



COVER SHEET

3.1 Head of Provincial Development Update	Discussion & Agreement
<p>Background & context:</p> <p>The purpose of this memo is to provide an update from the Head of the Provincial Development Unit to the Independent Advisory Panel from the period 13 March 2018 to 5 April 2018.</p> <p>To support the Panel effectively perform their role, an update from the Head of the Unit at each Panel meeting will be provided. Each update will cover the following items:</p> <ol style="list-style-type: none"> Ministerial priorities and update Provincial Growth Fund Provincial Development Unit Regional Economic Strategies Risks and opportunities Upcoming events <p>The attached memo provides updates on each item.</p>	<p>Recommendation(s):</p> <p>I recommend that the IAP:</p> <ol style="list-style-type: none"> Note the contents of this update from the Head of the Provincial Development Unit; Note that the Unit will provide background information to members of the Panel and ensure regional connections are made prior to any regional engagements and attendance at events; and Agree that the Panel members will inform the Unit of attendance at events or regional visits to enable effective support to be provided.
<p>The purpose of this discussion is to:</p>	
<p>Note the work underway to establish the Provincial Development Unit to effectively support the implementation of the Fund and Ministerial priorities.</p>	
<p>Supporting proposal:</p>	<p>No</p>
<p>Appendices:</p>	<p>Yes Commercial Information Appendix II: Summary of Investments</p>
<p>Sponsor(s):</p>	<p>Nigel Bickle</p>
<p>Manager/Author of paper:</p>	<p>Stacey O’Dowd</p>



MEMO TO THE INDEPENDENT ADVISORY PANEL

Update from the Head of the Provincial Development Unit

Date prepared:	5 April 2018	Meeting date:	10 April 2018
Prepared by:	Stacey O'Dowd	Approved by:	Nigel Bickle

Purpose

- The purpose of this memo is to provide an update from the Head of the Provincial Development Unit to the Independent Advisory Panel from the period 13 March 2018 to 5 April 2018.

Recommended action

- I recommend that the Independent Advisory Panel:
 - Note** the contents of this update from the Head of the Provincial Development Unit;
 - Note** that the Unit will provide background information to members of the Panel and ensure regional connections are made prior to any regional engagements and attendance at events; and
 - Agree** that the Panel members will inform the Unit of attendance at events or regional visits to enable effective support to be provided.

Update from the Head of the Provincial Development Unit

- To support the implementation of the Provincial Growth Fund, the Provincial Development Unit (previously called the Regional Economic Development Unit) has been established. To support the Panel effectively perform their role, an update from the Head of the Unit at each Panel meeting will be provided. Each update will cover the following items:
 - Ministerial priorities and update
 - Provincial Growth Fund
 - Provincial Development Unit
 - Regional Economic Strategies
 - Risks and opportunities
 - Upcoming events.

Ministerial priorities

Investment Statement

- The scale and broad scope of Provincial Growth Fund (PGF) means it will attract interest from a wide range of potential applicants. Developing and publicly releasing an Investment Statement for the PGF remains a priority for the Minister of Regional Economic Development. To develop the scope and content of an Investment Statement, a session with the Panel on 10 April is being held and a subsequent session with Senior Officials on 13 April. Following these sessions, a draft Investment Statement will be provided to the

Minister for Regional Economic Development.

Sector Strategy

5. The Minister has directed officials to develop a strategy for developing the pipeline for Tier 2 of the PGF. The scope of the strategy will consist of the following:
 - sector level approach to develop 2-3 significant sectors in the surge regions, for example tourism, digital, food and beverage
 - firm level approach to identify strong firms that government could partner with to increase wider business opportunities in the regions (beyond key sectors), for example top 50 firms in priority regions.
6. This strategy will be informed by the Investment Statement and it is proposed that a briefing to the Minister will be provided in May. The Unit will work with NZTE, Senior Regional Officials and other government agencies to develop a strategy.

Cabinet report backs

7. Three report backs are due to Cabinet in June. These are as follows.
 1. Regional baseline measures and outcomes (CAB 18 MIN 0045)
 2. Evaluation Plan for the PGF
 3. Options for managing any equity shares the government takes in projects through the Fund (CAB 18 MIN 0045).
8. Officials are working with MBIE's Research and Evaluation Team as well as other government agencies on the first two report-backs and with The Treasury on number three.

Provincial Growth Fund

9. Since the launch of the Provincial Growth Fund on 23 February 2018, 114 Expression of Interests (EOIs) and applications have been lodged in the Portal. An overview of the EOIs and applications received is attached at **Appendix I**.
10. To develop and implement a platform to effectively and efficiently track the status of queries, EOIs and proposals as well as provide an integrated view of the proposals received, expert resources from MBIE's Commercial Pool, NZTE, MPI and Crown Irrigation have recently joined the Unit. Work is also underway to design, develop and implement a process to triage and assess the applications. This process will also include ensuring that due diligence is undertaken to manage any risks associated with the investment proposals. The Unit is working with MBIE's Risk and Assurance Team and intends to engage with the Office of the Auditor General shortly.

Provincial Development Unit

11. Work is underway to establish the structure and functions of the Unit to ensure it can successfully fulfil the tasks outlined in the February Cabinet paper. This includes working with the priority regions to determine priorities for investment, develop proposals and connect with existing work programmes where there are synergies. To support the work, a Regional Economic Development Unit within the Ministry of Business, Innovation and Employment was established.

