



COVERSHEET

Minister	Hon Stuart Nash	Portfolio	Economic Regional Development
Title of Cabinet paper	Regional Strategic Partnership Fund: Further Implementation Decisions	Date to be published	22 July 2021

List of documents that have been proactively released

Date	Title	Author
July 2021	Regional Strategic Partnership Fund: Further Implementation Decisions	Office of Minister for Economic Regional Development
22 July 2021	Minute of Decision CAB-21-MIN-0114	Cabinet Office

Information redacted

YES / NO (please select)

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Cabinet

Minute of Decision

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Regional Strategic Partnership Fund: Further Implementation Decisions

Portfolio **Economic and Regional Development**

On 12 April 2021, following reference from the Cabinet Economic Development Committee (DEV), Cabinet:

Background

- 1 **noted** that the Regional Strategic Partnership Fund (RSPF) is a \$200 million fund, based on a manifesto commitment, and the Provincial Development Unit (PDU) is responsible for its strategy, implementation, delivery and administration;
- 2 **noted** that, on 2 February 2021, the Cabinet Business Committee (CBC) agreed to the broad parameters of a focused approach to Regional Economic Development for the delivery of the RSPF and initial governance decisions, and that further policy and operational design decisions would be sought by April 2021 [CBC-21-MIN-0013];
- 3 **noted** that the PDU is working with other agencies to align ongoing work within regions, including the Joined-Up Approach to Government in the Regions, Just Transitions Partnerships and Regional Skills Leadership Groups;
- 4 **noted** that relevant agency knowledge and relationships will be used to inform the setting of RSPF investment areas within regions, the origination of potential investment opportunities, and the assessment of, and recommendations on, investment opportunities to decision-makers. This includes the Ministry for Primary Industries due to its primary sector knowledge and relationships;
- 5 **noted** that, in addition to funding ring-fenced specifically for Māori-specific investments, Māori economic aspirations will be an important focus across all streams of the RSPF, and the PDU will work with relevant agencies, including Te Puni Kōkiri, to support the Māori Economic Development Ministers Group to drive better alignment of the government's Māori economic development activities;

Decisions on RSPF streams settings

Stream 1 – Regional economic development partnerships

- 6 **agreed** that the PDU supports existing regional economic development groups to evolve into Regional Economic Development Partnerships;

7 **noted** that:

7.1 facilitating Regional Economic Development Partnerships will not entail establishing new regional economic development groups in the regions;

7.2 rather, regional economic development partnerships will be a mechanism through which the PDU supports regional economic development aspirations and progresses funding proposals for Ministers to consider;

8 **agreed** that Regional Economic Development Partnerships will assess and update their regional economic development planning documents in response to the changing economic context, as required, and set regional economic development priorities that will be used to inform RSPF investment through Streams 2 to 4;

Stream 3 – Accelerating Māori economic aspirations

9 **agreed** that investments for the RSPF’s Accelerating Māori economic aspirations stream focus on whenua Māori investments;

10 **authorised** Māori Economic Development Ministers to make further decisions needed to deliver RSPF Stream 3, including the authority to amend the scope of the investment stream in response to emerging government priorities;

Stream 4 – Supporting sector transformations

11 **agreed** that the strategic objective of the supporting sector transformations investment stream is to generate a critical mass of investment, by targeting investment to regional-sector priority investment areas;

Stream 2 – Enabling regional economic and business development

12 **agreed** that detailed policy parameters on Stream 2 will be agreed by the Minister of Finance and the Minister for Economic and Regional Development (Regional Economic Development Ministers) before mid-2021;

Design decisions to operationalise the RSPF

Fund design

13 **agreed** that:

13.1 funding be allocated for investments in the following RSPF funding streams:

13.1.1 up to \$60 million for Stream 2 - Enabling regional economic and business development;

13.1.2 up to \$40 million for Stream 3 - Accelerating Māori economic aspirations;

