

# The Treasury

## Advice on COVID-19 Response - Tranche Two Information Release

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No information has been withheld.

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## **COVID-19 Protection Framework: transition support and planning ahead**

### **Proposal**

- 1 This paper seeks agreement from the COVID-19 Ministers Group with Power to Act to the package of economic supports available for the transition from the current Alert Level framework to the new COVID-19 Protection Framework (CPF), including an Auckland Business Boost to drive cashflow and confidence. It also signals the proposed direction of economic supports over the longer-term new CPF.

### **Relation to government priorities**

- 2 This paper supports the Government's ongoing response to COVID-19 by setting out what economic support measures will be in place to support the public health response on, and before, the implementation of the new CPF.

### **Executive Summary**

- 3 Since the Delta outbreak began in New Zealand on the 17th of August there has been significant disruption to businesses around New Zealand, but particularly in the Auckland area where there have been either Alert Level 3 or Alert Level 4 restrictions for 65 days. The Government has paid out more than \$4.5 billion of economic support to businesses during this period of time, along with significant support to community groups and individuals to meet basic needs.
- 4 The shift from the current Alert Level Framework to the new COVID-19 Protection Framework requires consideration of what economic supports should be available during that shift, and then what should be available in an environment with fewer public health restrictions.
- 5 There is a transitional consideration, particularly for Auckland. Over the coming weeks Auckland will likely continue to operate at Alert Level 3. After more than eight weeks of restrictions I consider that there needs to be a boost to the support which we provide to support the transition to the new framework. I am proposing that this take the form of an enhanced, transitional Resurgence Support Payment, the on-going provision of the Wage Subsidy Scheme while Alert Level 3 remains, and the funding a Business Advice and Mental Health Support package (the subject of another paper).

- 6 In terms of the CPF itself, I am proposing a package of support that recognises the less severe public health restrictions under the CPF requiring less broad-based business support and a shift to more targeted support. It focuses on retaining existing schemes that are still fit for purpose under the new framework, with modifications where needed.
- 7 The following table provides a summary of the broad-based economic supports I propose between now and the implementation of the new CPF.

<b>Summary of economic supports between now and implementation of the CPF</b>					
		<b>Before implementation of the CPF</b>	<b>On transition to the CPF</b>	<b>At 'Green' and 'Orange' under the CPF</b>	<b>At 'Red' under the CPF</b>
<b>Economic support for business</b>	<b>Resurgence Support Payment (RSP)</b>	Available	Transitional Resurgence Support payment	Not available  Future advice is considering potential one-off support on move to 'Orange' from 'Red'.	Further advice is being developed on potential support during periods at 'Red'.
	<b>Wage Subsidy Scheme (WSS)</b>	Available if at Alert Level 3 and above	Switched off and no longer available (unless Alert Level Framework is re-activated)	Not available	Not available
	<b>Small Business Cashflow Loan Scheme</b>	Applications are open until December 2023.			
<b>Support to individuals with public health restrictions</b>	<b>Leave Support Scheme</b>	Available at all levels of Alert Level Framework and CPF			
	<b>Short-term Absence Payment</b>				

- 8 The Leave Support Scheme and the Short-Term Absence Payment availability under all levels of the new framework reflects their importance

in promoting compliance with public health requirements, such as self-isolation.

- 9 Further advice on the long-term economic supports at 'Red' settings under the new framework is still being developed and I will report back to Cabinet in the future when I have considered this advice.

### **Background and summary of current settings:**

- 10 The existing set of COVID economic supports were progressively implemented in response to the unfolding pandemic in 2020, with adjustments to initiatives as the pandemic evolved.
- 11 These supports were largely broad-based and delivered through employers. This reflected the nature and scale of the national and regional public health restrictions. A summary of these supports is set out in Appendix 1.
- 12 The availability of these supports was also tied to changes in Alert Levels under the COVID-19 Alert Level Framework. It is therefore necessary and timely to review what sorts of support will be available when New Zealand transitions to the new CPF.

