



## COVERSHEET

<b>Minister</b>	Hon Kieran McAnulty	<b>Portfolio</b>	Regional Development
<b>Title of Cabinet paper</b>	Regional Strategic Partnership Fund stream reallocation	<b>Date to be published</b>	7 November 2023

### List of documents that have been proactively released

<b>Date</b>	<b>Title</b>	<b>Author</b>
August 2023	Regional Strategic Partnership Fund stream reallocation	Office of the Minister for Regional Development
30 August 2023	Regional Strategic Partnership Fund Stream Reallocation DEV-23-MIN-0204 Minute	Cabinet Office

### Information redacted

### YES / NO

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Some information has been withheld for the reason of Commercial information.

## In Confidence

Office of the Minister for Regional Development

Cabinet Economic Development Committee

## Regional Strategic Partnership Fund stream reallocation

### Proposal

- 1 This paper seeks agreement from Cabinet to:
  - 1.1 approve fiscally neutral changes to the Regional Strategic Partnership Fund (RSPF) funding stream allocations to reflect and facilitate Regional Economic Development (RED) Ministers' decisions
  - 1.2 reallocate any RSPF underspends from the *Regional Development: Regional Strategic Partnership Fund Multi-Category Appropriation* (RSPF MCA) to the RSPF Emerging Priorities allocation<sup>1</sup> to support the allocation of any remaining RSPF funding
  - 1.3 authorise that the Minister of Finance and Minister for Regional Development be delegated as RED Ministers for decisions regarding the allocation of any remaining RSPF funding.

### Relation to government priorities

- 2 Regional Economic Development (RED) supports the Government's economic plan for an economy that provides economic security in good times and bad. The Government delivers on RED priorities by providing catalytic investment, from the RSPF and other funds under its management (including the Provincial Growth Fund (PGF), in projects that directly contribute to regions' economic development priorities in alignment with Government's strategic economic objectives.

### Executive Summary

- 3 Since 2021, RSPF funding has been approved by RED Ministers for a range of regional economic development projects across its three funding streams, helping to achieve the objective of each stream and supporting the overall policy intent of the RSPF. Some recent RSPF proposals that were prioritised by regions for RSPF investment and approved by RED Ministers for RSPF funding have resulted in the RSPF stream allocations differing from that agreed to by Cabinet.
- 4 As the RSPF has been used in a way that has supported its overall intent to enable regional economic development it is appropriate to accommodate the

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<sup>1</sup> The Emerging Priorities allocation of the RSPF is funding that have been set aside to support emerging regional economic development priorities.

fiscally neutral under and overspends in RSPF funding across the three funding streams allocations. As such, I am seeking Cabinet approval for the current funding allocated across the streams to be confirmed as the final stream allocations.

- 5 To support the allocation of any remaining RSPF funding, I am also seeking Cabinet's approval to reallocate any RSPF underspends from the *Regional Development: Regional Strategic Partnership Fund Multi-Category Appropriation* (RSPF MCA) to the RSPF Emerging Priorities allocation. I also propose that Cabinet authorise that the Minister of Finance and Minister for Regional Development be delegated as RED Ministers for decisions regarding the allocation of any remaining RSPF funding.

## Background

- 6 In 2021 Government established the RSPF – a \$200 million investment fund to support regions to achieve their economic potential [CBC-21-MIN-0013].
- 7 When establishing the RSPF, Cabinet agreed to create three funding streams to address different priorities of the fund. This was intended to help in achieving the overall aim of the RSPF – to build more Productive, Resilient, Inclusive, Sustainable and Māori-enabling (PRISM) regional economies by delivering local approaches tailored to a region's particular needs and advantages. Cabinet agreed the RSPF fundings streams and their allocations as:
  - 7.1 Stream 2 – *Enabling Regional Economic and Business Development* (up to \$60 million)
  - 7.2 Stream 3 – *Accelerating Māori Economic Aspirations* (up to \$40 million)
  - 7.3 Stream 4 – *Support Sector Transformations* (up to \$80 million).
- 8 At least a further \$20 million was set aside to respond to emerging government or regional economic development priorities (referred to as the RSPF Emerging Priorities allocation).
- 9 RSPF funding has been approved by RED Ministers for a range of regional economic development projects across the funding streams, helping to achieve the objective of each stream and supporting the overall policy intent of the RSPF. All projects approved for funding have been projects that regions have identified, endorsed, and prioritised as key projects for RSPF funding to support each region to achieve their economic development potential and contribute to their nominated RED priority areas.
- 10 Additional information on the RSPF funding streams is outlined in **Annex One**, including the objective of each stream and the expected outcome of each streams' allocated funding based on the RSPF projects approved for funding to date.

