



# **BRIEFING**

# Returning further funding from Kānoa – RD managed funds to the centre

Date:	27 March 2024	Priority:	Medium
Security classification:	In Confidence	Tracking number:	2324-2753

	Action sought	Deadline
Hon Shane Jones Minister for Regional Development	Agree that up to \$27.9 million of funds remaining in Kānoa – RD managed funds be returned to support Government priorities and Budget 2024.	2 April 2024
	Note this brings the total amount of funding recommended for return from Kānoa – RDU managed funds to \$117.4 million.	

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 – RD)	Privacy of natural persons	<b>√</b>	
Privacy of natural persons	Manager, Strategy and Policy, Kānoa – RD	Privacy of natural persons		
Privacy of natural persons	Senior Policy Advisor, Strategy and Policy, Kānoa – RD	Privacy of natural persons		

The following departments/agencies have been consulted			
The Treasury were engaged on the approach to returning Covid-19 Response and Recovery Fund - Infrastructure Reference Group funds.			
Minister's office to complete:	☐ Approved ☐ Noted ☐ Seen ☐ See Minister's Notes	<ul><li>Declined</li><li>Needs change</li><li>Overtaken by Events</li><li>Withdrawn</li></ul>	
Comment			





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# Returning further funding from Kānoa – RD managed funds to the centre

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## **Purpose**

To seek your agreement for Kānoa – Regional Economic Development & Investment Unit (Kānoa – RD) to facilitate the return up to \$27.9 million of further identified remaining funding in Kānoa – RD managed funds, in addition to the \$89.5 million agreed to on 19 March 2024 (briefing 2324-2583 refers).

The briefing also provides an update on further returns likely to be available through the North Island Weather Events Primary Producer Finance Scheme and the Confidential advice to Government

#### **Recommended action**

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

a **Note** you previously agreed for Kānoa – Regional Economic Development & Investment Unit (Kānoa – RD) to facilitate the return of up to \$89.5 million of funding remaining in Kānoa – RD managed funds to the centre to support Government priorities and the availability of funds for Budget 2024 (briefing 2324-2583 refers).

Noted

b **Note** Kānoa – RD has identified a further \$27.9 million that can be returned ahead of the Budget 2024 moratorium on 29 April, which if agreed would bring the total amount returned to \$117.4 million.

Noted

c Confidential advice to Government

Noted

d **Note** Kānoa – RD will provide you a briefing on Thursday 4 April 2024 that outlines a process to enable decision making for further funding that is currently underutilised but has a range of impacts and considerations associated with its return.

Noted

#### Interest held by CRHL

e Agree that \$18.9 million of bank interest earned by CRHL be returned to the centre.

Agree / Disagree





f **Direct** Kānoa – RD officials to facilitate a CRHL Board resolution seeking agreement to declare a dividend to shareholding Ministers to return the \$18.9 million.

Direct

#### COVID-19 Response and Recovery Fund – Infrastructure Reference Group

Agree the \$9 million in remaining IRG funding be returned to the IRG Programme Contingency.

Agree / Disagree

h **Note** decisions on underspends from the overall IRG Programme Contingency will be the responsibility of authorising Ministers, but based on initial engagement with the Treasury our expectation is that it would be returned to the centre.

Noted

i **Direct** Kānoa – RD officials to facilitate a CRHL Board resolution seeking agreement to buy back shares from shareholding Ministers to the value of \$9 million.

Direct

### North Island Weather Events Primary Producer Finance Scheme

j **Note** current demand, as of 25 March 2024, for the NIWE PPFS is estimated at \$^confidential advice to Government with the final amount likely to decline as applications, which have closed, are assessed.

Noted

k **Direct** Kānoa – RD to progress further returns of funding from the NIWE PPFS to the centre via the funding briefings.

Direct

Karl Woodhead

General Manager, Strategy, Planning and Performance

Kānoa – Regional Economic Development & Investment Unit, MBIE 27 / 03 / 2024

Hon Shane Jones

**Minister for Regional Development** 

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# Background

1. On 19 March 2024 you agreed for Kānoa – Regional Economic Development & Investment Unit (Kānoa – RD) to facilitate the return to the centre of up to \$89.5 million of funding remaining in Kānoa – RD managed to support Government priorities and the availability of funds for Budget 2024 (briefing 2324-2583 refers).

# Further funding available that could be returned to the centre

- 2. Kānoa - RD has continued to assess available funding across all managed funds and have identified up to a further \$27.9 million which could be returned, comprising of:
  - a. Bank interest earned and held by Crown Regional Holdings Limited (CRHL) - \$18.9 million (interest earned between September 2019 – February 2024)
  - COVID-19 Response and Recovery Fund Infrastructure Reference Group (IRG) \$9 million (all remaining unused funding).

