



BRIEFING

Update on Budget initiatives for Regional Development portfolio

Date:	16 February 2024	Priority:	Medium
Security classification:	Budget - Sensitive	Tracking number:	2324-2135

	Action sought	Deadline
Hon Shane Jones Minister for Regional Development	Note Kānoa – Regional Economic Development & Investment Unit (Kānoa - RDU) officials have submitted two Budget Bids <i>Regional Development - Regional Infrastructure Fund Establishment</i> , to fund the establishment of the RIF, and <i>Regional Development – Baseline operating funding to support the Regional Infrastructure Fund and previous interventions</i> to seek funding for departmental costs for Kānoa – RDU.	23 February 2024

Contact for telephone discussion (if required)

Name	Position	Telephone	1st contact
Karl Woodhead	General Manager – Strategy, Planning and Performance, Kānoa – RDU	Privacy of natural persons	✓
Privacy of natural persons	Principal Advisor - Strategy, Planning and Performance, Kānoa – RDU	Privacy of natural persons	

The following departments/agencies have been consulted

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Minister’s office to complete:

<input type="checkbox"/> Approved	<input type="checkbox"/> Declined
<input type="checkbox"/> Noted	<input type="checkbox"/> Needs change
<input type="checkbox"/> Seen	<input type="checkbox"/> Overtaken by
<input type="checkbox"/> See Minister’s Notes	<input type="checkbox"/> Withdrawn

Comments

BRIEFING

Update on Budget initiatives for Regional Development portfolio

Date:	16 February 2024	Priority:	Medium
Security classification:	Budget - Sensitive	Tracking number:	2324-2135

Purpose

To provide an update on the two Budget 2024 Bids for the Regional Development portfolio.

Recommended action

The Ministry of Business, Innovation and Employment recommends that you:

- a **Note** on 18 December 2023, the Minister of Finance wrote to the Associate Minister of Finance, Hon David Seymour inviting the submission of a Budget Bid for the Regional Infrastructure Fund (RIF), including consideration of Kānoa's time-limited operating funding alongside this initiative.

Noted
- b **Note** details of the bids were provided to support your conversation with Hon David Seymour about Budget 2024 (briefing 2324-1913 refers).

Noted
- c **Note** Kānoa – Regional Economic Development & Investment Unit (Kānoa - RDU) officials have submitted two Budget Bids *Regional Development - Regional Infrastructure Fund Establishment*, to fund the establishment of the RIF, and *Regional Development – Baseline operating funding to support the Regional Infrastructure Fund and previous interventions* to seek funding for departmental costs for Kānoa – RDU.

Noted
- d **Note** officials are available to discuss the Bids with you at the next Regional Development officials meeting, or at your convenience.

Noted



Karl Woodhead
**General Manager, Strategy, Planning and
Performance, Kānoa – Regional Economic
Development & Investment Unit, MBIE**
 16 February 2024

Hon Shane Jones
Minister for Regional Development
 / /

Background

1. On 18 December 2023, the Minister of Finance wrote to the Associate Minister of Finance, Hon David Seymour, outlining her fiscal objectives across the term and Budget 2024 expectations and inviting the submission of a Budget Bid for the Regional Infrastructure Fund (RIF), including consideration of Kānoa’s time-limited operating funding alongside this initiative. A copy of this letter was provided to your office.
2. Following the invitation to submit a Budget Bid and following guidance from the Treasury, Kānoa – Regional Economic Development & Investment Unit (Kānoa – RDU) officials have prepared two Bids: a new capital initiative for the \$1.2 billion RIF, and a cost pressure initiative to baseline Kānoa – RDU’s operational spending. We briefed you on details of the bids to support your engagement with Hon David Seymour about Budget 2024 (briefing 2324-1913 refers).
3. Both bids were submitted to the Treasury on Friday 16 February 2024.

