



## BRIEFING

### Returning remaining funding from Kānoa – Regional Economic Development & Investment Unit managed funds to the centre

<b>Date:</b>	14 March 2024	<b>Priority:</b>	Medium
<b>Security classification:</b>	In Confidence	<b>Tracking number:</b>	2324-2583

	Action sought	Deadline
Hon Shane Jones <b>Minister for Regional Development</b>	<b>Agree</b> that up to \$89.5 million of funds remaining in Kānoa – RDU managed funds could be returned to the centre to support Government priorities and Budget 2024.	22 March 2024

#### Contact for telephone discussion (if required)

Name	Position	Telephone	1st contact
Karl Woodhead	General Manager, Strategy, Planning and Performance, Kānoa – Regional Economic Development & Investment Unit (Kānoa – RDU)	Privacy of natural persons	✓
Privacy of natural persons	Manager, Strategy and Policy, Kānoa – RDU	Privacy of natural persons	
Privacy of natural persons	Senior Policy Advisor, Kānoa – RDU	Privacy of natural persons	

#### The following departments/agencies have been consulted

The Ministry for Primary Industries and Te Uru Rākau – New Zealand Forestry Service have been informed of the contents of this briefing.

**Minister's office to complete:**

Approved

Declined

Noted

Needs change

Seen

Overtaken by Events

See Minister's Notes

Withdrawn

**Comment**

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#### Purpose

To provide you with an overview of funding remaining in Kānoa – Regional Economic Development & Investment Unit (Kānoa – RDU) managed funds and advice on what could be returned to the centre to help the Government’s focus on strict fiscal management ahead of Budget 2024.

#### Recommended action

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

- a **Note** the Minister of Finance has directed all Ministers to identify potential savings that could be made to support fiscal management and the Budget 2024 process.  
*Noted*
- b **Note** Kānoa – Regional Economic Development & Investment Unit (Kānoa – RDU) have conducted a review of all Kānoa – RDU managed funds to identify remaining funds that could be returned to support Government priorities and the Budget 2024 process.  
*Noted*
- c **Note** Kānoa – RDU have identified up to \$89.5 million of funding remaining in Kānoa – RDU managed funds that could be returned to the centre.  
*Noted*
- d **Agree** to the recommendations in Annex One regarding the identified funding remaining in Kānoa – RDU managed funds.  
*Agree / Disagree*
- e **Discuss** the contents of this briefing at the next Kānoa – RDU officials meeting.  
*Agree / Disagree*



Karl Woodhead  
**General Manager, Strategy, Planning and  
Performance**  
 Kānoa – Regional Economic Development &  
 Investment Unit, MBIE  
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Hon Shane Jones  
**Minister for Regional Development**  
 .... / ..... / .....

## Background

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1. Applications for the North Island Weather Events Primary Produce Finance Scheme closed on 1 March. Following this, we have done a rapid review of the funds that we hold to assess opportunities to return money in order to satisfy the Minister of Finance's goals to support fiscal sustainability and efficiency.
2. Kānoa – Regional Economic Development & Investment Unit (Kānoa – RDU) continues to assess opportunities to return funds. Further to advice provided in February 2024 that identified \$14.75 million in funds that could be returned to the centre (briefing 2324-1913 refers), our latest rapid review of Kānoa – RDU managed funds has identified remaining funding that could be returned to support Government priorities and the Budget 2024 process.

### Funding remaining in Kānoa – RDU managed funds

3. Kānoa – RDU have identified \$89.5 million from the following funds that we recommend be returned to the centre:
  - a. Strategic Tourism Asset Protection Programme (STAPP) - \$34.7 million (all fully repaid principal and associated interest)
  - b. North Island Weather Events Primary Produce Finance Scheme (NIWE PPFS) - \$40 million (\$200 million would remain in the fund)
  - c. Queenstown Economic Transformation and Resilience Fund (QET) – \$14.8 million (all remaining funding).
4. Confidential advice to Government  
[Redacted]  
[Redacted]  
[Redacted]

### Funding available that could be returned to the centre

5. In total, Kānoa – RDU recommend that up to \$89.5 million of funding in Kānoa – RDU managed funds (through a mixture of repaid principal, repaid interest and unused funding) could be returned to the centre. Confidential advice to Government [Redacted]
6. While these funds are managed by Kānoa – RDU, you, as Minister for Regional Development, are not the only authorising Ministers for decisions around funding. As such, the return of funding will require some consultation with other agencies and your Ministerial colleagues.

## Next steps

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7. If agreed, for the return of funding held by Crown Regional Holdings Limited (STAPP, QET), Kānoa – RDU will:
  - a. engage with relevant agencies and prepare a briefing to authorising Ministers to seek agreement to the approach
  - b. conduct a share buyback process to facilitate the return funding from CRHL to the centre.
8. For the return of interest repaid held by CRHL (STAPP) Kānoa – RDU will work with CRHL to return a dividend to the Crown.

9. For the return of funding held by MBIE (NIWE PPFS) Kānoa – RDU will:
  - a. engage with relevant agencies and prepare a briefing to authorising Ministers seeking agreement to the approach
  - b. return funding to the centre by way of a reduction to the relevant appropriations.

## **Annexes**

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**Annex One:** Remaining funding in Kānoa – RDU managed funds recommended to be returned to the centre.