#### 3. Confidential advice to Government

refers), bringing the total to \$50 million.

be available to return in mid-April. This is in addition to the \$40 million previously recommended for return (briefing 2324-2583

- 4. Further information and advice regarding the identified funds is included at **Annex One**.
- 5. While these funds are managed by Kānoa – RD, 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. However, we consider that the process to return the \$27.9 million of funding can be undertaken ahead of the Budget 2024 moratorium on 29 April.
- 6. The funding returned from the IRG will be returned to the IRG Programme Contingency, as opposed to directly returning to the centre. Decisions on underspends from the overall IRG Programme Contingency will be the responsibility of authorising Ministers, but based on initial engagement with the Treasury our expectation is that it would be returned to the centre.

No risks have been identified with the return of bank interest earned by CRHL. Additional analysis will be required to determine additional Kānoa – RD funding that can be returned to the centre while minimising potential risks or unintended consequences

- 7. The funding recommended to be returned to the centre to date has come from sources that officials consider to have less risk as it is unused and uncommitted. Confidential advice to Government
- 8. Officials will work to outline a process to enable decision making for further funding that is currently underutilised but has a range of impacts and considerations associated with its return, including potential legal risks. This briefing will be provided to your office by Thursday 4 April 2024.

# Update on further returns from the North Island Weather Events Primary Producer Finance Scheme and Confidential advice to Government

9. Previous advice regarding the return of funding from Kānoa – RD managed funds:

	Producer Finance Scheme (NIWE PPFS)			
	b.	Confidential advice to Government		
		).		
North	Islana	Weather Events Primary Producer Finance Scheme		
10.	Following your direction, Kānoa – RD has sought agreement from North Island Weather Events Primary Producer Finance Scheme (NIWE PPFS) Joint Ministers to return \$40 million of projected underspends to the centre ahead of the scheme's close on 30 June 2024 (briefing 2324-2664 refers)			
11.	Confid	dential advice to Government		
12.		riefing seeks your agreement to facilitate the return of these funds through the NIWE PPFS ng briefing expected to be provided to Ministers on 18 April 2024.		
Confid	dential	advice to Government		
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15.	Confid	dential advice to Government		
16.	Confid	dential advice to Government		
17.	Confid	dential advice to Government		
Nex	t ste	ps		

recommended that \$40 million be returned from the North Island Weather Events Primary

a.

- 18. If agreed, there are three approaches required to return the funding to the centre:
  - a. Interest held by CRHL: to return the \$18.9 million of interest held by CRHL, a CRHL Board resolution must be signed by all Directors to agree to declare a dividend to shareholding Ministers.
  - b. **IRG:** as the \$9 million of unused funding sits with CRHL, a CRHL resolution must be signed by all Directors to agree to buy back shares from shareholding Ministers, following this funding will be returned to the IRG Programme Contingency.

- 19. The next CRHL Board meeting is scheduled to take place on 16 April 2024, where relevant resolutions can be put to the Board, alongside those required for the return of \$89.5 million of previously identified funds.
- 20. A draft letter to the Minister of Finance is attached (**Annex Two**) outlining the further funding available to be returned and next steps.