### **Approach to support under the COVID-19 Protection Framework**

- 13 As vaccination rates increase, we will be able to control the impacts of COVID-19 using less restrictive public health settings. Economic measures will continue to play an important role to support good public health outcomes, but there will be a reduced need for broad-based economic support schemes (for example, the Wage Subsidy Scheme).
- 14 I am therefore proposing under the CPF that support going forward shift from its current broad-based approach towards a stronger focus on targeted support.
  - 14.1 For individuals, this includes the Leave Support Scheme and the Short-Term Absence Payment being available at all levels under the new framework. These schemes directly support public health outcomes and ensure individuals are enabled to do the right thing through self-isolation and while waiting for test results.
  - 14.2 For businesses, I propose there will be no broad-based support at 'Orange' and 'Green' levels on an ongoing basis. This reflects the fact that at these levels there are fewer public health restrictions that will result in negative impacts on business revenues. There may be a need for certain types of support at the 'Red' level and I have asked officials to explore potential options.

- 15 Providing businesses with certainty on the support that will be available under the CPF remains important to maintain business confidence. I therefore intend to announce on Friday 22 October what support will be available as we transition towards the CPF, as well as indicate the longer-term direction of support arrangements.
- 16 The sections that follow lay out the economic support measures I propose to support a transition to the new CPF. I have also provided further in-principle detail on the long-term approach to support from paragraph 33 of this paper.

### **Before transitioning to the COVID-19 Protection Framework**

- 17 The WSS and the RSP will be available until the shift to the new COVID-19 Protection Framework occurs. The WSS will be available as long as Alert Level 3 or higher remains in place anywhere in the country, subject to six-weekly reviews by Cabinet on scheme settings and availability.<sup>1</sup> It is important to remember that to access the WSS, the revenue drop must be due to the effects of the Alert Level 3 or 4 settings that exist.

#### *WSS support for a transition to the CPF*

- 18 The current WSS will continue until Auckland transitions across to the new COVID-19 Protection Framework. There are two scenarios for how this may take place, which will require different approaches for transitioning WSS support.

- 18.1 Scenario A – All of New Zealand moves to the CPF at the same time:** I propose that, in this case, the WSS will no longer be available under the new framework. Should the CPF be implemented during a WSS payment period (i.e. after a WSS payment has been triggered in response to Alert Level 3 conditions) I propose that businesses in that region should be allowed to meet the revenue decline test by attributing their revenue decline to a combination of Alert Level 3 and CPF effects.

In effect, businesses will be able to calculate their 40% revenue decline across the two-week revenue test period for a final WSS payment as though AL3 had continued uninterrupted. This will create a simpler revenue test for businesses and help to smooth the transition to the CPF. This approach is similar to the approach taken for parts of New Zealand that dropped to AL2 partway through a payment period [CAB-21-MIN-0392].

- 18.1 Scenario B – Parts of New Zealand move to the CPF while others remain in the Alert Level framework:** During this transition period, if an area that is subject to the Alert Level

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<sup>1</sup> The next six-weekly review is due to be considered by Cabinet on 8 November 2021.

framework is at AL3 or above for a period of 7 days or more, then the WSS would be activated. Eligible businesses would continue to be able to apply for the WSS.<sup>2</sup> Businesses in CPF regions that experience a revenue decline as a result of the CPF restrictions will not be eligible for the WSS but would be eligible for other supports available under the CPF framework.

This scenario could mean there are different economic supports operating and available for businesses depending on whether they are subject to the Alert Level framework or the CPF. This may raise issues of equity and confusion around the different types of support available. This will put significant operational strain on the Ministry of Social Development in operating the WSS as well as other economic supports.

- 19 Once switched off after the move to the new CPF, the WSS will still remain available to be turned on if a lockdown stricter than the CPF (e.g. similar to Alert Level 3 and 4) is required to manage a severe outbreak.
- 20 I understand that the CPF includes provision for local targeted lockdowns. Further consideration is needed as to whether and how these smaller-scale lockdowns should be supported in the short and longer-term, including whether the LSS should be made available in these situations (e.g. localised Section 70 restrictions).
- 21 My officials will provide further advice on the issues below and I will report back to Cabinet on these matters as part of the six-week review on WSS settings and availability in early November:
  - 21.1 potential triggers for turning the WSS back on (should it be turned off under Scenario A) in case it is required in a severe outbreak
  - 21.2 whether and how the WSS should function under Scenario B.
  - 21.3 whether and how localised lockdowns under the CPF should be supported in the short-term.
- 22 Officials from the Treasury, MBIE and MSD are also advising on options for the design of the Leave Support Scheme (LSS) and Short-Term Absence Payment (STAP), to ensure these remain fit for purpose under the CPF. I expect those supports will become a critical part of enabling individuals to do the right thing in complying with the rules for self-isolation. I will report back to Cabinet if any changes to LSS and STAP are required as a result of that advice.