## **Cabinet agreed RSPF reallocations and transfers**

- 11 Since establishing the RSPF, Cabinet has made several decisions that have modified the total stream allocation for Stream 2 and reduced the RSPF from its original \$200 to \$193.8 million:
- 11.1 Stream 2: the current total allocation of \$28.65 million is less than the original allocation of up to \$60 million. This is because:
- 11.1.1 On 11 April 2023 \$20 million from Stream 2 was ring-fenced to provide support for regionally significant businesses impacted by Cyclone Gabrielle [CAB-23-MIN-0130 refers], establishing Stream 2A of the RSPF.
- 11.1.2 On 12 June 2023 Cabinet agreed to transfer \$11.35 million from Stream 2 to the Emerging Priorities allocation to enable \$15.3 million to be provided to Ruapehu Alpine Lifts Limited (RAL) in response to the significant cost pressures the project was facing [CAB-23-MIN-0240].
- 11.2 Emerging Priorities allocation: the current allocation of \$25.15 million is greater than its original allocation of \$20 million. This is because:
- 11.2.1 On 12 June 2023, the allocation of funds set aside for emerging priorities was increased by \$11.35 million following Cabinet's decision to provide funding for RAL outlined in 11.1.2 above.
- 11.2.2 On 12 June 2023, the allocation was reduced when Cabinet separately agreed to transfer \$6.2 million to the PGF to cover urgent cost pressures for two PGF projects – Whakatōhea Mussels (Ōpōtiki) Limited (WMOL) (\$4.2 million) and Leaderbrand (\$2 million) [CAB-23-MIN-0227].
- 11.3 Total RSPF funding amount: the transfer of \$6.2 million to the PGF (outlined in 11.2.2 above) reduced the total allocation of the RSPF from its original \$200 million to \$193.8 million.

## **RED Ministers RSPF investment decisions**

- 12 Some recent RSPF proposals that were prioritised by regions for RSPF investment and that have been approved for RSPF funding by RED Ministers have resulted in the RSPF stream allocations differing from that agreed to by Cabinet.

### *Approval of Te Huata Mussel Spat Hatchery RSPF proposal*

- 13 In June 2023, RED Ministers agreed to provide \$13.9 million of equity funding to the Te Huata Mussel Spat Hatchery RSPF proposal for the development of a mussel spat hatchery in Te Kaha, Bay of Plenty. This funding was in addition to an initial \$6 million of equity and debt funding RED Ministers agreed to provide to the project in December 2021.

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- 14 RED Ministers agreed that the \$13.9 million, and initial \$6 million be funded through Stream 3 – *Accelerating Māori Economic Aspirations* of the RSPF. As the project related to the development of aquaculture activities on whenua Māori.
- 15 As a result of this funding decision, the Stream 3 allocation of up to \$40 million was exceeded. Prior to June 2023, total approved funding through Stream 3 was \$38.261. Following decisions made in June 2023, total approved funding through Stream 3 was \$58.161 million.

