

Reference: 20240317

21 May 2024

Wendy McGuinness  
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Dear Wendy

Thank you for your Official Information Act request, received on 22 April 2024. You requested answers to questions on the COVID-19 Response and Recovery Fund (CRRF) funding decisions, found on the Treasury's website:

**Question 1:** *What is the difference between (i) the 'actual sum of money ring-fenced by the Government' versus (ii) the 'funding envelope for budget management purposes'? Could you explain the difference, and ideally the pros and cons of each? We found a brief explanation on the Treasury website here (see the second sentence), but we would like to learn more.*

At a high level, the Government sets its fiscal strategy, which represents the Government's fiscal intentions for the future. This sets out budget allowances (funding envelopes) that can be used to deliver government priorities and fund cost pressures. These allowances can be revised and changed in light of updated information, as was the case during the COVID-19 pandemic. These allowances represent the Government's overall willingness to spend. The creation of the CRRF was a way to signal a willingness to spend in light of the emerging COVID-19 situation and communicate that intention to the public. This is what we mean when we say 'funding envelope' in the text you quoted.

Once these allowances have been set, the Government then allocates this funding predominately through its annual Budget process. In some cases, the Government can decide to ring-fence some funding for a specific purpose (such as the Climate Emergency Response Fund).

These concepts are not alternatives as they occur at different stages of the fiscal management process.

**Question 2:** *When preparing the two graphs (far below), we noticed the sum (\$86,759,410) being the sum of each column (excluding the sum of fiscal impact) does not equal the sum (\$70,436,787) at the right hand column (being the 'sum of fiscal impact'). Is this an issue with the excel? Can you explain?*

The amounts in the columns that sum to \$86.8 billion generally represent the amount appropriated for each initiative (noting that some initiatives were for tax changes and some decisions were to create tagged contingencies, neither of which were

appropriated). We use the term “allocated amount” for this in the response to question 3 below.

Fiscal impact is the impact of a funding decision on the Crown’s net debt across the relevant forecast period, which is 5 years for operating expenditure and 10 years for capital expenditure. The CRRF data release covers more than 5 financial years, and earlier decisions with ongoing funding beyond the forecast period are shown in the data as well, which leads to a higher total than when adding the Fiscal Impact column. The effect of this is that ‘Fiscal Impact’ can be different to the amount that is appropriated for an initiative.

More information on the difference between fiscal impact and what has been appropriated can be found here: [COVID-19 Response and Recovery Funding - Allocation | The Treasury New Zealand](#) and [COVID-19 Response and Recovery Funding - Key terms | The Treasury New Zealand](#)

**Question 3:** *Can you provide a reconciliation between \$70,436,787 (shown above) and \$61.6b (shown below)? We understand that the first goes beyond April 2022, but when adding the first three columns, we found the sum to 30 June 2022 was \$66,157,799. We note the April 2022 figure below is \$61.6b. Can you clarify and provide a reconciliation using figures to June 2022?*

These different items will not reconcile because they are demonstrating different fiscal concepts.

The \$70.4b represents the fiscal impact of all the new COVID-19 related funding decisions, which, as noted above, is the effect that the spending will have on the Crown’s net debt position. The \$70.4b figure includes the initial \$12.1b package, and the subsequent \$58.4b allocated from the CRRF in response to COVID-19.

The \$66.2b you mention is the total allocated amount of funding across those years.

The \$61.6b represented the size of the CRRF funding envelope (a tool for fiscal management purposes) when it was disestablished. The \$61.6b represented the Government’s willingness to spend in response to the COVID-19 pandemic. The initial package that was agreed in response to the emergence of COVID-19 (\$12.1b) is not included in the CRRF. Over the course of the pandemic, the Government reassessed its willingness to spend in light of the changing circumstances. This is reflected in the timeline set out on the web page.

When the CRRF was closed, there was a portion of \$3.2b of unallocated funding, of which:

- \$1.2b was set aside for any immediate COVID-19-related public health needs that couldn’t wait until the next Budget cycle.
- \$1.0b, or \$250 million per annum, to offset investments funded from the Budget 2022 operating allowance, and
- \$1.0b for a package of measures to support low-to-middle income New Zealanders to manage the rising cost of living.

In response to your request for “*any suggestions on the title of the graphs below (including the x axis and the y axis)*”.

It is worth noting that not everything in the CRRF was ‘appropriated’. For example, tagged contingencies and tax changes are included in these figures.

Suggested Titles:

- Figure 4.2: Fiscal impact of CRRF funding decisions categorised by Vote (\$70.4 billion)
- Figure 4.3: Total CRRF funding decisions by financial year (\$86.8 billion)

The y axis and key to the graphs should be updated in accordance with the explanations we have provided in this letter.

Please note that this letter (with your personal details removed) 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

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