### *Support for a transition to the CPF*

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<sup>2</sup> Eligible businesses would be those in the AL3 region, or in different regions but where there is a direct causal effect to the AL3 restrictions elsewhere that is causing a 40% revenue decline (e.g. due to supply chain issues).

- 23 Cabinet previously agreed that a Resurgence Support Payment would be paid on 29 October [CAB-21-MIN-0375 refers]. Following this payment on 29 October, I propose that three additional payments are made fortnightly at double the current rate (\$3000 + 800 per FTE) until the CPF is implemented. I suggest that increasing the frequency and level of payment at this time is needed to recognise and acknowledge the length of time that Auckland has been at Alert Levels 4 and 3 during the Delta outbreak, and the effect this has had on businesses, their owners and employees.
- 24 The application dates for these payments will be scheduled to open on 12 November, 26 November, and 10 December. Applications for these additional payments of the RSPAUG21 will only be activated as long as Auckland has not moved to the CPF.
- 25 This boost will particularly target Auckland businesses; currently more than 70% of the latest Resurgence Support Payment has been made to Auckland-based businesses. The remainder covers businesses most likely affected by the situation in Auckland; for example a tourism business in the South Island the previously relied primarily on Auckland visitors during the school holidays.
- 26 If the CPF is not in place anywhere in the country after the last payment on 10 December, Inland Revenue will not be able to make an additional payment until the new year, following their Christmas shutdown period ending on 5 January.
- 27 I also recommend that caps to the payment amount be doubled, to eight times the revenue decline, to ensure low income businesses also receive the benefit of the increase in payment rate.<sup>3</sup>
- 28 I recommend that the revenue decline threshold remains at 30%. This consistency of approach is needed to reduce the potential for confusion and uncertainty in the business community. Leaving the revenue decline threshold at 30% ensures businesses that have been receiving the RSP can continue to receive this support.

### **Supporting businesses on transition to the COVID-19 Protection Framework**

- 29 In addition to the above payments, I am proposing to announce, in principle, the introduction of a transitional Resurgence Support Payment. This payment would be triggered when Auckland initially shifts into 'Red' under the CPF. There is the prospect that some regions in NZ will still be at Alert Level 2 when this happens. Officials have not had the opportunity

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<sup>3</sup> Current RSP rules limit the payment amount to the lesser of 4 times (4x) the amount of revenue decline over the 7-day period or the base rate + FTE amount. This rule ensures that firms do not benefit from the scheme in a way that is disproportionate to their revenue impact.

to date to determine whether it is possible to make the transitional payment for Auckland and continue paying the RSP in this case.

- 30 This payment will help the most affected businesses, particularly in Auckland, to transition and adapt to the CPF. This will function like the RSP and will be based on similar eligibility criteria.
- 31 The exact amount for this payment will be decided closer to the date. This allows us time to assess economic and business conditions in Auckland and the rest of the country as we approach the transition to the new framework. Officials are providing further advice on the timing, parameters and settings of this payment.

### **Other support in the transition to the COVID-19 Protection Framework**

- 32 In addition to the specific economic support initiatives outlined above, a range of other complementary support initiatives are being considered by other Ministers. These include:
- 32.1 **Lifting Maori Vaccination Rates:** Ministers are currently working on an initiative to help lift Maori vaccination rates in the near term while providing for ongoing community support, including opportunities for iwi and community groups to be involved in the design and delivery of the next stages of COVID-19 support. Funded by the COVID-19 Response and Recovery Fund (CRRF), I understand this will be brought to Cabinet by the Maori-Crown Relations: Te Arawhiti Minister and Associate Health Minister shortly.
- 32.2 **Changes to Hardship grants:** The initiatives outlined in this paper are also complemented by the Hardship Assistance changes agreed by Cabinet on recommendation of the Minister for Social Development and Employment [CBC-21-MIN-0118 and CAB-21-MIN-0416 refers]. Cabinet has agreed to temporarily increase income limits applying to hardship assistance for four months from 1 November 2021 to 28 February 2022 to broaden the eligibility for hardship assistance, recognising the financial pressure on some households caused by prolonged Alert Level restrictions.
- 32.3 **Support for Communities:** MSD is also continuing to fund scaled-up community programmes for low-income households that need additional support for food and essential items. The Minister for Social Development and Employment will bring a

further paper to Cabinet on the expansion of the Community Connection Service in mid-November [CAB-21-MIN-0412].<sup>4</sup>