Budget Bid for the \$1.2 billion Regional Infrastructure Fund (RIF)

4. The RIF is a \$1.2 billion commitment through the New Zealand First-National Party coalition agreement, to address New Zealand’s infrastructure deficit. Policy settings for the RIF are still under development (briefing 2324-1705 refers), and Cabinet is yet to consider or make decisions on the design of the RIF.
5. Kānoa – RDU officials have submitted a Budget Bid *Regional Development - Regional Infrastructure Fund Establishment*, to fund the establishment of the RIF. The funding profile of the bid is as follows:

Operating costs associated with initiative (\$m)					
2023/24	2024/25	2025/26	2026/27	2027/28 & outyears*	Total
-	9.0	7.5	7.5	-	24.0

Capital costs associated with initiative (\$m)										
23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33*	Total
	400	400	400							1,200.0

6. The funding assumption for the bid is based on an even phasing of capital across the 2024/25 to 2026/27 financial years. Treasury officials have advised it is possible to make changes to the phasing of the RIF, until April 2024. We envisage that the RIF Cabinet paper will consider a different phasing of this funding.
7. The bid proposes that the implementation and delivery of the RIF (operating costs) be met through a two per cent management fee based on the value of the capital investment. This covers all the costs associated with origination, development, decision-making and contracting of projects through the RIF. The bid further proposes that operational expenses associated with ongoing contract management of RIF projects be met through Kānoa – RDU baseline funding (the subject of the second Bid).
8. The two per cent management fee is derived from our experience in implementing the existing 11 funds administered by Kānoa - RDU and has been shown to strike the right balance between a streamlined operating model and maintaining an appropriate level of contract management and risk oversight.

Scaled option

9. Kānoa – RDU officials have provided a scaled option, that “top slices” the two per cent management fee from the Capital funding of the RIF. This approach aligns with advice from the Treasury.

Operating costs associated with initiative (\$m)					
2023/24	2024/25	2025/26	2026/27	2027/28 & outyears*	Total
-	9.0	7.5	7.5	-	24.0

Capital costs associated with initiative (\$m)										
23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33*	Total
	391	392.5	392.5							1,176.0

Budget Bid for Kānoa – RDU operating expenses

10. Kānoa – RDU officials have submitted a Budget Bid *Regional Development – Baseline operating funding to support the Regional Infrastructure Fund and previous interventions*. This initiative seeks funding for departmental costs for Kānoa – Regional Economic Development & Investment Unit (Kānoa - RDU), including the costs to run Crown Regional Holdings Limited (CRHL), to deliver the Regional Infrastructure Fund (RIF) and manage its \$4.74 billion investment portfolio beyond 30 June 2024.
11. The baseline funding is intended to cover the ongoing costs of contract management, including support for CRHL, client and milestone management, contract variations, risk management and programme-level evaluation.
12. Without ongoing baseline funding, Kānoa – RDU is a fiscal cliff and there is a risk that the outcomes of the regional development investments to date are not realised and issues arising in the portfolio and not able to be appropriately managed.
13. The funding profile of the bid is as follows:

Operating costs associated with initiative (\$m)					
2023/24	2024/25	2025/26	2026/27	2027/28 & outyears*	Total
Confidential advice to Government					

Capital costs associated with initiative (\$m)										
23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33*	Total

14. The funding requested is based on the operating cost for Kānoa – RDU and CRHL over the past two financial years. The funding is baselined and has no inflationary elements included. It includes standard MBIE corporate overhead charges.

Scaled option

15. Kānoa – RDU officials have provided a 7.5 per cent scaled option has been provided. This aligns with the Budget 2024 Initial Baseline Exercise savings target for MBIE of 7.5 per cent.
16. Confidential advice to Government

17. We note that Kānoa – RDU has not undertaken analysis of alternative options. Kānoa-RDU has had a significant operational focus on achieving fiscal efficiencies since 2020/21, which has driven a reduction in resource and operational spend, whilst maintaining delivery, retention of key expertise and achieving economies of scale from fewer FTEs. These savings have been achieved in an environment of supporting an increasing investment portfolio. The savings include:
- a. Reducing FTE from 144 in 2020/21 to a forecast of 81.5 (44 per cent reduction)
 - b. Reducing operating expenses from \$41.8 million in 2020/21 to \$26.0 million (38 per cent decrease)
 - c. Reducing spend on contractors and consultants from \$11.4 million in 2020/21 to \$4.6 million (60 per cent)

Operating costs associated with initiative (\$m)										
2023/24	2024/25	2025/26	2026/27	2027/28 & outyears*	Total					
Confidential advice to Government										
Capital costs associated with initiative (\$m)										
23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33*	Total

Next steps

18. Both bids have been submitted to the Treasury, and officials will answer any further questions Treasury officials have on the initiatives.
19. Officials are available to discuss the Bids with you at the next Regional Development officials meeting, or at your convenience.

Annexes

Annex One: Budget Bid Template: Regional Development - Regional Infrastructure Fund Establishment

Annex Two: Budget Bid Template: Regional Development - Baseline operating funding to support the Regional Infrastructure Fund and previous interventions.