13.1.3 up to \$80 million for Stream 4 - Supporting sector transformations; and

13.2 at least \$20 million is not allocated to a stream to enable flexibility to respond to government and regional economic development priorities as they arise;

14 **noted** that the balance of these funding allocations will support an effective portfolio across the three streams while recognising the level of impact at the regional level each stream is anticipated to generate;

- 15 **agreed** that RSPF investments must meet the following eligibility criteria:
- 15.1 located in regional New Zealand (outside the three main centres of Auckland, Wellington and Christchurch and excludes Auckland region as a whole);
 - 15.2 aligned with government and regional economic development priorities, and PRISM¹;
 - 15.3 additionality;
 - 15.4 co-contribution requirements; and
 - 15.5 the recipient's capability to deliver and implement the project;
- 16 **agreed** that the following types of proposals be ineligible for RSPF funding, unless they are a sub-component of a broader proposal where there is no other available funding sources:
- 16.1 social assets;
 - 16.2 publicly-funded large-scale infrastructure;
 - 16.3 skills and training,
 - 16.4 housing infrastructure;
 - 16.5 purchase of land;
- 17 **agreed** that Māori, iwi-owned or Pasifika community assets and freehold land are exempt from the requirements in paragraph 16;
- 18 **agreed** that:
- 18.1 Stream 2 proposals for investment consideration are originated through regional economic development partnerships;
 - 18.2 Stream 3 proposals for investment consideration are originated through regional economic development partnerships and on-the-ground knowledge of agencies;
 - 18.3 Stream 4 proposals for investment consideration are originated through expressions of interest following confirmation through regional engagement of priority investment areas;
- 19 **agreed** that, consistent with the parameters discussed in this paper, Regional Economic Development Ministers may make further decisions to assist the PDU and decision-makers in assessing and approving investment proposals;

RSPF management and governance

- 20 **invited** the Minister of Social Development and Employment and the Minister of Māori Development to join the Regional Economic Development Ministers;
- 21 **noted** that MBIE will review the operating requirements of both the RSPF and existing funds, and provide more detailed advice to the Minister of Finance and Minister for Economic and Regional Development on the longer term operating model of the PDU;

¹ Productive, resilient, inclusive, sustainable and Maori enabling

- 22 **noted** that the name of the Provincial Development Unit will be transitioned to Regional Economic Development and Commercial Services to better reflect its evolved role;
- 23 **noted** PGFL Shareholding Ministers' work to transition Provincial Growth Fund Limited to an active company [CAB-20-MIN-0294];
- 24 **agreed** to disestablish the Provincial Growth Fund's (PGF) Independent Advisory Panel;
- 25 **agreed** that Senior Regional Officials be renamed Senior Regional Economic Development Officials and be appointed, primarily from PDU officials, based on their economic expertise;

Ministerial decision-making and oversight

- 26 **noted** that in January 2021, CBC agreed that Regional Economic Development Ministers would make RSPF investment decisions under \$20 million [CBC-21-MIN-0013];
- 27 **agreed** that Regional Economic Development Ministers will consult with relevant portfolio Ministers before making RSPF funding decisions;
- 28 **noted** that the PDU will provide reporting on the progress and performance of the RSPF and other PDU-managed funds to Regional Economic Development Ministers monthly, and to the Cabinet Economic Development Committee quarterly;
- 29 **authorised** Regional Economic Development Ministers to make further decisions aligned with the approach to the RSPF as set out in the paper under CAB-21-SUB-0114;

Reprioritisation decisions

- 30 **noted** that no new funding has been provided for the RSPF in the Budget 2021 package;
- 31 **agreed** that the remaining \$134 million of RSPF funding be provided through further PGF reprioritisation as far as possible or an allocation at Budget 2022;

