



COVERSHEET

Minister	Hon Shane Jones	Portfolio	Regional Economic Development
Title of Cabinet paper	Provincial Growth Fund: Establishing Provincial Growth Fund Limited	Date to be published	31 October 2019

List of documents that have been proactively released

Date	Title	Author
10 April 2019	Provincial Growth Fund: Establishing Provincial Growth Fund Limited	Office of Minister for Regional Economic Development
10 April 2019	Provincial Growth Fund: Establishing Provincial Growth Fund Limited <i>DEV-19-MIN - 0084</i>	Office of Minister for Regional Economic Development

Information redacted

YES / NO (please select)

Any information redacted in this document is redacted in accordance with MBIE's policy on Proactive Release and is labelled with the reason for redaction. This may include information that would be redacted if this information was requested under Official Information Act 1982. Where this is the case, the reasons for withholding information are listed below. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Some information has been withheld to protect the confidentiality of advice tendered by ministers and officials



Cabinet Economic Development Committee

Minute of Decision

This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.

Provincial Growth Fund: Establishing Provincial Growth Fund Limited

Confidential information entrusted to the Government

Portfolios Finance / Regional Economic Development

On 10 April 2019, the Cabinet Economic Development Committee (DEV):

Establishment of PGF Limited

- 1 **agreed** to establish Provincial Growth Fund Limited (PGF Ltd) as a Schedule 4A company under the Public Finance Act 1989;
- 2 **agreed** that the Minister of Finance and the Minister for Regional Economic Development be the shareholding Ministers and each hold 50 percent of the shares in PGF Limited;
- 3 **agreed** that:
 - 3.1 PGF Ltd be established as an asset holding company – to hold legal and beneficial title to investment assets and to make and receive payments in relation to projects the PGF has invested in;
 - 3.2 PGF Ltd will have no operational role in analysing or providing advice on project applications, or for managing investments after Ministerial decisions have been made;
- 4 **agreed** that investment operational responsibilities be undertaken by the Provincial Development Unit (PDU) under contract with PGF Ltd;
- 5 **authorised** the Minister of Finance and the Minister for Regional Economic Development to make decisions on the final design and operation of PGF Ltd;
- 6 **directed** the PDU to report back to the Minister of Finance and the Minister for Regional Economic Development with the final constitution for PGF Ltd;
- 7 **directed** the PDU to report back to DEV within 12 months with an assessment of whether the arrangement referred to above continues to be fit for purpose;
- 8 **agreed** that the Ministry for Business, Innovation and Employment be the monitoring agency for PGF Ltd and will report jointly to the Minister of Finance and the Minister for Regional Economic Development as shareholding Ministers;
- 9 **noted** that the Minister of Finance and the Minister for Regional Economic Development will seek approval from the Cabinet Appointment and Honours Committee for appointments to the board of PGF Ltd;

- 10 **agreed** that any costs associated with PGF Ltd be met from the \$3 billion Provincial Growth Fund (PGF);
- 11 **agreed** that returns on investments made from the PGF that arise within the three year PGF period (before 30 June 2021) be returned to the PGF for reinvestment in other PGF initiatives;
- 12 **agreed** that the treatment of returns on investments made from the PGF arising after the three year PGF period be decided at a later time, once there is a clearer picture of likely future investment returns;
- 13 **invited** the Minister of Finance and the Minister for Regional Economic Development to issue drafting instructions to the Parliamentary Counsel Office to give effect to the paragraph 1 above;
- 14 **authorised** the Minister of Finance and the Minister for Regional Economic Development to make decisions on any minor or technical matters that may arise during the drafting process;
- 15 **noted** that accordance with Cabinet Office guidance (CO (18) 4 – Proactive Release of Cabinet Material), PDU and Treasury officials will proactively release documents pertaining to the establishment of PGF Ltd and the creation of the new appropriation for treatment of concessionary loans within 30 business days of decisions being made, unless there is good reason not to publish all or part of the material;