*Approval of RSPF proposals at the 24 August 2023 RED Ministers' meeting*

- 16 On 24 August 2023, RED Ministers met to make investment decisions regarding 12 RSPF proposals. There was \$30.5 million of remaining RSPF funding to be allocated to proposals.
- 17 At the meeting, RED Ministers agreed to approve RSPF funding for the following six proposals, totalling \$19.842 million:
- 17.1 Leaderbrand – \$6.0 million of loan funding to assist Leaderbrand in recovering from the impacts of Cyclone Gabrielle, funded through Stream 2A.
  - 17.2 Neocrete Manufacturing Plant – \$750,000 of loan funding towards the cost of a new manufacturing plant in Taupō for its innovative concrete additive product, funded through Stream 4.
  - 17.3 Waingawa Water Resilience – \$1.75 million of grant funding to establish a water bore and water storage facility to supply the Waingawa Industrial Park, funded through Stream 2.
  - 17.4 Greymouth/Mawhera CBD Resurgence Project – \$2.0 million of grant funding towards a multi-purpose commercial and public facility in the Greymouth CBD, funded through Stream 2.
  - 17.5 Te Aupōuri Water Storage – \$3.342 million of loan funding to build a water storage reservoir and related infrastructure at Te Raite station near Houhora, funded through Stream 3.
  - 17.6 Port Tarakohe Commercial Upgrade – \$6.0 million of loan funding towards first phase of redevelopment of Port Tarakohe in Golden Bay, funded through Stream 2.
- 18 In addition to the above six proposals RED Ministers also agreed to fund the following proposal, subject to Cabinet agreement to allow RSPF funding outside the RSPF eligibility criteria for the proposal:
- 18.1 Tāwhaki Space Project – seeking \$5.4 million of grant funding to support the construction of a \$6.1 million sealed runway and hangar in Kaitorete Spit (Canterbury) funded through the Emerging Priorities allocation. As the proposal does not meet the Cabinet agreed location eligibility criteria of the RSPF it requires Cabinet agreement to make an

exemption to enable the project to be funded. Cabinet is scheduled to consider this exemption on Monday 28 August.

19 Commercial Information [Redacted]

19.1 Commercial Information [Redacted]

20 Table 1 below outlines the original and current funding allocations across the RSPF funding streams resulting from both Cabinet and RED Ministers decisions to date, including from the 24 August 2023 RED meeting. Commercial Information

[Redacted]

**Table 1: RSPF stream allocations, funding approvals and transfers**

RSPF Stream (Description)	Original Allocation \$m	Current Allocation \$m	Funding Approved (17-July-2023) \$m	Funding Approved at RED Ministers' 24 August Meeting \$m	Final Allocation following RED Ministers' 24 August Meeting \$m
<i>Stream 2 (Enabling regional economic and business development)</i>	up to 60.000 (20.000 later re-allocated to Stream 2A)	28.650	10.728	9.750	20.478
<i>Stream 2A (Support for Regionally Significant Firms impacted by Cyclone Gabrielle)</i>	up to 20.000	20.000	14.000	6.000	20.000
<i>Stream 3 (Accelerating Māori economic aspirations)</i>	up to 40.000	40.000	58.161	3.342	61.503

<i>Stream 4 (Supporting sector transformations)</i>	up to 80.000	80.000	50.903	0.750	51.653
<i>Emerging priorities allocation</i>	at least 20.000	25.150	29.550	5.400 <sup>2</sup>	34.950
<b>Total</b>	<b>200.000</b>	<b>193.800</b>	<b>163.341</b>	<b>25.242</b>	<b>188.584</b>

**RSPF stream allocations need to be reconfirmed to support RED Ministers’ investment decisions for RSPF projects endorsed and prioritised by regions**

- 21 The recent RSPF proposals endorsed by regions and agreed to by RED Ministers for investment have resulted in over and underspends across the RSPF funding stream allocations that differ from what Cabinet have agreed to. These differences are outlined in **Table 1** above.
- 22 Because the RSPF has been used in a way that aligns with its overall intent to enable regional economic development by delivering local approaches tailored to a region's particular needs and advantages, I propose that it is appropriate for Cabinet to accommodate the fiscally neutral under and overspends in the RSPF stream funding allocations by approving the current RSPF funding allocations (as outlined in Table 2 below) as the final allocations:

**Table 2: RSPF final funding stream allocations**

<b>RSPF Stream (description)</b>	<b>RSPF Stream final allocation (\$m)</b>
<i>Stream 2 (Enabling regional economic and business development)</i>	20.478
<i>Stream 2A (Support for Regionally Significant Firms impacted by Cyclone Gabrielle)</i>	20.000
<i>Stream 3 (Accelerating Māori economic aspirations)</i>	61.503
<i>Stream 4 (Supporting sector transformations)</i>	51.653
<i>Emerging priorities allocation</i>	At least 40.116

<sup>2</sup> This \$5.4 million for the Tāwhaki Project is subject to Cabinet’s agreement to approve the projects exemption to the RSPF location eligibility criteria. This decision will be made on Monday 28 August 2023, after this paper is lodged.

- 23 I also propose that Cabinet agree to the reallocation any RSPF underspends from the *Regional Development: Regional Strategic Partnership Fund Multi-Category Appropriation* (RSPF MCA) to the RSPF Emerging Priorities allocation to support the allocation of the remaining portion of RSPF funding.
- 24 I also propose that Cabinet agree to authorise the Minister for Regional Development and Minister of Finance as delegated as RED Ministers for decisions regarding the allocation of the remaining RSPF funding from the Emerging Priorities allocation.

### Financial Implications

- 25 These proposals to reallocate RSPF funding will have no fiscal implications as the changes will be made within the existing RSPF MCA.

### Legislative Implications

- 26 This proposal has no legislative implications.

### Impact Analysis

- 27 This proposal has no regulatory, climate or human rights impacts.

### Population Implications

- 28 This proposal has no population implications.

### Consultation

- 29 Treasury and the Department of the Prime Minister and Cabinet have been consulted on this paper.

### Proactive release

- 30 This paper will be proactively released within 30 days of Cabinet's decision.

### Recommendations

The Minister for Regional Development recommends that the Committee:

- 1 **Note** that the Regional Strategic Partnership Fund (RSPF) is a \$200 million investment fund with the intent to build more Productive, Resilient, Inclusive, Sustainable and Māori-enabling (PRISM) regional economies by delivering local approaches tailored to a region's particular needs and advantages [CBC-21-MIN-0013].
- 2 **Note** that when establishing the RSPF, Cabinet agreed to split the funding across three funding streams to address different priorities of the fund, including enabling regional economic and business development, accelerating Māori economic aspirations, and supporting sector transformation.



- 3 **Note** that funding RSPF projects aligned with the three funding streams has supported government towards achieving the objectives of the streams and the overall policy intent of the RSPF.
- 4 **Note** that Cabinet has previously agreed to re-allocate funding across RSPF streams and to transfer RSPF funding to the PGF to support regional economic development priorities, which changed the original stream allocations and reduced the overall RSPF from \$200 million to \$193.8 million.
- 5 **Note** that since June 2023 there have been proposals endorsed by regions for investment and that RED Ministers have agreed to fund which have resulted in fiscally neutral over and underspends across the RSPF funding streams that do not align with Cabinet agreed RSPF funding stream allocations.
- 6 **Note** that because the RSPF has been used in a way that has supported its overall intent to enable regional economic development it is now appropriate for Cabinet to accommodate these fiscally neutral under and overspends in RSPF funding across the three funding streams.
- 7 **Agree** that the following RSPF funding stream allocations be the final allocations:

<b>RSPF Stream (description)</b>	<b>Final stream allocation (\$m)</b>
<i>Stream 2 (Enabling regional economic and business development)</i>	20.478
<i>Stream 2A (Support for Regionally Significant Firms impacted by Cyclone Gabrielle)</i>	20.000
<i>Stream 3 (Accelerating Māori economic aspirations)</i>	61.503
<i>Stream 4 (Supporting sector transformations)</i>	51.653
<i>Emerging Priorities allocation</i>	At least 40.116