- 32.4 **The Events Sector:** The sector has made requests to Government to provide confidence for planning and hosting events. MBIE has provided advice to the Minister for Economic Development recommending against sector-specific financial support for the events sector given the high fiscal cost and inequitable outcomes across the sector. Ministers are, however considering a scheme to underwrite the sector against the risk that they may have to postpone events.
- 32.5 **Business Advice and Mental Health Support:** Ministers with the Power to Act will discuss additional funding of \$50 million for business advice support for the Auckland region to be delivered through the Regional Business Partner Network. Alongside this is funding for mental health support for small businesses that will be developed in partnership with groups such as the EMA and Auckland Business Chamber of Commerce.

### Longer-term economic supports

- 33 As we transition to the new CPF over the next few months, we will be able to better understand what package of economic support will be required for 2022 onwards. I have set out in this section a high-level overview of my proposed approach over medium-term. I will work with relevant Ministers and officials to finalise this in the coming weeks.
- 33.1 I do not see a need for ongoing broad-based business support under 'Orange' or 'Green' in the long-term (including under localised Section 70 restrictions, although officials will advise further on this), and I recommend a shift to more targeted and individualised support where possible.
- 33.2 Given the intent of the new CPF is to avoid the use of wider Alert 3 and 4 style lockdowns, I do not foresee a need for the WSS under the new framework. In the event that a wider lockdown is needed, reactivation of the WSS could be considered at that time.
- 33.3 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). I have asked officials to provide further advice on what support may be needed for such situations.

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<sup>4</sup> The Community Connection Service undertakes assessments of whānau needs and provides food parcels and support for other wellbeing items. As needed, they also support connections to Work and Income and other support services.

34 At this stage, I am considering the following as part of the longer-term economic support package:

*For individuals in the workplace*

35 I have asked for advice from officials on potential changes to be implemented from 2022 to focus on individualising support to ensuring coverage and entitlements. While further work is needed on the design, I expect this to consider potential changes to schemes like the LSS and the STAP as well as options for complementary supports for casual and vulnerable workers.

*For businesses*

36 Under a steady state, there may be a case for a more **targeted form of the Resurgence Support Payment** when an area moves to 'Red' (a CPF-RSP).

36.1 This payment would recognise the cost that moving into tighter restrictions imposes, but could incorporate a higher revenue drop test. I am considering whether such a payment should be regularly paid out, or be a one-off payment in order to better target the most affected businesses, minimise the long-term fiscal cost and ensure businesses take action to adapt to the new public health requirements.

36.2 To estimate the potential format, fiscal cost, and uptake of the CPF-RSP, details on what public health restrictions will be in place under the 'Red' level will first need to be finalised.

36.3 I have also asked officials to consider whether the CPF - RSP can be targeted to only businesses using COVID Vaccination Certificates (CVCs) to better encourage businesses to comply with public health response measures. This is my strong preference.

37 On top of this CPF-RSP, I suggest there is potential rationale for extra support for an area which remains in 'Red' for a sustained period similar to that currently being provided to businesses affected by the August outbreak.

37.1 The case for this needs to be weighed up against the need for businesses to transition to a 'new normal'.

37.2 Further work is underway to understand what this might entail, including on implications for payment rates, frequency and revenue drop thresholds. Any more general and longer-term provision of the CPF-RSP would also be informed by the economic circumstances at the time it may be required, and the fiscal impact.

- 38 I have also asked officials to advise on whether additional economic support is warranted when an area moves out of a period at the 'Red' level into 'Orange' or 'Green' levels.
- 38.1 The rationale for such a payment might be that businesses need an additional financial boost when re-opening after an extended period at the 'Red' level.
- 38.2 The settings for such a payment would be dependent on the generosity of the CPF-RSP, and to what extent the CPF inhibits economic activity. It would also depend on the length of time an area has been at the 'Red' level.
- 39 I have also asked officials to consider options for some form of **short-term credit support** available at all public health settings. Such a measure could provide cashflow to manage minor disruptions that are expected to be short and only defer demand and revenue.
- 39.1 I note that bank and non-bank lenders already provide overdraft facilities and tailored hardship options for business customers, so the need for government intervention is unclear. I understand that as of 6 October, banks continue to receive low numbers of COVID queries and low volumes of hardship applications.

