



Update on the Provincial Growth Fund

Date prepared:	27 April 2018	Meeting date:	2 May 2018
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Purpose

1. The purpose of this memo is to provide an update on progress of the Provincial Growth Fund to the Regional Economic Development Ministers from the period 13 March 2018 to 27 April 2018.

Recommended action

2. I recommend that the Regional Economic Development Ministers.
 - a) **Note** that a total of 58 expressions of interest and applications for funding from the Provincial Growth Fund have been lodged in PipeDrive – the cloud-based client relationship and pipeline management system used to manage applications for funding;
 - b) **Note** that work is underway to finalise an Investment Statement for the Provincial Growth Fund for consideration by Ministers in May prior to public release;
 - c) **Note** the internal review into the Waste-to-Energy funding announcement has been completed and a number of changes to strengthen the assessment process including due diligence have been made.

Key points

3. This update covers the following:
 - a) An update on the expressions of interests (EOIs) and applications for funding from the Provincial Growth Fund (PGF);
 - b) The Investment Statement for the PGF;
 - c) Managing risks; and
 - d) Establishment of the Provincial Development Unit (the Unit).

Update on PGF expressions of interest and applications

4. Since the launch of the PGF on 23 February 2018, a total of 58 EOIs and applications for funding have been lodged for assessment. **Appendix One** provides further detail, including information on the organisation, sector, investment tier, amount of funding sought and region.
5. Since the announcement of the PGF on 23 February 2018, 42 projects have been approved funding to the value of \$75 million. Note the total of the Regional Growth Programme was \$44 million over four years.

New systems and processes

6. The Unit has recently implemented a cloud-based client relationship and pipeline management system - *PipeDrive*. It is expected that the use of PipeDrive will generate greater efficiencies and speed in assessing applications as well as improved monitoring and reporting. The system has the ability to provide a range of reports based on the information provided in the application forms.

7. New PGF application and assessment forms for PGF funding were launched on Friday 20 April 2018. An important change is that applicants are required to declare that they have not been convicted or are under investigation for any offences, whether any conflict of interest exists and whether funding from other sources has been sought/approved/declined.

Progress on development of the Investment Statement for the PGF

8. Work on the development of an Investment Statement is progressing. The Investment Statement builds on Cabinet decisions on the PGF, and is intended to provide guidance to:
 - a) Potential applicants, so that they can understand government's priorities, assess probability of success for a proposal and minimise wasted effort; and
 - b) Independent Advisory Panel members and officials who are supporting the implementation and administration of the PGF.
9. Co-design workshops – with the Independent Advisory Panel, senior officials, commercial experts and Maori leaders have been held to develop the draft Investment Statement. In May, a final draft Investment Statement will be provided to the Minister for Regional Economic Development for review and subsequent submission to Cabinet in May. Subject to Ministerial agreement, officials propose that the Investment Statement then be publicly released.

Managing risks

Release of the internal review into the West Coast Waste-to-Energy Plant process

10. On Friday 20 April, the internal review into the processes related to the Waste-to-Energy Plant was released. The internal review found that due diligence on personnel associated with the Waste-to-Energy project should have been undertaken prior to approval of PGF funding for the project and a ministerial announcement. To date, no funding has been provided from the PGF and funding was put on hold as soon as this issue arose.
11. In response to the report a number of changes to the assessment process have been made, including:
 - a) Due diligence on personnel is now carried out before applications are considered by Ministers and other decisions makers for funding and announcements.
 - b) If due diligence cannot be completed within the available time, then the Minister's Office will be informed of this risk, and where practicable, an announcement delayed until the process has been completed.
12. The Unit is also engaging with Commercial Information and the Commercial Information - Declined Application in relation to the systems and processes we are implementing.

Establishment of the Provincial Development Unit

13. Work is underway to design the structure and functions of the Unit, which will have three branches:
 - a) **Strategy and Governance** - this Branch will have five key functions: strategy and evaluation, planning and reporting, governance and ministerial support, risk and assurance, and communications and engagement.
 - b) **Investment Management** – this Branch will have three key functions: management of the Provincial Growth Fund pipeline, investment assessment and evaluations, and negotiation of the terms and conditions for any investment proposals.
 - c) **Regions and Project Delivery** – this Branch will have three key functions: engagement in the regions to develop investment proposals, oversight of project delivery following approval for funding, and coordinating with other government agency regional teams.

14. Ben Dalton, Senior Regional Official for Northland, has been appointed to the Head of Regions and Project Delivery role. Ben joined the Unit on 26 April 2018. AJ Millward has been appointed to the General Manager – Strategy and Governance role, starting on Monday 30 April. AJ was the General Manager responsible for establishing the Pike River Recovery Agency at MBIE.

Resources and funding for the Unit

15. The Unit is working with other agencies and the Treasury on the detail of resource requirements across government agencies to support the PGF. In February 2018, Cabinet agreed that the costs of supporting and administering the PGF be included within the \$1 billion per annum over three years, and that agencies will identify these costs and seek agreement from the Minister for Regional Economic Development, the Minister of Finance and relevant portfolio Ministers to seek any required adjustments to appropriations [CAB-18-MIN-0045, paragraph 66]. A briefing will be provided to Ministers in May seeking agreement to resourcing for the Unit and other government agencies.

Attendance at the Economic Development, Science and Innovation Committee (the Committee)

16. Officials from the Unit and MBIE attended the Committee to discuss the PGF on Thursday 12 April. The hearing provided an opportunity to emphasise the work under way to ensure that systems, processes, governance and due diligence are in place to effectively manage the PGF.
17. Subsequent to the hearing, two follow up questions have been received relating to community-based water storage projects and the number of projects from the South Island in the PGF pipeline. The Committee received a response on Friday 27 April.