Withheld in full - confidential advice to Government

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Annex 4: Budget 2024 New Spending Template (invite only)

Section 1: Overview

Section 1A: Basic initiative information					
Initiative title (max 120 characters)	<p><i>Initiative titles should be clear, concise, informative, and self-explanatory. They should not start with generic words such as “increasing”, “additional”, and “establishing”. Initiatives are listed alphabetically so it is important that the first word in the title distinguishes the initiative from others. For example, “Emissions Reduction Plan Performance Monitoring”. Refer to Annex A of the Budget 2024 Guidance for best practice on titles.</i></p> <p>Regional Development - Regional Infrastructure Fund Establishment</p>				
Lead Minister	Portfolio of the Lead Minister submitting the initiative. Minister for Regional Development	Agency	Name of the agency submitting the initiative. Ministry of Business, Innovation and Employment.		
Initiative description (max 800 characters)	<p><i>The description must succinctly outline in plain language what would be purchased and delivered by the initiative, and whether the initiative is for expanding or initiating a service. For example, “This initiative provides funding for 5 policy and delivery FTEs to develop and run a \$50 million fund aimed at building Māori and iwi capacity and capability in the community housing sector.” Refer to Annex A of the Budget 2024 Guidance for best practice on descriptions.</i></p> <p>This initiative establishes the Regional Infrastructure Fund (RIF), which will invest \$1.2 billion in infrastructure to improve resilience while increasing productivity to grow regional economies This is a new initiative as part of the New Zealand First-National Party coalition agreement, to address New Zealand’s infrastructure deficit. Note: funding for departmental costs for Kānoa – Regional Economic Development & Investment Unit (Kānoa - RDU) to manage its \$4.75 billion investment portfolio beyond 30 June 2024 (including the ongoing contract management of RIF investments), is being sought through another Budget initiative. Note: Cabinet has not yet considered policy settings for the RIF. It’s anticipated that this will occur in April 2024.</p>				
PA Objective	<input checked="" type="checkbox"/> Capital Investment	<input checked="" type="checkbox"/> Government Policy Commitment			
Is this a cross-Vote initiative?	No	If yes, indicate which other Votes are affected.			
Agency contact	Name: Erin Hill Phone: Privacy of natural persons Email: erin.hill@mbie.govt.nz	Treasury contact (Vote Analyst)	Name: Tim Baxter Phone: Privacy of natural persons Email: tim.baxter@treasury.govt.nz		
Section 1B: Summary of funding profile					
Operating costs associated with initiative (\$m)					
2023/24	2024/25	2025/26	2026/27	2027/28 & outyears*	Total
-	9.0	7.5	7.5	-	24.0
*For irregular outyears, add additional rows above to display the full profile of the initiative. Delete “& outyears” for time-limited funding. See the Guide to Submitting Initiatives on CFISnet for Budget 2024 for more information on entering outyears into CFISnet.					

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Capital costs associated with initiative (\$m)										
23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33*	Total
	400	400	400							1,200

*Extend the profile above if funding is needed beyond 2032/33.

