

BRIEFING

Regional Infrastructure Fund: seeking Cabinet’s agreement to key high-level settings and to fund 42 flood resilience projects

Date:	30 April 2024	Priority:	High
Security classification:	Budget - Sensitive	Tracking number:	2324-3059

Action sought		
	Action sought	Deadline
Hon Shane Jones Minister for Regional Development	Agree to lodge the attached Cabinet paper on Thursday 2 May for consideration by Cabinet’s Economic Policy Committee on Wednesday 8 May.	1 May 2024

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Robert Pigou	Deputy Chief Executive and Head of Kānoa – Regional Economic Development & Investment Unit (Kānoa – RD)	Privacy of natural persons	✓
Isabel Poulson	General Manager – Strategy, Planning and Performance, Kānoa – RD	Privacy of natural persons	

Minister’s office to complete:
 Approved
 Declined
 Noted
 Needs change
 Seen
 Overtaken by Events
 See Minister’s Notes
 Withdrawn

Comments

BRIEFING

Regional Infrastructure Fund: seeking Cabinet’s agreement to key high-level settings and to fund 42 flood resilience projects

Date:	30 April 2024	Priority:	High
Security classification:	Budget - Sensitive	Tracking number:	2324-3059

Purpose

This briefing provides you with a copy of the final Cabinet paper for consideration by Cabinet’s Economic Policy Committee on Wednesday 8 May and seeks your agreement to lodge this paper on Thursday 2 May 2024.

Recommended action

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

- a **Agree** to lodge the attached Cabinet paper by Thursday 2 May for consideration by Cabinet’s Economic Policy Committee on Wednesday 8 May.

Agree/Disagree

- b **Note** that, given Cabinet has agreed to establish the Regional Infrastructure Fund (RIF) through the Budget 2024 process (subject to decisions on detailed settings), the paper now proposes Cabinet agree to key high-level settings for the RIF instead of agreeing to establish the RIF in principle as sought in previous versions.

Noted

- c **Note** that the paper proposes you will report back to Cabinet by June 2024 seeking agreement to the detailed design settings for the RIF, including drawing down on the \$1.2 billion tagged contingency committed through Budget 2024 to establish the RIF.

Noted

- d **Note** that the paper recognises RIF has the potential to create a significant funding source for Māori businesses and landowners and directs officials to undertake further work on potential Māori-enabling RIF projects (for example, projects in **Commercial Information**) for inclusion in the June report back to Cabinet, in response to your discussions with the Minister for Māori Development.

Noted

- e **Agree** to seek Cabinet’s agreement to create a dedicated flood resilience funding category under the Resilience Infrastructure component, initially making \$200 million available for flood resilience projects.

Agree/Disagree

- f **Agree** to seek Cabinet’s agreement to the following criteria for a dedicated flood resilience funding category under the RIF’s Resilience Infrastructure component:
- i To be eligible for funding through the flood resilience funding category of the RIF, projects must meet all of the following criteria:
 - 1 the project must be a regional flood resilience project;
 - 2 the project must meet the high-level RIF criteria and scope as outlined in the RIF Cabinet Paper;
 - 3 the project must be fully consented and ready for physical works; and
 - 4 the funding recipient must be a local government entity.

Agree/Disagree

- g **Agree** to seek Cabinet’s agreement to fund the 42 flood resilience projects through the RIF that meet the above criteria, committing \$101.1 million of grant funding for 42 flood resilience projects in the *Before the Deluge* report that officials have determined are ready for immediate government investment.

Agree/Disagree

- h Confidential advice to Government

Noted



Robert Pigou
**Deputy Chief Executive & Head of Kānoa –
Regional Economic Development &
Investment Unit**, Ministry for Business,
Innovation and Employment

Hon Shane Jones
Minister for Regional Development

..... / / 2024

30/04/ 2024

Background

1. Cabinet has agreed to commit \$1.2 billion, as a tagged contingency, to establish the Regional Infrastructure Fund as part of the Budget 2024 package. You are intending to take a paper to Cabinet with a proposal for the form of the Regional Infrastructure Fund (RIF) (Cabinet Paper).
2. Following our 4 April 2024 update on the paper following Ministerial consultation (aide memoire 2324-2825 refers), a number of further changes have been made. These are outlined below and reflected in the attached finalised Cabinet Paper.

We have prepared a final version of the Cabinet Paper for you to seek Cabinet agreement to agree key high-level Regional Infrastructure Fund settings

3. A copy of the finalised Cabinet Paper is attached as **Annex One**. Since our update to you on 4 April 2024 (2324-2825 refers), we have made some amendments and additions to the Cabinet Paper.