## Annex One: Remaining funding in Kānoa – RDU managed funds recommended to be returned to the centre

Fund	\$ remaining	Authorisers and process to return	Discussion	Recommendation	Decision
<p><b>Strategic Tourism Asset Protection Programme (STAPP)</b> 2020-2021</p> <p>A \$107.4 million fund aimed at supporting tourism assets with strategic importance to local economies affected by COVID-19.</p>	<p><b>\$34.7 million</b></p> <p>Principal fully repaid: \$34.4m Interest repaid: \$0.3m</p>	<p>Authorising Ministers:</p> <ul style="list-style-type: none"> <li>Minister of Finance</li> <li>Minister for Regional Development</li> <li>Minister for Tourism and Hospitality.</li> </ul> <p>Process: As the \$34.7 million sits with CRHL a share buyback process must be undertaken in order to return the principal fully repaid (\$34.4m) and a dividend process must be undertaken to return the interest earned on the investments (\$0.3m).</p>	<p>In May 2020, Cabinet agreed that any underspends from the Tourism Recovery Package (which includes STAPP) would be returned to the centre [CAB-20-MIN-0219].</p> <p>Through the STAPP, \$108 million in funding has been approved to successful applicants and \$100.8 million paid out. \$5.8 million was returned to the centre as applicants withdrew or declined funding.</p> <p>As of 13 March 2024, \$34.7 million in repaid principal and interest is available to be returned to the centre. Confidential advice to Government</p> <p>The self-sustaining model of investment proposed by Kānoa – RDU does not rely on returns from STAPP investments.</p>	<p><b>Agree</b> that the \$34.7 million in repaid principal and interest from STAPP loans be returned to the centre.</p> <p><b>Direct</b> Kānoa – RDU officials to prepare a briefing to the authorising Ministers to facilitate this process.</p>	<p><i>Agree / Disagree</i></p> <p><i>Agree / Disagree</i></p>
<p><b>North Island Weather Events Primary Producer Finance Scheme (NIWE PPFS)</b> 2023-2024</p> <p>A \$240 million fund that provides concessionary loan and equity finance to land-based primary producers severely impacted by the North Island Weather Events of early 2023.</p>	<p><b>\$40 million</b></p> <p>Funding estimated to be unused as of 13 March 2024: \$40m</p>	<p>Authorising Ministers:</p> <ul style="list-style-type: none"> <li>Minister of Finance</li> <li>Minister of Agriculture (Lead Minister)</li> <li>Minister for Regional Development</li> <li>Minister for Economic Development</li> <li>Minister for Rural Communities.</li> </ul> <p>Process: As the \$40 million sits with MBIE, it can be returned to the centre via a reduction to the appropriation.</p>	<p>Cabinet agreed that all unused NIWE PPFS funding or underspends would be returned to the centre following the closure of the scheme on 30 June 2024 [EWR-23-MIN-0050].</p> <p>The NIWE PPFS had a cut-off date for all applications to be provided of 1 March 2024. Kānoa – RDU officials are currently processing all applications, however, indicative demand at this stage is \$191.19 million. We expect this figure will change slightly as applications go through the evaluation process.</p> <p>Any additional unallocated funding could then be returned to the centre following the scheme's close on 30 June 2024.</p> <p>Kānoa – RDU consider that up to \$40 million could be returned to the centre ahead of 30 June 2024 to support the Government's priorities and Budget 2024. Returning up to \$40 million would leave \$200 million available to support the \$191.19 million of anticipated demand.</p>	<p><b>Agree</b> that up to \$40 million of funding allocated to the NIWE PPFS be returned to the centre ahead of the scheme's close on 30 June 2024 in order to support Government priorities and Budget 2024.</p> <p><b>Direct</b> Kānoa – RDU officials to prepare a briefing to the authorising Ministers to facilitate this process.</p>	<p><i>Agree / Disagree</i></p> <p><i>Agree / Disagree</i></p>
<p><b>Queenstown Economic Transformation and Resilience Fund (QET)</b> 2021</p> <p>An \$18 million fund to help develop alternative industries in the Queenstown-Lakes District and surrounding areas.</p>	<p><b>\$14.8 million</b></p> <p>Unused funding: \$14.8m</p>	<p>Authorising Ministers:</p> <ul style="list-style-type: none"> <li>Minister of Finance</li> <li>Minister for Regional Development</li> <li>Minister of Science, Innovation and Technology</li> <li>Minister for Trade.</li> </ul> <p>Process: The \$14.8 million sits with CRHL and a share buyback process is required to return the funding.</p>	<p>Cabinet agreed that any underspends from the COVID-19 Response and Recovery Fund, from which the QET was funded, would be returned to the centre [CAB-20-MIN-0219]. The return is due in June 2023 upon expiry of the fund.</p> <p>A large portion of the QET remains unallocated and Kānoa – RDU does not consider that there are any projects in the pipeline that are eligible to be funded through the QET.</p> <p>Kānoa – RDU recommends that the \$14.8 million of funding is returned to the centre.</p>	<p><b>Agree</b> that \$14.8 million in unused funding and departmental funding from the QET be returned to the centre.</p> <p><b>Direct</b> Kānoa – RDU officials to prepare a briefing to the authorising Ministers to facilitate this process.</p>	<p><i>Agree / Disagree</i></p> <p><i>Agree / Disagree</i></p>

Confidential advice to Government