Section 2: Alignment and options analysis

Section 2A: Problem definition

The answer to each question must not exceed 1-2 paragraphs

<p>What is the problem that this initiative is trying to solve and why does it need to be solved now?</p>	<p><i>Describe the problem the initiative is trying to solve by outlining its root cause(s) and consequence(s), and explain why the problem needs to be solved now. The problem should be framed in terms of current and/or future outcome(s) for New Zealanders.</i></p> <p>Infrastructure across the country has been underinvested in for a number of years. In 2021, the New Zealand Infrastructure Commission <i>Te Waihanga</i> (Infrastructure Commission) reported that New Zealand had a public infrastructure deficit of approximately \$104 billion driven by a combination of chronic underinvestment as well as increasing demand from a growing population¹. Smaller centres, especially in provincial areas, often lack suitable infrastructure, including resilience infrastructure, and commercial space to facilitate business growth. Regional and local authorities require funding and capacity to progress major resilience and productivity projects such as wharves, ports and water storage. The risk of uncertain returns can make raising finances to invest in infrastructure challenging. New Zealand businesses, in particular those which are not firmly established as well as manufacturing businesses, face barriers to accessing capital, leading to the low levels of capital intensity New Zealand currently faces. Private lenders and investors often place higher risk premiums on productive assets and generally do not consider broad public benefits in investment decisions. Some private lenders are only confident to finance a project if government offers co-funding. These issues are exacerbated in provincial regions where firms face additional barriers to growth and scale due to their distance from main centres, and a lack of agglomeration.</p> <p>Addressing these challenges now, through the establishment of a Regional Infrastructure Fund, will illustrate the Government's commitment to lifting New Zealand's productivity and economic growth, to increase opportunities and prosperity for all New Zealanders</p> <p><i>Describe the existing arrangements for the asset or service, including (where applicable):</i></p> <ul style="list-style-type: none">- <i>How services are currently organised and provided;</i>- <i>The associated throughput, turnover, and existing cost; and</i>- <i>Current asset or service availability, utilisation, and condition.</i> <p><i>Agencies should be able to demonstrate why the existing arrangements (if there are any) are insufficient to address the problem outlined above.</i></p> <p>This is a new initiative as part of the New Zealand First-National Party coalition agreement, to address New Zealand's infrastructure deficit.</p>
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¹ New Zealand Infrastructure Commission Te Waihanga (2021) New Zealand's infrastructure challenge: Quantifying the gap and path to close it.

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Correction - 2024 not 2023	<p><i>Outline specifically what needs to change or be improved (relative to existing arrangements) to address the problem.</i></p> <p>This is a new initiative as part of the New Zealand First-National Party coalition agreement, which will invest \$1.2 billion in infrastructure to improve resilience while increasing productivity to grow regional economies.</p>	
	<p><i>How does the initiative/investment proposal fit with the Agency's mandate, and is the Agency the best one to deliver this intervention? Is another organisation (e.g., NGOs, iwi/Māori organisations, private sector) better placed to deliver this initiative, and are there alternative funding arrangements that should be considered?</i></p> <p>The Ministry of Business, Innovation and Employment is best placed to deliver this initiative, though it's business unit Kānoa – Regional Economic Development & Investment Unit (Kānoa – RDU).</p> <p>Kānoa – RDU has a role in the administration of 11 key funds for a combined total of \$4.74 billion, as at 28 January 2023. Investments projects range from small community-based projects through to major infrastructure and commercial investments in complex multi-party projects. A number of these Regional Development funds have invested in small to medium infrastructure projects. Most notably the Provincial Growth Fund (PGF), Regional Investment Opportunities (RIO), COVID-19 Response and Recovery Fund – Infrastructure Reference Group (IRG) and the Regional Strategic Partnership Fund (RSPF).</p> <p>Investments made through the RIF could be held Crown Regional Holdings Limited (CRHL). CRHL is a Schedule 4A asset holding company, created under the Public Finance Act 1989. CRHL holds loan, equity and capital asset investments administered by Kānoa – RDU through the PGF, RIO, IRG, RSPF and other regional development funds. CRHL currently holds 177 active investments totalling \$877 million. This is comprised of \$631 million in loans, \$123 million in equity, and \$123 million in capital assets from previous Regional Development investments.</p>	
Alignment to Budget Priorities (if alignment to multiple Priorities is possible, select the most relevant)	<input type="checkbox"/> Addressing the rising cost of living	<input type="checkbox"/> Delivering effective and fiscally sustainable public services
	<input checked="" type="checkbox"/> Building for growth and enabling private enterprise	<input type="checkbox"/> Not Aligned
	<p><i>How would this initiative deliver on the Government's priorities? Are there linkages or dependencies with other priorities?</i></p> <p>This is a new initiative as part of the New Zealand First-National Party coalition agreement.</p>	