- 8 **Note** that RSPF Stream 2, 2A, 3 and 4 are fully allocated.
- 9 **Note** that the Emerging Priorities allocation was established as a portion of RSPF funding that had been set aside to support emerging regional economic development priorities.
- 10 **Agree** to reallocate any RSPF underspends from the *Regional Development: Regional Strategic Partnership Fund Multi-Category Appropriation (RSPF MCA)* to the RSPF Emerging Priorities allocation to support the allocation of the remaining portion of RSPF funding.
- 11 **Authorise** that the Minister of Finance and Minister for Regional Development be delegated as RED Ministers for decisions regarding the allocation of the remaining RSPF funding.

- 12 **Note** that the proposals outlined in recommendation 7, 10 and 11 above are fiscally neutral within the RSPF MCA.

Authorised for lodgement

Hon Kieran McAnulty

Minister for Regional Development

## Annex One: Regional Strategic Partnership Fund streams

Stream number (description)	Funding Allocation \$m	Further detail (including objective and expected outcome of stream funding)
Stream 2 (Enabling regional economic and business development)	Up to \$40 million (originally up to \$60 million)	<p>Stream 2 funding is intended for equipment, small-scale infrastructure, community assets and other capital improvements for organisations in places within regional New Zealand that could most benefit from economic uplift.</p> <p>Ten projects have been approved for funding through this stream, including funding toward an intermodal business park in Tokoroa to create a regional hub for light industry and logistics and a seed drying unit in the Hawke’s Bay for shared-use by local growers.</p>
Stream 2A (Supporting regionally significant businesses impacted by Cyclone Gabrielle)	Up to \$20 million	<p>Stream 2 was split from an original allocation of \$60 million for enabling regional economic and business development to \$40 million (above) and \$20 million to provide support for regionally significant businesses impacted by Cyclone Gabrielle [CAB-23-MIN-0130 refers].</p> <p>Three projects have been approved for funding through Stream 2A providing capital to off-set costs incurred as a result of crop loss and damage to or failure of critical transport and water infrastructure. This has helped mitigate the risk of significant negative impact on people, businesses and regions that rely on these firms if they were to reduce or cease operations.</p>
Stream 3 (Accelerating Māori economic aspirations)	Up to \$40 million	<p>Stream 3 funding is for helping create productive whenua Māori assets and accelerate Māori economic aspirations.</p> <p>Māori land has unrealised potential for productivity growth and economic benefits. Working with Māori landowners to unlock this potential and support their economic aspirations is critical to the Government’s goals to grow and share New Zealand’s economic prosperity.</p> <p>14 projects have been approved for funding through Stream 3, including multiple horticultural investments, investment into a mussel spat hatchery in the Bay of Plenty that will support New Zealand’s aquaculture goal of \$3 billion annual sales by 2030 and investment to support the Peka</p>

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		Trust to convert its whenua Māori into an industrial park in Rotorua.
Stream 4 (Supporting sector transformations)	Up to \$80 million	<p>Stream 4 funding is for investing in businesses and organisations that have been identified by regional partners as being a priority for the region’s economic future. The funding is to generate a critical mass of investment, by targeting investment to regional-sector priority investment areas.</p> <p>24 projects have been approved for Stream 4 funding, providing firm-level investments that are targeted towards sectors where region’s have a comparative advantage. This has included investment into solar powered robotic lawn mowers developed in the Manawatu-Whanganui region where there has been significant investment to grow the agritech industry, and investment to support the scale up of a lime growing operation in Wairoa, helping to diversify the Hawke’s Bay’s regional comparative advantage in horticulture through investment in non-traditional crops.</p>
Emerging priorities allocation	At least \$20 million	<p>At least \$20 million of the RSPF was set aside to respond to emerging government or regional economic development priorities as they arise.</p> <p>Funding for five projects has been approved from this allocation, including investment into Ruapehu Alpine Lifts Limited.</p>