Financial implications

Treatment of concessional loans

- 16 **agreed** that, for concessional loans advanced out of the PGF:
- 16.1 the amount of the loan principal count towards the \$3 billion in the PGF; and
- 16.2 the fair value write down expense required by accounting standards not count towards the PGF;
- 17 **noted** that the principal of loans already advanced out of the PGF have already been counted against Budget allowances;
- 18 **noted** that a key principle of the Fiscal Management Approach is to avoid double counting the fiscal impact of decisions against allowances, and that it is therefore not necessary to manage the fair value write down expense on concessional loans against Budget allowances;
- 19 **agreed** to establish the following new appropriation to account for fair value write downs on concessional loans made from the Provincial Growth Fund:

Vote	Appropriation Minister	Title	Type	Scope
Business, Science and Innovation	Minister for Regional Economic Development	Regional Economic Development: Fair Value Write Down	Non-Departmental Other Expense	This appropriation is limited to fair value write downs on concessional loans made from the Provincial Growth Fund.

- 20 **agreed** that funding cannot be transferred out of the appropriation established in paragraph 19 above;

- 21 **approved** the following changes to appropriations to give effect to the principle agreed in paragraph 16 above, with a corresponding impact on the operating balance:

Vote Business, Science and Innovation Minister for Regional Economic Development	\$m – increase/(decrease)				
	2018/19	2019/20	2020/21	2021/22	2023/23 & Outyears
Non-Departmental Other Expense: Regional Economic Development: Fair Value Write-Down	36.000	-	-	-	-

- 22 **agreed** that the changes to appropriations for 2018/19 above be included in the 2018 Supplementary Estimates and in the interim, the increase be met from Imprest Supply;
- 23 **agreed** that the expenses incurred under paragraph 21 above will represent a decrease in operating balance before gains and losses (OBEGAL);
- 24 **authorised** the Minister of Finance and the Minister for Regional Economic Development to increase the appropriation established in paragraph 19 above as necessary to meet the fair value write down expense arising from concessional loans made out of the PGF;

Ruapehu Alpine Lifts

- 25 **noted** that a concessional loan of \$10,000 million from the PGF has been made to Ruapehu Alpine Lifts, which resulted in a \$5.057 million fair value write down expense that was incurred against the Regional Economic Development: Provincial Growth Fund MCA in Vote Business, Science and Innovation;
- 26 **agreed** that the Regional Economic Development: Provincial Growth Fund MCA be increased by \$5.057 million to make it clear that this fair value write down expense does not count towards the \$3 billion PGF, as per the principle agreed in paragraph 16 above;
- 27 **approved** the following changes to appropriations, with a corresponding impact on the operating balance:

Vote Business, Science and Innovation Minister for Regional Economic Development	\$m – increase/(decrease)				
	2018/19	2019/20	2020/21	2021/22	2022/23 & Outyears
Multi-Category Expenses and Capital Expenditure: Regional Economic Development: Provincial Growth Fund MCA Non-Departmental Other Expenses: Regional Projects and Capability	5.057	-	-	-	-

- 28 **agreed** that the changes to appropriations for 2018/19 above be included in the 2018/19 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply;
- 29 **agreed** that the expenses incurred under paragraph 27 above will represent a decrease in OBEGAL;

Delegation to Execute Loan Agreements

- 30 **directed** PDU and Treasury officials to report back to the Minister of Finance and the Minister of Regional Economic Development by the end of April 2019 about how to execute arrangements to aid in the efficiency of finalising loan agreements;
- 31 **noted** that the Treasury and PDU will complete documentation required to allow the Head of the PDU to sign off on loan documents that have been previously approved by Regional Economic Development Ministers in accordance with existing PGF delegations;

Confidential information entrusted to the Government

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Janine Harvey
Committee Secretary

Present:

Rt Hon Winston Peters (Chair)
Hon Kelvin Davis
Hon Phil Twyford
Hon Andrew Little
Hon David Parker
Hon Stuart Nash
Hon Iain Lees-Galloway
Hon Jenny Salesa
Hon Shane Jones
Hon Kris Faafoi
Hon James Shaw
Hon Eugenie Sage

Officials present from:

Office of the Prime Minister
Officials Committee for DEV

Hard copy distribution:

Minister of Finance
Minister for Regional Economic Development