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	Funding for departmental costs for Kānoa - RDU to deliver the RIF and manage its \$4.74 billion investment portfolio beyond 30 June 2024, is being sought through a separate Budget initiative.
Section 2B: Options analysis	
The answer to each question must not exceed 1-2 paragraphs	
What were the range of options considered?	<p><i>Briefly summarise other options (including non-funding options) to meet this objective, and describe whether and how each shortlisted option would achieve the initiative's intended outcome.</i></p> <p>This is a new initiative as part of the New Zealand First-National Party coalition agreement – no options analysis has been undertaken.</p>
What was the process used to select the preferred option?	<p><i>This section should detail the framework and process for determining the preferred option. Describe:</i></p> <ul style="list-style-type: none"> - <i>Analyses, methodologies and/or frameworks that were used to evaluate other options – you may wish to attach any further Options Analysis, Cost Benefit Analysis, and/or Climate Impacts Analysis, and set out any He Ara Waiora and/or Living Standards Framework considerations.</i> - <i>How engagement/consultation with partners/stakeholders/customers (including operational/delivery Agencies and iwi and Māori) informed the identification and quantification of costs and benefits.</i> - <i>What sensitivity analysis was undertaken and how did it influence the choice of preferred option?</i> <p>This is a new initiative as part of the New Zealand First-National Party coalition agreement – no options analysis has been undertaken.</p>
Counterfactual	<p><i>What would be the impact of funding this initiative entirely through reprioritisation (i.e., in the absence of new funding)? Detail:</i></p> <ul style="list-style-type: none"> - <i>Any trade-offs required (e.g., choosing to reduce either output or quality of an existing service)</i> - <i>Any flow-on implications this may have (e.g., future cost pressures)</i> - <i>What would be the impact of not progressing this initiative?</i> <p>This is a new initiative as part of the New Zealand First-National Party coalition agreement – no options analysis has been undertaken.</p>

Section 3: Benefits and costs of preferred options

Section 3A: Benefits and non-fiscal costs	
The answer to each question must not exceed 1-2 paragraphs. If the initiative has more than one intended outcome, insert additional rows as appropriate.	
What outcome(s) would the initiative achieve?	<p><i>What are the identifiable and measurable social, economic and/or environmental benefits and costs associated with this initiative? What is the specific impact or difference that this initiative will achieve?</i></p> <p>The RIF will invest \$1.2 billion in infrastructure to improve resilience while increasing productivity to grow regional economies.</p> <p>Cabinet has not yet made decisions on the policy settings of the RIF, therefore the identified and measurable social, economic and/or</p>

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	environment benefits and cost associated with this initiative have not been determined.		
Evidence and assumptions	<p>Provide evidence (data/other information) and assumptions to support the existence and timeframes of the identified benefits, including any gaps or uncertainties. Evidence may include:</p> <ul style="list-style-type: none"> - CBAX and intervention logic map (please attach) – What are the benefits and costs for whom and when? To what extent do the benefits outweigh the costs (monetised and non-monetised impacts)? - Lessons from comparable international or past interventions – were these successful? If not, what is the point of difference here? <p>An intervention logic map has been attached.</p>		
Climate Impacts	<input checked="" type="checkbox"/> Yes - positive	<input type="checkbox"/> Yes - negative	<input type="checkbox"/> No impact
	<p>Possible climate impacts (positive and negative) should be considered for all initiatives, not only those linked to climate objectives. In particular, this should describe:</p> <ul style="list-style-type: none"> - the impact the initiative could have on our ability to achieve our emissions budgets, positive and negative - where possible, include a Climate Implications of Policy Assessment (CIPA) or, for those initiatives that do not meet the CIPA threshold outlined in CO (20) 3), quantification aligned with CIPA guidance, and - how the initiative is expected to help mitigate or adapt to the physical impacts of climate change (e.g. storms, floods). For investments, indicate if these may be exposed to physical climate impacts (now or in the future) and how any significant impacts will be mitigated. <p>The RIF will invest \$1.2 billion in infrastructure to improve resilience while increasing productivity to grow regional economies. It is expected that these investments, particularly resilience investments will have positive climate impacts.</p> <p>Cabinet has not yet made decisions on the policy settings of the RIF, therefore the climate impacts of this initiative have not been determined.</p>		

Section 3B: Expenditure profile and cost breakdown

The answer to each question must not exceed 1-2 paragraphs.

Formula and assumptions underlying costings	<p>What assumptions have been used to prepare the costings for this initiative? E.g. for new FTE, salary assumptions, role/seniority, associated overheads. See the Budget 2024 Guidance for common assumptions.</p> <p>The funding assumption for the bid is based on an even phasing of capital across the 2024/25 to 2026/27 financial years. After the policy settings are approved by Cabinet and the application process concluded the phasing of the capital funding will become clearer. The implementation and delivery of the Regional Infrastructure Fund will be met through a two per cent management fee based on the value of the capital investment.</p>
	<p>Provide any formula that has been used to support the calculation of the costings. Alternatively, a spreadsheet of the costing that demonstrates the formula used to calculate the costing can be attached.</p>

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Provide a breakdown of total initiative expenditure by individual expense category. Total operating and capital expenses in this section must match the totals in Section 1B: Summary of funding profile. Insert additional rows as appropriate for additional expense categories.