#### *Other longer term economic and support options*

- 40 I am investigating further support that might be needed, particularly in the transition period, for individuals and families. This could include wrap around support and support for accommodation, essential supplies (for example, food) and mental health services. I will report back to Cabinet in the next few weeks on these ideas, in advance of the report noted below.

#### *Next steps on longer-term economic support*

- 41 Following further advice from officials, I expect to report back to Cabinet later in November with more detail on the longer-term package of support.

### **Financial Implications**

- 42 The eventual fiscal cost of the proposed measures depends directly on scheme design and on eventual uptake in many cases.
- 43 The duration, level, and impacts associated with the new CPF are also uncertain and evolving. Ahead of decisions confirming the restrictions in place at the time of payment, there will be considerable uncertainty around the cost of any further payments. I will therefore provide further estimates to Cabinet in due course.

44 The following table outlines the expected costs at this stage of the transitional support in ranges:

Payment beginning	RSP	WSS	Latest RSP forecast cost (\$m)	Latest WSS forecast cost (\$m) <sup>5</sup>	Total (\$m)
<i>Total 20 August – 15 October</i>					4,900-5260
<i>Agreed by Cabinet, announced</i>					
29/10/21	✓	✓	\$200-\$220m (including Waikato AL3)	250-500	450-720
<i>Not yet agreed by Cabinet or announced; RSP issued at double rates</i>					
12/11/21	✓	✓	220-440	250-500	470-940
26/11/21	✓	✓	220-440	250-500	470-940
10/12/21	✓	✓	220-440	250-500	470-940
<i>Total 29 October – 10 December</i>					1,860-3,540
<i>Expected total since 20 August</i>					6,760-8800

- 45 I propose appropriating \$1,320 million in new operating funding, to provide for coverage of the 12 November, 26 November, and 10 December payments issued under RSPAUG21 . New operating funding will be drawn from the COVID-19 Response and Recovery Fund (CRRF).
- 46 There is an existing authorisation for Joint Ministers to draw down on the CRRF to meet the final cost of the RSPAUG21, should they escalate beyond estimates, up to a cap of \$100 million [CAB-21-MIN-0344 refers].
- 47 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 the approval of Cabinet.
- 48 Note that costings for the LSS and STAP are too uncertain at this point in time, as they are directly dependent on the rate of community COVID-19 cases and close contacts required to undergo testing and to self-isolate. I will be able to provide a better sense of cost estimates once the CPF settings and the role of self-isolation under that framework is finalised.
- 49 I expect that funding for the Regional Business Partner Network, to be discussed in parallel to this paper, and I understand this will total \$50 million I understand it is also proposed that up to \$10 million of funding

<sup>5</sup> The forecast cost for the WSS when Auckland is at Alert 3 and the rest of the country is at Alert Level 2 has been revised down slightly since the 11 October Cabinet paper. This is based on demand for payment #4 and increased activity permissible under the modified Alert Level 3 settings" .

from Vote Health would cover the mental health aspect of this package, contingent on further discussions with the Minister for Health.

### **Legislative Implications**

- 50 As noted later (see Recommendation 17-19) existing legislation in the Tax Administration Act 1994 (TAA) allows for an RSP scheme to be amended by Order in Council. Following decisions in this paper, the Minister of Finance will issue drafting instructions to the Parliamentary Counsel Office to implement the decisions set out above; and will seek Cabinet approval to submit the amending Order in Council to the Executive Council before applications open for the additional payments.
- 51 Officials are assessing whether the RSP provisions of the Tax Administration Act 1994 are compatible with the new COVID Protection Framework and what amendments are required to the Tax Administration Act 1994 to ensure that the RSP, and any other proposed financial support measures, can be delivered under the new framework.

### **Impact Analysis**

- 52 The Regulatory Impact Analysis (RIA) Team at the Treasury has determined that the proposal to amend the Resurgence Support Payment Scheme (RSP) is exempt from the requirement to provide a Regulatory Impact Statement on the grounds that it is intended to manage, mitigate or alleviate the short-term impacts of the declared emergency event of the COVID-19 pandemic, and implementation of the policy is required urgently to be effective (making a complete, robust and timely Regulatory Impact Statement unfeasible).
- 53 Cabinet's impact analysis requirements apply to the proposal relating to a transitional RSP to be paid when Auckland makes the shift from the Alert Level Framework to the new COVID-19 Protection Framework, but there is no accompanying Regulatory Impact Statement and the RIA Team has not exempted the proposal from the impact analysis requirements. Therefore, it does not meet Cabinet's requirements for regulatory proposals.
- 54 On behalf of respective Ministers, the RIA Team and the relevant policy teams at the Treasury have agreed that a Supplementary Analysis Report will be provided either before the next major Cabinet decision on this issue or before any legislative changes are made.