The Cabinet Paper proposes Cabinet agree to some key high-level settings for the RIF

4. We understand that, as part of Budget 2024 decisions, Cabinet has committed \$1.2 billion as a tagged contingency to establish the RIF subject to further work on:
 - (a) proposed criteria, eligibility and invitation process;
 - (b) development of a robust process to identify high value investment options;
 - (c) clarity on investment mechanisms and expected fiscal implications;
 - (d) operational arrangements, including options for which entities are best placed to deliver investments from the RIF; and
 - (e) ministerial decision-making structures, including for drawdown of the contingencies.
5. As Cabinet has already agreed to the RIF's establishment, subject to the further work outlined, we have amended the finalised Cabinet Paper. The Cabinet Paper now seeks agreement to some key high-level settings for the RIF, and proposes that you will report back to Cabinet by June 2024 with advice on the remaining points to finalise establishment of the RIF. This includes seeking Cabinet agreement to draw down on the \$1.2 billion tagged contingency.

Strengthening the case for Māori economic development through the RIF

6. We received some comments from the Minister for Māori Development's office and the Minister of Finance, resulting in some minor wording changes to the paper to strengthen the case for Māori economic development.
7. Following your recent discussion with Hon Potaka, we have further strengthened this content with the addition of examples of potential Māori-enabling projects. The Cabinet Paper notes that you have directed officials to provide you with advice on these potential projects, with a view to including the projects in your report back to Cabinet.

Confidential advice to Government

8. Confidential advice to Government

[Redacted content]

Seeking Cabinet agreement to establish a 'flood resilience' category and to fund some initial projects

9. Following a meeting with your Office on 23 April 2024, we have added content seeking Cabinet's agreement to create a dedicated funding category within the Resilience Infrastructure component of the RIF to fund flood resilience projects that meet specified criteria.

10. To give effect to this approach, the paper now proposes that Cabinet agree:

- (a) to create a dedicated flood resilience funding category within the Resilience Infrastructure component of the RIF, initially making \$200 million available for flood resilience projects;
- (b) agree that, to be eligible for RIF support through the flood resilience category, projects must meet all of the following criteria:
 - i. the project must be a regional flood resilience project;
 - ii. the project must meet the high-level RIF criteria and scope as outlined in the RIF Cabinet Paper;
 - iii. the project must be fully consented and ready for physical works; and
 - iv. the funding recipient must be a local government entity that contributes co-funding;
- (c) to fund the 42 flood resilience projects that meet the eligibility criteria, committing \$101.1 million of grant funding (alongside \$64.4 million of co-funding from the funding recipients).

11. As previously advised, officials have assessed the 80 projects contained in 'Before the Deluge 2.0' report and a further five projects raised by councils since the report's release. This assessment comprised:

- (a) assessing the projects against the proposed high level RIF eligibility criteria detailed in the paper;
- (b) identifying projects that are fully consented; and
- (c) identifying those projects able to commence physical works in financial year (FY) 2024/25.

12. Our assessment concluded that of the 85 flood resilience projects assessed, 42 projects are ready for immediate support from central government. We have amended the Cabinet Paper to propose that Cabinet agree to commit \$101.1 million of grant funding for these 42 flood resilience projects, including the rationale and a list appended of the proposed projects. Seeking Cabinet agreement to fund these projects now will allow the Government to start realising immediate impact and outcomes for regional communities.

13. Confidential advice to Government
[Redacted]
14. Full due diligence on the 42 projects will be completed in mid-May 2024. We will continue the assessment of the case for investment in each of these projects. Should any issues arise from these processes, we will bring these to your attention at the earliest opportunity.
15. Confidential advice to Government
[Redacted]
16. Some further minor changes have also been made to the scope of the Resilience Infrastructure component to ensure the RIF is able to support a broad range of flood resilience projects, such as ancillary physical works that support the success or resilience of traditional 'hard infrastructure' assets.

Next steps: Reporting back to Cabinet in June 2024

17. The previous version of the Cabinet Paper proposed delegating decision-making to Ministers of/for Finance, Infrastructure, and Regional Development on the detailed settings for the RIF. Given the high level of Ministerial interest in the RIF, the paper now proposes you will report back to Cabinet by July 2024 with these detailed settings.
18. The Cabinet Paper notes that your report back will also seek agreement to drawdown funding from the \$1.2 billion 'tagged contingency' (funding committed in principle but subject to conditions being met) committed through Budget 2024 to establish the RIF. We understand your intention is to engage with relevant colleagues ahead of returning to Cabinet.
19. We recommend that you target reporting back to Cabinet's Economic Policy Committee (ECO) on 19 June 2024.