Operating expenses (\$m)						
Operating expense category	2023/24	2024/25	2025/26	2026/27	2027/28 & outyears*	Total
Two per cent management fee		9.0	7.5	7.5	-	24.0
[Name of operating expense category]						
Depreciation and/or capital charge (if relevant)						
Net FTE funding						
Net contractor/consultant funding						
Net FTE and contractor/consultant overhead funding						
[Name/type of contingency]						
Total (\$m)		9.0	7.5	7.5	-	24.0

*Extend the profile above to a "steady state" if funding into outyears is irregular. Delete "& outyears" for time-limited funding.

Headcount Change	2023/24	2024/25	2025/26	2026/27	2027/28	Total
# of net FTEs (employees)	[●]	[●]	[●]	[●]	[●]	[●]
# of net FTEs (contractors/consultants)	[●]	[●]	[●]	[●]	[●]	[●]
Total # of net FTEs (employees and contractors/consultants)	[●]	[●]	[●]	[●]	[●]	[●]

Additional occupation breakdown of FTE changes (count and funding) over the forecast period

Occupation	Net count required	Net funding required (\$m)	Net amount overheads required (\$m)
Managers	[●]	[●]	[●]
Policy Analyst	[●]	[●]	[●]
Information Professionals	[●]	[●]	[●]
Social, Health and Education Workers	[●]	[●]	[●]
ICT Professionals and Technicians	[●]	[●]	[●]
Legal, HR and Finance Professionals	[●]	[●]	[●]
Other Professionals not included elsewhere	[●]	[●]	[●]

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Inspectors and Regulatory Officers	[•]	[•]	[•]
Contact Centre Workers	[•]	[•]	[•]
Clerical and Administrative Workers	[•]	[•]	[•]
Other Occupations	[•]	[•]	[•]

Capital expenses (\$m)											
Capital expense category	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33*	Total
Regional Infrastructure Fund		400.0	400.0	400.0							1,200.0
[Name of capital expense category]											
[Name/type of contingency]											
Total (\$m)		400.0	400.0	400.0							1,200.0

*Extend the profile above if funding is needed beyond 2032/33.

Section 3C: Scaled option (not applicable for capital initiatives)

The answer to each question must not exceed 1-2 paragraphs.

Scaling option overview	<p><i>Provide a concise overview of the scaled down option to fund this initiative (the funding level below which it would be better to defer the initiative than fund it).</i></p> <p>The administration of existing Kānoa funds indicate that a two per cent management fee is at the bottom end of the fee structure to implement a new fund successfully. Any reduction to the management fee would increase the risk profile of the investment portfolio and compromise the oversight and management functions of the fund. A scaling option that could be considered would be to “top slice” the management fee from the \$1.2 billion capital fund, providing a net reduction of \$24 million</p> <p><i>Explain how the initiative’s expected outputs and outcomes would differ if scaled down and any risks associated with scaling down.</i></p> <p>Outcomes from the RIF would be reduced due to the top slice. This would mean less funding would be available for distribution to regional infrastructure projects.</p> <p><i>If the initiative cannot feasibly achieve its objectives without full funding (i.e. scaling option is not viable), succinctly explain why (e.g. if the initiative is to purchase a discrete asset at a set price).</i></p> <p>N/A</p> <p><i>Explain the formula and assumptions for the scaled option if they are different from those for the preferred option.</i></p> <p>The two per cent management fee is derived from the existing 11 funds administered by Kānoa - RDU and has been shown to strike the right balance between a streamlined operating model and maintaining an appropriate level of contract management and risk oversight.</p>
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Provide a breakdown of what the scaled down option would purchase. Insert additional rows as appropriate for additional expense categories.

Operating expenses (\$m)						
Operating expense category	2023/24	2024/25	2025/26	2026/27	2027/28 & outyears*	Total
<i>Two per cent management fee</i>	-	9.0	7.5	7.5	-	24.0
<i>[Name of operating expense category]</i>						
Depreciation and/or capital charge (if relevant)						
Net FTE funding						
Net contractor/consultant funding						
Net FTE and contractor/consultant overhead funding						
<i>[Name/type of contingency]</i>						
Total (\$m)	-	9.0	7.5	7.5	-	24.0

*Extend the profile above to a "steady state" if funding into outyears is irregular. Delete "& outyears" for time-limited funding.