### **Population Implications**

- 55 The proposals in this paper will support our continued response to COVID-19, for the benefit of all New Zealanders. The measures proposed for the transition, as well as the direction proposed for the long-

term, will support businesses and individuals with economic burden of COVID-19, and ensure they are enabled to do the right thing.

### **Human Rights**

56 There are no human rights issues raised by this proposal.

### **Consultation**

57 This paper was prepared by the Treasury. The following agencies were consulted in developing this paper: Ministry for Social Development, Inland Revenue, and the Ministry of Business, Innovation and Employment.

### **Communications and Proactive Release**

58 I intend to announce the direction of COVID economic support arrangements on Friday, 22 October. I also intend to proactively release this Cabinet paper following Cabinet consideration.

## Recommendations

The Minister of Finance recommends that the COVID-19 Ministerial Group with Power to Act:

1. **note** that the implementation of the COVID-19 Protection Framework requires decisions about the future of economic support available to individuals and businesses at the various levels on the Framework;
2. **note** that in the transitional period there will be a need for transitional support, particularly for businesses in Auckland who have had more than two months of restrictions;
3. **note** that while the current Alert Level framework remains in place, the Wage Subsidy Scheme and the Resurgence Support Payment will continue to be available to those that meet the eligibility criteria;
4. **agree** that the Leave Support Scheme and Short-Term Absence Payment will be available to assist people to get COVID-19 tests and self-isolate under all levels of both the existing Alert Level Framework (while still in place) and the new CPF once implemented;

### *Prior to the COVID-19 Protection Framework being triggered*

5. **agree** the application for additional payments of the RSPAUG21 will be activated on 12 November, 26 November, and 10 December, as long as Auckland has not moved to the CPF;
6. **agree** that if the activation criteria set out in paragraph 5 are met, the additional payments of the RSPAUG21 will be paid at double the current rate, \$3,000 + \$800 per FTE, with the impacted period commencing 7 days before each application opens;
7. **agree** that the RSP payment cap is doubled, to eight times (8x) the revenue decline, to ensure low income businesses also receive the benefit of the increase in payment rate;
8. **agree** that if the activation criteria set out in paragraph 5 are met, then the same eligibility criteria agreed for RSPAUG21, 30% revenue decline, will be used;
9. **note** if the COVID-19 Protection Framework is not in place anywhere in the country after the payment scheduled for 10 December, Inland Revenue will not be able to make an additional payment until the new year;
10. **agree** that additional funding for business advice support for the Auckland region to be delivered through the Regional Business Partner Network will be announced as part of this package on 22 October;

### *On introduction of the COVID-19 Protection Framework*

11. **agree** that in the event that the whole country moves to the CPF at once during a WSS payment period (i.e. after a WSS payment has been triggered in response to Alert Level 3 conditions), businesses in that region should be allowed to meet the revenue decline test by attributing their revenue decline to a combination of Alert Level 3 and CPF effects.

12. **note** that officials will provide further advice on:

- a. potential triggers for turning the WSS back on (should it be turned off after the transition to the CPF) in case it is required in a severe outbreak that requires restrictions beyond the CPF and therefore more substantial economic supports.
- b. whether and how the WSS should function in a scenario where parts of the country move to the CPF while others remain in Alert Level 3.
- c. whether and how localised lockdowns under the CPF should be supported in the short-term.

13. **agree** in-principle for a transitional RSP to be paid when Auckland makes the shift from the Alert Level Framework to the new COVID-19 Protection Framework subject to further advice about the settings of the measure.

14. **note** that once switched off after the move to the new CPF, the WSS will still remain available for reactivation if a wider lockdown is required to manage a severe outbreak;

*Support during the COVID-19 Protection Framework 'steady state'*

15. **note** that officials will provide advice on support for individuals under the COVID-19 Protection Framework, which will include advice on potential changes to schemes like the Leave Support Scheme and Short-term Absence Payment as well as options for complementary supports for casual and vulnerable workers.