A whole-of-government Unit

12. To fully realise the benefits of the Fund and lift the productivity potential of the regions, a cross-government approach. To this end, I have rebranded the Regional Economic Development Unit at MBIE to the New Zealand Government Provincial Development Unit. This rebrand will make it easier to mobilise government agencies who work in the regions because it signals a whole-of-government approach. The Unit has also moved into a new location at 160 Lambton Quay on 26 March 2018. This new location has

space to accommodate staff from agencies across the system whose work intersects with the Fund and have a strong regional presence. Being co-located will support working in a more joined up way across government in to maximise the potential investments within and across regions and sectors.

Functions of the Unit

13. The Unit will be organised around three functions as follows:
- **Governance and Strategy** - responsible for the development and implementation of business strategies where the focus lies in strong financial management, data and research and governance functions.
 - **Investment** – responsible for managing the pipeline of proposals including assessment of applications against the criteria of the fund, due diligence and conflict and risk management in relation to each proposal.
 - **Regions and Project Delivery** – responsible for working with people in the regions to seek out opportunities and remove barriers to investment; assist with proposals development and business cases writing and be the main link to other Government regional teams

Recruitment

14. Recruitment for the General Manager – Strategy and Governance is underway and applications closed on Thursday 5 April. Interviews are scheduled during the week 15 – 20 April. In the interim, I have engaged Doug Craig for six weeks until a permanent appointment has been made. Doug has previously worked at SSC as a Deputy Commissioner, and held Deputy Secretary positions at both MSD and Department of Human Services in Victoria. Doug will focus on Ministerial support, risk management and governance.
15. I am actively engaged in discussions to second a senior leader to the Head of the Regions and Project Delivery role and expect to be in a position to provide an update at the meeting on 10 April 2018.
16. Following the establishment of the processes and systems for the investment process, recruitment will commence for the Head of Investment. I expect this to be completed by the end of June.
17. Recruitment is also underway to establish a dedicated communications and engagement team within the Unit. This team will be responsible for developing key communications collateral, stakeholder engagement strategies, media and risk management strategies as well as providing support for events.

Regional Economic Strategies

Taranaki Action Plan

18. [Tapuae Roa: Make Way for Taranaki Action Plan](#) was launched on Friday 6 April in New Plymouth. Minister Jones, and Under Secretary Tabuteau, along with staff from the Unit, joined the region in celebrating the release of the Plan. The Provincial Growth Fund will invest up to \$20 million for projects from the action plan. At the heart of this plan are the Taranaki people – the objective of the plan is to grow Taranaki's talent and its entrepreneurial mind-set. Developing the skills and capabilities of the wider Taranaki community will form the strong foundation of a modern economy for the region. **Appendix II** sets out the list of investments announced on 6 April.

Waikato

19. The Waikato region is planning to hold a "Waikato Economic Summit" in August 2018. This will coincide with the opening of a new regional economic development agency in the region. The summit will bring together local government, business, iwi/Māori, local trusts and other stakeholders to discuss what activities will best support the region's strategic economic priorities and what the regional priorities for Provincial Growth Fund investment should be. I will update you once a date and venue has been confirmed for this event.

Risks and opportunities

Waste to Energy Plant on the West Coast

20. The Waste to Energy Plant investment was announced as part of the launch of the Provincial Growth Fund, following the announcement, MBIE became aware that the project was connected to a businessman who had been referred to the Serious Fraud Office. In response, a review of the Waste to Energy proposal and process of approval is being undertaken by MBIE Legal. It is expected that this review will be completed by 13 April 2018.
21. As noted, due diligence processes will be incorporated into the assessment of investment proposals and the Unit will engage the Office of the Auditor General. In the interim, MBIE Legal has developed a declaration form that all applicants are expected to complete prior to the approval of any funding.

Support for Panel engagement in the regions

22. To support Panel members at events, the Unit provided key messages on Friday 23 March. Going forward, with the establishment of a dedicated communications and engagement team, as well as the re-establishing the governance to support the Senior Regional Officials, the Unit will be able to provide greater support to Panel members during attendance at events or regional visits. This includes providing background information and connecting the Panel with Senior Regional Officials and staff based in the regions.

Upcoming events and support for the Panel

23. The Unit is developing a calendar of events for the remainder of 2018. These will be predominantly based on funding announcements which at this stage are all subject to the approvals process. A draft calendar is attached in Agenda Item 5.1 for your information.



Appendix II - Provincial Growth Fund investments in Taranaki

Announcement	PGF
Taranaki Cathedral Church of St Mary	\$5,000,000
Taranaki Crossing Experience	\$13,340,000
New Energy Development Centre – business case	\$100,000
H2 Taranaki Hydrogen Road Map	\$50,000
Future Foods – Taranaki Hill Country initiative	\$250,000
Future Foods – Major Food Opportunities	\$ ^{Commercial Informa}
Future Foods – Food Network	\$50,000
State Highway 43	\$400,000
Taranaki Innovation Precincts	\$100,000
Māori Education and Enterprise Stocktake	\$100,000
Tapuae Roa Support	\$210,000
TOTAL	\$ ^{Commercial Informa}