Headcount Change	2023/24	2024/25	2025/26	2026/27	2027/28	Total
Total # of net FTEs (employees)	[•]	[•]	[•]	[•]	[•]	[•]
Total # of net FTEs (contractors)	[•]	[•]	[•]	[•]	[•]	[•]
Total # of net FTEs (employees and contractors/consultants)	[•]	[•]	[•]	[•]	[•]	[•]

Capital expenses (\$m)											
Capital expense category	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33*	Total
<i>Regional Infrastructure Fund</i>		391.0	392.5	392.5							1,176.0
<i>[Name of capital expense category]</i>											
<i>[Name/type of contingency]</i>											
Total (\$m)	-	391.0	392.5	392.5							1,176.0

*Extend the profile above if funding is needed beyond 2032/33.

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Section 4: Delivery

Section 4A: Procurement and workforce	
The answer to each question must not exceed 1-2 paragraphs.	
What is the initiative purchasing/funding?	<p><i>Describe the key resources (workforce, goods, assets, services) that need to be sourced, including any ancillary services. The answer should align with the initiative description and the problem definition in Section 1A and Section 2A respectively. Attach the Procurement Plan for the initiative (if there is one).</i></p> <p>This initiative will largely invest directly into small-medium scale infrastructure projects that improve resilience while increasing productivity to grow regional economies. Kānoa – RDU will ensure projects have sufficient capability and capacity to deliver as part of the project evaluation and contracting process.</p> <p>Kānoa – RDU will also need to expand its departmental workforce to deliver this initiative.</p>
Is there a market that can meet these needs?	<p><i>Describe the market you are looking to procure the above key resources from. Detail any market testing that has been completed (including any engagement that has been undertaken with the relevant supply markets). What is the capacity and capability of the market to provide these resources? What consideration has been given to delivery by or with iwi and/or other affected communities?</i></p> <p>N/A</p>
	<p><i>For new FTEs and/or contractors, outline occupation and skills area and indicate the market capacity to fill these roles.</i></p> <p>The implementation phase will require the establishment of a programme team which will require contract or fixed term staff. When policy settings are approved by Cabinet the resource mix required for the remainder of the implementation will be able to be quantified. It is expected to be a mix of commercial leads, risk management expertise, senior investment analysts and policy resource.</p>
	<p><i>What potential suppliers have been identified for the initiative, are they interested in participating in the procurement, and do they have the capacity and capability to meet these needs?</i></p> <p>N/A</p>
Government Procurement Rules	<p><i>What other competitors are there for similar workforce, goods, and services around the same time as this initiative? Have opportunities to collaborate or strategies to deconflict competing timelines been explored?</i></p> <p>The establishment of a National Infrastructure Agency is a coalition commitment. This agency may compete for staff with a similar skillset than that required to deliver the RIF. MBIE will continue to work closely with other agencies during the establishment of the NIA and ensure it is mindful of developing strategies to deconflict recruitment if required.</p>
	<p><i>Does the proposed approach align with Government Procurements Rules? If not, on what basis is the initiative exempted?</i></p> <p>No Government procurement is expected to be undertaken for this initiative</p>

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Section 4B: Risks, constraints, and dependencies

The answer to each question must not exceed 1-2 paragraphs

What are the main risks?	<p><i>Describe the main risks associated with this initiative and the proposed mitigations to address these. Focus on the 20% of risks which are likely to provide 80% of the initiative's risk values. Attach the risk register for the initiative (if there is one).</i></p> <p>Cabinet has not yet made decisions on the policy settings of the RIF, therefore the risks and mitigations for this initiative have not been determined.</p>
What are the key constraints?	<p><i>Describe any key constraints that have been and/or could be placed on the initiative.</i></p> <p>Cabinet has not yet made decisions on the policy settings of the RIF, therefore the key constraints of this initiative have not been determined.</p>
What are the key dependencies?	<p><i>Describe any key dependencies that are outside the scope of the initiative and may determine the initiative's success.</i></p> <p>Cabinet has not yet made decisions on the policy settings of the RIF – this is a key dependency.</p> <p>Additionally, funding for departmental costs for Kānoa – Regional Economic Development & Investment Unit (Kānoa - RDU) to deliver the RIF and manage its \$4.35 billion investment portfolio beyond 30 June 2024, is being sought through another Budget initiative – this is a key dependency.</p>

Section 4C: Governance and oversight

The answer to each question must not exceed 1-2 paragraphs.