## **Annexes**

**Annex One:** Further remaining funding in Kānoa – RD managed funds recommended to be returned to the centre

**Annex Two:** Letter to the Minister of Finance outlining further funding available to be returned.





# Annex One: Further remaining funding in Kānoa – RD managed funds recommended to be returned to the centre

Fund	Amount remaining	Authorisers and process to return	Discussion
Interest held by CRHL 2019-2024  Bank interest earned by CRHL.	\$18.9 million  Bank interest earned: \$18.9m	Authorising Ministers:  • Minister of Finance  • Minister for Regional Development.  Process: CRHL Board would need to declare a dividend to shareholding ministers to return the funding	The return of the previously signalled \$89.5 million of funds requires that CRHL declare a dividend to return interest earned on Strategic Tourism Asset Protection Programme investments (briefing 2324-2583 refers). As such, Kānoa – RD consider it appropriate to also recommend the return of other interest held by CHRL.  In the period of September 2019 – February 2024, CRHL has earned \$18.9 million in bank interest. This is separate to interest earned on investments held by CRHL and has been increasing year on year as a result of higher interest rates.  The self-sustaining model of investment proposed by Kānoa – RD (briefing 2324-1511 refers) does not rely on bank interest earned by CRHL.
COVID-19 Response and Recovery Fund – Infrastructure Reference Group (IRG) 2020  Response to potential downturn in the construction and infrastructure sector arising from COVID-19, package of \$696.3 million.	\$9 million Unused funding: \$9m	<ul> <li>Authorising Ministers:</li> <li>Minister of Finance</li> <li>Associate Ministers of Finance</li> <li>Minister for Infrastructure (Lead Minister).</li> <li>Process:         <ul> <li>As the \$9 million sits with CRHL a share buyback process is required to return the funding.</li> </ul> </li> </ul>	Cabinet agreed that any underspends from the COVID-19 Infrastructure Investment Package, which included the IRG, would be returned to the centre [CAB-20-MIN-0219].  The IRG has a Programme Contingency which is used to support project cost pressures. Unspent funds are returned to the Programme Contingency and returns made to the centre from there. Decisions on underspends from the overall IRG Programme Contingency will be the responsibility of authorising Ministers, but based on initial engagement with the Treasury our expectation is that it would be returned to the centre.  There is \$9 million of unused funding available as a result of a project that did not proceed. Kānoa — RD recommend that the remaining \$9 million of funding be returned to the IRG Programme Contingency.  The self-sustaining model of investment proposed by Kānoa — RD (briefing 2324-1511 refers) did include returns from IRG investments. However, Kānoa — RD consider the model is still viable if this \$9 million is returned.
North Island Weather Events Primary Producer Finance Scheme (NIWE PPFS) 2023-2024  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.	Confidential advice to Government  Confidential advice to Government	<ul> <li>Authorising Ministers:</li> <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> Process: <ul> <li>As the fund sits with MBIE, it can be returned to the centre via a reduction to the appropriation.</li> </ul>	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].  The NIWE PPFS had a cut-off date for all applications to be provided of 1 March 2024. Kānoa — RD officials identified on 15 March that demand was looking to be \$191.19 million. Based on this advice and on your guidance, Joint NIWE PPFS Ministers are currently considering returning \$40m to the centre (briefing 2324-2664 refers).  As applications are evaluated, demand is expected to trend downward. As of 25 March 2024, scheme demand is estimated at \$188.95 million. Noting that sufficient funding must remain in the scheme to support demand from active applications.  Confidential advice to Government

Annex Two: Draft letter to the Minister of Finance outlining further funding available to be returned

# **Hon Shane Jones**

Minister for Oceans and Fisheries Minister for Regional Development Minister for Resources Associate Minister of Finance Associate Minister for Energy



[Day] [Month] 2024

Hon Nicola Willis
Minister of Finance
Beehive
Wellington
Nicola.Willis@parliament.govt.nz

#### Tēna koe Nicola

On 20 March 2024, I wrote to you to inform you that Kānoa – Regional Economic Development & Investment Unit (Kānoa – RD) officials had identified \$89.5 million of Kānoa – RD managed funds that could be returned to the centre and that I had instructed officials to work to return these funds ahead of the Budget 2024 moratorium on 29 April.

I have requested that Kānoa – RD officials continue to identify and highlight to me potential cost saving measures and other funds that could be returned to the centre.

On Wednesday 27 March 2024, Kānoa – RD officials provided me with advice identifying and recommending a further \$27.9 million of Kānoa – RD managed funds that could be returned:

- Bank interest earned and held by Crown Regional Holdings Limited \$18.9 million (bank interest earned between September 2019 and February 2024).
- COVID-19 Response and Recovery Fund Infrastructure Reference Group (IRG) 9 million (all remaining unused funding).

The advice also noted that further returns from the North Island Weather Events Primary Producer Finance Scheme (NIWE PPFS) Confidential advice to Government

On [Date], I instructed Kānoa – RD to work to return these funds before the Budget 2024 moratorium. Kānoa – RD officials are confident of this occurring.

#### **Next steps**

Bank interest earned and IRG funds are held by Crown Regional Holdings Limited (CRHL). The return of these funds requires CRHL Board resolutions signed by all Directors to agree to buy back shares from us (as shareholding Ministers), and to pay us a dividend.

The next CRHL Board meeting is on 16 April 2024, where these resolutions will be put to the Board. Following that Kānoa – RD officials will prepare documents for us to finalise the processes before the end of April 2024.

Funds returned from the IRG will be returned to the IRG Programme Contingency. Decisions on the return of underspends from the overall IRG Programme Contingency will be responsibility of relevant Ministers.

Funds from the NIWE PPFS are held by the Ministry of Business, Innovation and Employment in an appropriation and can be returned by Joint Ministerial agreement. Following Ministerial agreement, Kānoa – RD will prepare documents to finalise the process before the end of April 2024.

Yours sincerely

Hon Shane Jones
Minister for Regional Development