16. **note** that officials will provide advice on business support under the COVID-19 Protection Framework, including:

- a. whether to provide resurgence support on commencement of any period at 'Red', and potentially across the duration of any period at 'Red';
- b. whether prolonged periods at 'Red' warrants frequent support similar to that currently being provided to businesses affected by the August outbreak; and
- c. whether to provide a payment for firms as they enter 'Orange' following a prolonged period at 'Red'.

- d. The role of a short-term credit support available at all public health settings

*Order in Council*

- 17. **note** that existing legislation in the Tax Administration Act 1994 allows for an RSP scheme to be amended by Order in Council, including allowing additional payments under the RSPAUG21 scheme;
- 18. **note** that, following decisions in this paper, the Minister of Finance will issue drafting instructions to the Parliamentary Counsel Office to implement the decisions set out above; and will seek Cabinet approval to submit the amending Order in Council to the Executive Council before applications open for the additional payments;
- 19. **authorise** the Minister of Finance to further clarify and develop policy matters relating to the proposals in this Cabinet paper in a manner not inconsistent with the policy recommendations contained in the paper;

*Financial Recommendations*

- 20. **note** that a total of \$1529.9 million was appropriated to meet the cost of RSPAUG21 [CAB-21-MIN-0328, CMG-21-MIN-0023, CAB-21-MIN-0375 refer];
- 21. **note** there is an existing authorisation for Joint Ministers to draw down on the CRRF to meet the final cost of the RSPAUG21, should costs escalate beyond estimates, up to a cap of \$100 million [CAB-21-MIN-0344 refers];
- 22. **note** the payments agreed for 8 October and 29 October made under the RSPAUG21 are now expected to cost \$400 – 440 million cumulatively, subject to uptake and the evolving nature of the current COVID-19 resurgence event, and this is a revision upwards on account of the Waikato and Northland regions moving to Alert Level 3 restrictions;
- 23. **note** that further payments under the RSPAUG21 on 12 November, 26 November, and 10 December would be expected each to cost between \$220 – 440 million, subject to uptake and the evolving nature of the current COVID-19 resurgence event;
- 24. **agree** that the cost of the 12 November, 26 November, and 10 December payments issued under RSPAUG21 will be met by new funding of \$1,320 million;
- 25. **approve** the following changes to appropriations to give effect to the policy decision in recommendation 24 above, with a corresponding impact on the operating balance and net core Crown debt:

\$m – increase/(decrease)
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<b>Vote Revenue Minister of Revenue</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26 &amp; Outyears</b>
Non-departmental Other Expense: COVID-19 Resurgence Support Payment	1,320.0 00	-	-	-	-

26. **agree** that the proposed change to appropriations for 2021/22 in recommendation 25, above, be included in the 2021/22 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply;
27. **agree** that the expenses incurred under recommendation 25 above be charged against the COVID-19 Response and Recovery Fund (CRRF), established as part of Budget 2020.

## Appendix 1 - Existing supports available under the current Alert Level Framework

Support		Current role in support system
<b>Economic support to Businesses</b>	<b>Wage Subsidy Scheme</b>	Available to all businesses expecting a 40% drop in revenue while any part of the country is in Alert Levels 3 or 4. Paid in a 2-week lump sum at: - \$600 per week for each full-time employee - \$359 per week for each part-time employee
	<b>Resurgence Support Payment</b>	Supports viable and ongoing businesses or organisations which have experienced a decline in revenue due to a COVID-19 alert level increase to level 2 or higher (30% revenue or capital raising ability drop over 7 days)  Payment is the lesser of: - \$1,500 plus \$400 per FTE employee, up to a maximum of 50 FTEs; or - four times (4x) the actual revenue decline
	<b>Small Business Cashflow Scheme</b>	Supports small to medium businesses and organisations struggling with a loss of actual revenue due to COVID-19. Applications are open until 31 December 2023.
<b>Support to individuals with public health restrictions</b>	<b>Leave Support Scheme</b>	Available for eligible employers, including self-employed people, to help pay their employees who need to self-isolate and can't work from home. Rate is \$600 a week for each full-time worker and \$359 a week for part-time employees retained.
	<b>Short-term Absence Payment</b>	Available for eligible businesses, including self-employed people, to help pay their employees who cannot work from home while they wait for a COVID-19 test result. Paid at a new rate of \$359, effective from 24 August 2021