What are the governance arrangements for this initiative?	<p><i>What is the governance structure, including decision making and any advisory groups? It is optional to attach the Governance Diagram showing the governance structure</i></p> <p>Cabinet has not yet made decisions on the policy settings of the RIF, therefore the governance structures are yet to be determined.</p>
	<p><i>Explain how the governance structure provides for input from partners/stakeholders/customers, including iwi and Māori?</i></p> <p>Cabinet has not yet made decisions on the policy settings of the RIF, therefore the governance structures are yet to be determined.</p>
Timeframes and monitoring	<p><i>Outline key milestones and the expected timeframe for the delivery of these milestones. When will the lead Minister(s) receive information on implementation and delivery of this initiative?</i></p> <p>Cabinet has not yet made decisions on the policy settings of the RIF, therefore the key milestones and expected timeframes for delivery are yet to be determined.</p>

Section 4D: Demonstrating performance

The answer to each question must not exceed 1-2 paragraphs.

Is it part of an existing strategy / work programme / initiative with existing reporting, and if so what is it called? Outline the type (or types) of evaluation planned and their timeframe(s). Indicate what funding is proposed to be allocated for evaluation.

Describe the performance information that would be included in the Estimates if this initiative was funded, or if the performance information in the Estimates is not expected to change then describe the reasons for that decision.

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Cabinet has not yet made decisions on the policy settings of the RIF, therefore the evaluation and performance information for this initiative are yet to be determined.

Section 5: Equity

The answer to each question must not exceed 1-2 paragraphs.

Timing of costs and benefits	<p>Indicate if the key benefits and costs will accrue over the short term (<5 years), medium term (5-10 years), long term (>10 years) or inter-generationally. Indicate whether, and why, benefits and costs vary across different timeframes.</p> <p>Please see the attached Intervention Logic Map</p>	
Specific implications regarding the Crown's obligations under the Treaty of Waitangi	No	<p>Briefly describe any specific implications, including any Treaty Settlement commitments relevant to your Agency. Guidance on applying the Treaty to policy work can be found here and here.</p>
Distributional Impacts	<p>Possible distributional impacts (positive and negative) should be considered for all initiatives. Identify if there are different or disproportionate impacts on different types of New Zealanders. You might consider differential ethnic, gender, income/wealth distribution and/or spatial impacts. Distinguish between direct and indirect impacts, and whether these are intended impacts: e.g. from a more targeted policy, or an unintended consequence.</p> <p>Cabinet has not yet made decisions on the policy settings of the RIF, therefore the distributional impacts are yet to be determined.</p>	

Section 6: Supplementary information for Capital Investments²

Preferred option for investment	
Name of preferred option	<i>Provide the name of the preferred option.</i>
Senior Responsible Officer	
Term of investment lifecycle	<i>Provide the period from the acquisition of the investment to its final disposition. If different, also provide the period used for the calculation of costs and benefits in the table below.</i>
Discount rate	<i>Provide the public sector discount rate or formula used to quantify the figures below.</i>
Provide monetary values for the costs outlined below.	
Monetised whole of life costs (\$m)	
Costs to Agency and other public sector organisations	
Capital	[•]
Operating/Revenue	[•]
Costs to New Zealand society (e.g., households, individuals, businesses)	
Capital	[•]
Operating/Revenue	[•]
Risk costs	
Optimism Bias adjustment	[•]
Estimated or Measured risk	[•]
Total costs	[•]
Monetised whole of life benefits (\$m)	
Provide monetary values for the benefits outlined below. Add additional rows for additional benefit categories.	
Benefits to Agency and other public sector organisations	
<i>[Name of benefit category]</i>	[•]
Benefits to New Zealand society (e.g., households, individuals, businesses)	
<i>[Name of benefit category]</i>	[•]
Total benefits	[•]
Net Public Value and Benefit Cost Ratio	
Net Public Value	<i>[Total benefits – Total costs]</i>
Benefit Cost Ratio	<i>[Total benefits / Total costs]</i>
Non-monetised and non-quantified costs and benefits	
Provide a quantification of these costs and benefits where possible, or a description of how the costs and benefits were considered for the purpose of choosing the preferred option. Add additional rows for additional benefit categories.	
<i>[Name of cost category]</i>	[•]
<i>[Name of benefit category]</i>	[•]

² This section is only required for capital investments seeking new funding at Budget 2024 (as specified in the Budget 2024 strategy and invitation letter from December 2023). Agencies should also submit business cases if possible.

