more than \$25 billion of income and financial support to businesses since the onset of COVID-19
- 3 note that moving away from broad-based support is appropriate as the CPF allows a greater level of freedom for vaccinated people than would be possible under the Alert Level system
- 4 agree to stop the Wage Subsidy Scheme (WSS) and the Resurgence Support Payment (RSP) on implementation of the CPF in any part of New Zealand
- 5 note that the WSS and the RSP can be reactivated in the future if required
- 6 agree that the Leave Support Scheme (LSS) and the Short-term Absence Payment (STAP) remain available under all settings of the CPF
- 7 note that given the uncertainties that come with COVID-19, a flexible and adaptable approach is needed, and we will better understand if any further support is needed as we spend more time under the CPF
- 8 note that if any further support is provided, it should not create a broad expectation from businesses as that could discourage businesses from learning to operate under all levels of the CPF
- 9 invite the Minister of Finance to advise Cabinet in early 2022 with advice on the future of economic supports under the CPF once the economic impact of the CPF is better understood
- 10 note officials will provide further advice on what support may be needed for localised lockdowns in December

Transition Payment and change to the RSP for recently acquired businesses

- 11 note that on the 21st of October 2021, the COVID-19 Ministerial Group agreed in-principle to the Transition Payment for the 10th of December

- 12 agree to the Transition Payment on the 10th of December that will target businesses affected by prolonged periods under heightened Alert Levels, namely Auckland, Waikato, and Northland
- 13 agree the payment will be issued at a rate of \$4,000 plus \$400 per FTE up to a total of 50 FTE
- 14 agree the affected revenue period for the Transition Payment will be between the 3rd of October 2021 and the 9th of November 2021 in order to support businesses in regions that have been most affected by prolonged periods under heightened Alert Levels
- 15 note that the Commissioner of Inland Revenue will keep applications for the Transition Payment open for at least six weeks after the end of the affected revenue period
- 16 agree to allow businesses that have been operating since before the 17th of July 2021 and that were acquired by some other party sometime after that to be eligible for the RSPs on the 29th of October, the 12th of November, the 26th of November, and the proposed Transition Payment on the 10th of December 2021

*Transition Payment and change to the RSP for recently acquired businesses –
Financial implications*

- 17 note that a total of \$2,850 million was appropriated to meet the cost of RSPAUG21 payments (CAB-21-MIN-0328, CMG-21-MIN-0023, CAB-21-MIN-0375, COVID-19 Ministerial Group 21 October refers)
- 18 note that the payments agreed under the RSPAUG21 is estimated to cost \$2,170 - \$2,530 million (COVID-19 Ministerial Group 21 October refers)
- 19 note that the Transition Payment on the 10th of December 2021 is expected to cost between \$350 - \$490 million
- 20 note that given the uncertainties in the current economic environment, a further appropriation of \$300 million has been proposed to meet the expected costs of the RSPAUG21 payments and the Transition Payment
- 21 agree that the cost of the Transition Payment issued under RSPAUG21 will be met from within the COVID-19 Resurgence Support Payment appropriation, topped-up with new funding of \$300 million

- 22 approve the following changes to appropriations to give effect to the policy decision in recommendations 11 to 15, with a corresponding impact on the operating balance and net core Crown debt:

| | \$m – increase/(decrease) | | | | |
|---|---------------------------|----------------|----------------|----------------|---------------------------------------|
| Vote Revenue Minister of Revenue | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 & Outyears |
| Non-departmental Other Expense: | | | | | |
| COVID-19 Resurgence Support Payment | 300.000 | - | - | - | - |

- 23 agree that the proposed change to the appropriation for 2021/22 in recommendation 22 be included in the 2021/22 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply
- 24 agree that the expenses incurred under recommendation 22 be charged against the COVID-19 Response and Recovery Fund (CRRF) established as part of Budget 2020
- 25 note there is an existing authorisation for the Minister of Finance and the Minister of Revenue to draw down on the COVID-19 Response and Recovery Fund to meet the final cost of the scheme, should costs escalate beyond estimates, up to a cap of \$100 million (CAB-21-MIN-0344 refers)
- 26 note extending the RSP to include recently acquired businesses is expected to have minor unquantifiable fiscal costs which will be covered by the existing RSP appropriation

Order in Council for recently acquired businesses and the RSP

- 27 note that an Order in Council is required to amend the COVID-19 Resurgence Support Payments Scheme (August 2021) Order 2021
- 28 authorise the submission of the COVID-19 Resurgence Support Payments Scheme (August 2021) Amendment Order (No 7) to the Executive Council
- 29 note that a waiver of the 28-day rule is sought so that the Order in Council can come into force on the 10th of December 2021 to enable the Transition Payment on the 10th of December, and on the grounds that the RSP should be amended as soon as possible to provide certainty to recently acquired businesses
- 30 agree to waive the 28-day rule so that the Order in Council can come into force on the 10th of December 2021

Leave Support Scheme (LSS) and Short-Term Absence Payment (STAP)

- 31 note it is proposed to change from a fortnightly payment to a weekly payment with an equivalent weekly rate
- 32 agree to a new rounding rule for LSS support, where support will be provided to match the time an employee is unable to work, due to an existing specified COVID-19 related reason, rounded to the nearest seven days
- 33 note this proposed rounding rule means that, for example:
- 33.1 a worker who cannot work for a continuous period of four to 10 days would be eligible for a single seven-day LSS payment
 - 33.2 a worker who cannot work for a continuous period of 11 to 17 days would be eligible for two seven-day LSS payments, and so forth for subsequent payments
 - 33.3 a worker who cannot work for a continuous period of less than four days would not be eligible for the LSS
- 34 note the STAP will continue as a standalone payment for those staying at home while awaiting a test result and are unable to work from home. It is possible that this support will become part of a single payment as outlined in recommendation 38 below
- 35 note Cabinet previously agreed interim position that the LSS and STAP are intended to be limited to public health restrictions with an individual basis, rather than providing broad-based support for restrictions that have a geographic basis, to avoid automatically creating a *de facto* wage subsidy through the LSS without the opportunity for ministerial discretion (CAB-21-MIN-0458 refers)
- 36 note that the Minister of Finance, the Minister for Social Development and Employment, and the Minister for Workplace Relations and Safety consider there is a case to provide limited support through the LSS in case of stay at home orders with a geographic basis and have asked officials to provide further advice on an appropriate mechanism to provide limited access to the LSS in this scenario
- 37 agree in principle to:
- 37.1 provide limited support through the LSS in case of localised lockdowns to share the burden of compliance with workers and firms
 - 37.2 retain Ministerial discretion over any return to broader economic supports, such as wage subsidies
- 38 note that officials will provide further advice on the LSS and STAP under the CPF including consideration of moving to a consolidated leave scheme to support workers self-isolating under the CPF (including waiting for test results) and capping support available in localised lockdowns

- 39 approve the following fiscally neutral adjustment to provide additional funding for the LSS, with no impact on the operating balance and/or 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 |
| Non-Departmental Other Expenses: | | | | | |
| Business Support Subsidy COVID-19 | (100.000) | - | - | - | - |
| COVID-19 Leave Support Scheme | 100.000 | | | | |
| Total Operating | - | - | - | - | - |

- 40 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.

Authorised for lodgement

Hon Grant Robertson

Minister of Finance