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- 33 **noted** that the PDU has undertaken a review of all PGF projects as the first stage of a reprioritisation exercise;
- 34 **agreed** to reprioritise up to \$101.110 million worth of funding from the PGF with:
- 34.1 \$35.000 million to fund the operational costs of the PDU for the Financial Year 2021/2022 in order to administer both the RSPF and existing investments; and
- 34.2 the remaining reprioritised funds of up to \$66.11 million be used towards the balance of the \$200 million RSPF;
- 35 **noted** that the PDU is undertaking further analysis of \$13.00 million residual PGF funds which are currently appropriated to other agencies which may become available for reprioritisation;

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- 37 **agreed** to reprioritise funding from terminated PGF projects outlined in Annex 13 of the paper under CAB-21-SUB-0114, and the remaining specific PGF allocation outlined in Annex 14, to support the government’s regional economic development priorities;
- 38 **agreed** to reprioritise funding from the PDU residual outlined in Annex 14 to support the government’s regional economic development priorities;
- 39 **noted** that the Minister for Economic and Regional Development will be seeking approval from the Minister of Finance to establish a new multi-category appropriation “Economic and Regional Development: Regional Strategic Partnership Fund” in Vote Business, Science and Innovation, to be administered by Ministry of Business, Innovation and Employment with the Minister for Economic and Regional Development Portfolio as appropriation Minister, to invest in projects that enable regional economic and business development, accelerate Māori economic aspirations and support sector transformations;
- 40 **noted** that the Minister for Economic and Regional Development will be seeking approval from the Minister of Finance that the categories for this appropriation be as follows: to create two new categories to the multi-category appropriation “Economic and Regional Development: Regional Strategic Partnership Fund” to be used as the appropriation for funding focused regional economic development;

Name	Type	Scope
Supporting regional strategic partnerships Initiatives	Non-departmental other expense	This category is limited to formalising regional strategic partnerships within each region to support updating of regional economic development planning documents, the identification of regional priorities, and the grant funding of projects aligned with regional priorities
Investing into Capital Projects	Non-departmental capital expenditure	This category is limited to investment in projects to foster productive, resilient, inclusive, sustainable, and Māori-enabling regional economies.

41 **approved** the following fiscally neutral adjustments to give effect to the policy decision in paragraph 37 above, with no impact on the operating balance and debt:

	\$m - increase/(decrease)				
	2020/21	2021/22	2022/23	2023/24	2024/25 & Outyears
Vote Labour Minister of Employment Non-Departmental Other Expense: Employment - He Poutama Rangatahi	(8.022)	-	-	-	-
Vote Transport Minister of Transport Multi-Category Expenses and Capital Expenditure: Tuawhenua Provincial Growth Fund – Transport Projects Non-departmental Output Expense: Regional Projects and Capability Non-departmental Other Expense: Enabling Infrastructure Projects	(0.162)	-	-	-	-
Vote Lands Minister for Land Information Non-departmental Output Expense: Regional elevation data capture - delivery	-	-	(1.850)	(1.400)	-
Vote Business, Science and Innovation Minister for Economic and Regional Development Multi-Category Expenses and Capital Expenditure: Provincial Growth Fund MCA: Non-Departmental Other Expense: Supporting Regional and Sector Initiatives Non-Departmental Capital Expense: Provincial Growth Fund Limited Capital Investment Multi-Category Expenses and Capital Expenditure: Regional Strategic Partnership Fund MCA: Non-Departmental Other Expense: Supporting regional strategic partnerships initiatives Non-Departmental Capital Expense: Investing into Capital Projects	(20.550)	(4.376)	-	-	-
Total Operating	(10.984)	15.204	(1.850)	(1.400)	-
Total Capital	(20.550)	19.580	-	-	-

42 **noted** that on 20 August 2018, DEV agreed to establish “Tairāwhiti Roding Package Future Pipeline Implementation Tagged Contingency“ of \$108.100 million with an expiry date of 1 January 2021 [DEV-21-MIN-0171]:

	\$m – increase/(decrease)				
	2018/19	2019/20	2020/21	2021/22	2022/23
Tairāwhiti Roding Package Future Pipeline Implementation Tagged Contingency	-	108.100	-	-	-

43 **noted** that an extension was approved until 30 June 2022 for the Tairāwhiti Roding Package Future Pipeline Implementation Tagged Contingency at the 2020/21 March Baseline Update;

44 **agreed** to reprioritise the remaining funding of \$4.950 million from the Tairāwhiti Roding Package Future Pipeline Implementation Tagged Contingency to support the capital requirements of the RSPF to support the government’s regional economic development priorities;

45 **approved** the following changes to appropriations to provide for the above decision, with a corresponding impact on the operating balance and net core Crown debt:

	\$m - increase/(decrease)				
	2020/21	2021/22	2022/23	2023/24	2024/25 & Outyears
Vote Business, Science and Innovation Minister for Economic and Regional Development					
Multi-Category Expenses and Capital Expenditure: Regional Strategic Partnership Fund MCA: Non-Departmental Capital Expense: Investing into Capital Projects, Expense		4.950	-	-	-
Total Operating					
Total Capital		4.950			

46 **approved** the following changes to appropriations to provide for the decision in paragraph 38 above, with a corresponding impact on the operating balance and net core Crown debt;

Vote Business, Science and Innovation Minister for Economic and Regional Development	\$m - increase/(decrease)				
	2020/21	2021/22	2022/23	2023/24	2024/25 & Outyears
Multi-Category Expenses and Capital Expenditure: Provincial Growth Fund MCA:					
Non-Departmental Other Expense: Supporting Regional and Sector Initiatives		(26.000)			
Non-Departmental Capital Expense Crown Regional Holdings Limited Capital Investment	(31.000)				
Departmental Output Expense Operational Support of Regional and Sector Investments (funded by revenue Crown)		32.800			
Non-Departmental Output Expense Provincial Growth Fund Investment Management – Crown Regional Holdings Limited		2.200			
Multi-Category Expenses and Capital Expenditure: Regional Strategic Partnership Fund MCA: Non-Departmental Other Expense: Supporting regional strategic partnerships initiatives		13.475			
Non-Departmental Capital Expense: Investing into Capital Projects		8.525			
Total Operating		22.475			
Total Capital	(31.000)	8.525			

47 **agreed** that any under-expenditure for the Regional Strategic Partnership Fund MCA be carried forward at the end of each financial year to the following financial year to recognise the uncertain timing of project initiation, approval and subsequent expenditure. This is subject to confirmation in a subsequent baseline update;

48 **agreed** that the proposed changes to appropriations for 2020/21 above be included in the 2020/21 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply;

Aquaculture-related decisions

49 **noted** that on 29 July 2020, DEV invited PGFL Shareholding Ministers to invite the PGFL Board to establish an aquaculture subsidiary, and agreed that the initial capitalisation of up to \$50 million be funded from the PGF [DEV-20-MIN-0141.01];

- 50 **noted** that PGFL Shareholding Ministers do not intend to invite the PGFL Board to establish an aquaculture subsidiary at this stage;
- 51 **noted** that the PDU is undertaking further analysis of \$13 million residual PGF funds which are currently appropriated to other agencies;
- 52 **noted** that if this this funding becomes available, Regional Economic Development Ministers will ring-fence \$10 million of this funding for aquaculture investments;
- 53 **noted** that the Minister for Oceans and Fisheries is considering options to accelerate the delivery of the Aquaculture Strategy and the development of open ocean aquaculture, including regulatory settings and options for government investment; and will report to Cabinet on this at a later stage;

Recycling funding

- 54 **invited** the Minister for Economic and Regional Development to report back on the design, investment mandate, and operation of PGFL and whether to enable active investments and recycle the proceeds of PGF investments;
- 55 **agreed** that remaining applications in the PGF pipeline be closed off.

Michael Webster
Secretary of the Cabinet