We will work with your office to lodge the finalised Cabinet Paper

You are scheduled to take the finalised Cabinet Paper to ECO on 8 May 2024

20. You previously agreed for officials to lodge the Cabinet paper for consideration by ECO pending any changes required from Ministerial consultation (briefing 2324-2154 refers).
21. ECO will now consider the paper and your proposal to establish the Regional Infrastructure Fund (RIF) on 8 May 2024. We will lodge the finalised Cabinet Paper on 2 May 2024.
22. We have included talking points in **Annex Two** that you may wish to use to support your discussions at Cabinet Committee.

23. Should Cabinet agree to the proposals in the Cabinet Paper, we will work with your office around any announcements that you may wish to make.

We will continue to prepare for the RIF to be launched as part of Budget 2024

24. We note that your intention is to make investments through the RIF as soon as possible. We will ensure that processes and resources are appropriately established to enable immediate and effective delivery of the RIF, subject to final Budget 2024 decisions and announcements.
25. As outlined in the Cabinet paper, there are a range of detailed settings, including eligibility and assessment criteria, that need further approval. Once these settings are agreed, we can begin committing funds to eligible projects.
26. We are expecting that, subject to Cabinet approval of your proposal, Budget 2024 decisions, and further advice to Cabinet in June 2024, funding will be available to be appropriated to projects from 1 July 2024 onwards.

Annexes

Annex One: Finalised Cabinet Paper

Annex Two: Draft Talking points for Cabinet Committee

Annex One: Finalised Cabinet Paper

Attached separately.

Annex available publicly at <https://www.mbie.govt.nz/document-library>

Annex Two: Talking points for Cabinet Committee

The Regional Infrastructure Fund

1. I propose Cabinet agree to key high-level settings for the Regional Infrastructure Fund (RIF). .
2. I have consulted with all Cabinet Ministers to develop the associated Cabinet paper.
3. I instructed Kānoa – Regional Economic Development & Investment Unit (Kānoa – RD), a business unit of the Ministry of Business, Innovation and Employment, to lead policy development for the RIF.
4. Officials incorporated lessons learnt from implementing previous Regional Development funds as well as associated reviews. The proposed settings strike a balance between delivering immediate impact while ensuring that investment decisions are founded on robust business cases and that the programme’s progress is evaluated to ensure it is delivering value for money.
5. I propose that the RIF invest in projects that build infrastructure for growth and resilience. The RIF will improve access to capital for local authorities and private investors by investing in new and existing infrastructure assets that are used by, and generate benefits for, multiple businesses, organisations or communities. Projects will be regionally identified and/or prioritised.
6. The paper proposes tight criteria in relation to any investments in individual businesses, emphasising that these investments must share benefits with the community in the region.
7. I propose that investments will be made through a mix of loan, equity, and grant instruments. This will allow the RIF to remain flexible to use the most appropriate investment instrument for each project, based on the projected risks and returns, and deliver the best value for New Zealanders and the Crown.
8. I propose that Kānoa – RD deliver and administer the RIF. Leveraging Kānoa – RD’s capability is the strongest option as it would save time, cost, and duplication that would otherwise be required to replicate its investment machinery and expertise, its strong on-the-ground regional relationships, and its capability across a broad range of infrastructure types.

Flood resilience investments

9. While detailed RIF parameters need to be agreed by Cabinet, there is a strong argument to maintaining the pace and expertise of current works on flood resilience investments. I therefore propose that Cabinet create a tightly-scoped funding stream, within the Resilience Infrastructure component, dedicated to funding flood resilience projects.
10. My Kānoa – RD officials have assessed the recent *Before the Deluge 2.0* report, as well as other flood resilience proposals from councils, and have identified 42 projects that are ready for immediate investment from central government. These projects are aligned with high-level RIF criteria, fully consented, and ready to commence in the 24/25 financial year.
11. By creating a dedicated funding stream and agreeing its eligibility criteria now, Cabinet can approve funding towards these 42 projects while further work on the rest of the RIF progresses. This means we can safeguard communities, maintain investment momentum and expertise, and demonstrate this government’s commitment to New Zealand’s resilience.

12. Confidential advice to Government

[Redacted content]

Next steps

13. I propose to report back by July 2024 with detailed policy and administration decisions for the RIF.
14. I propose that a Regional Development Ministerial Group (RDMG) be established, comprising of Ministers from the Finance, Infrastructure, Regional Development, Māori Development, and Local Government portfolios. The RDMG will make investment decisions (where delegations apply) once the fund is established.