

Third Party Infrastructure Funding Policy

Purpose

The purpose of this Third Party Infrastructure Funding Policy is to:

- Inform potential applicants of the process, key considerations, and limitations of funding for applications to Council for a contribution towards new infrastructure costs
- Guide staff analysis, and Council decision making processes on applications for Council to contribute funding for new assets that are not owned by Council
- Ensure that Council decision making meets the requirements of the Local Government Act and is consistent with other relevant Council policies

Introduction

Council has previously provided funding for third party infrastructure. This funding has generally been used to enable economic development, small scale sewerage, and transport security projects.

Council recognises working in partnership allows for a wider range of projects than could be delivered by itself. Working in partnership allows Council to maximise the delivery of projects to achieve its Community Outcomes and Objectives; and joint-funding enables Council to achieve more within its available funding.

This Policy seeks to set a framework to guide applicants, and for evaluation of proposals that may be received.

Policy objectives

One of the ways Council can optimise the delivery of its Community Outcomes is to work in partnership with others. This allows Council to consider the benefits and costs of a wider range of projects than could be delivered by itself, enable or accelerate delivery of projects that would not otherwise be funded, and leverage the funds of multiple parties to achieve the best results.

Council seeks to minimise risk by completing an appropriate level of due diligence for each project and will have appropriate contractual protection in place.

Policy

Council is the sole decision maker for funding requests.

Council's primary consideration for providing funding towards third party infrastructure is to maximise the delivery of its Community Outcomes and Objectives. This includes the affordability of the project for regional and local ratepayers.

Council has no legislative obligation to provide funding for third party owned infrastructure. As such, Council will only budget for specific projects. Potential Council funding generally should not replace other organisations core responsibilities.

Project funding should leverage Council funds with an appropriate share of costs and benefits with the applicant. Risks will generally be borne by the applicant. Council may use grants, loans (including interest free or deferred payment) or equity investment. Other types of funding will be considered on a case by case basis.

Council will analyse the party requesting funding to confirm the level of financial need. This will include the financial limits of the applicant (either self-imposed, required by financial covenants or required by statute) and the potential for other funding to be applied for.

All third party infrastructure funding will require an initial application, a full business case depending on level of complexity, and a detailed funding agreement.

Council may consider third party infrastructure funding requests at any time, however, may decide to defer decisions until the next Long Term Plan or Annual Plan process. Funding decisions will include consideration of the Significance and Engagement policy to determine the appropriate level of community input that is required.

Any decisions will be made by resolution of a full Council meeting unless explicitly delegated by full Council. All decisions will be in line with decision making requirements of the Local Government Act (2002).

Funding limitations

Council will allocate funding within the limits of its Financial Strategy. The availability of reserves or debt capacity for funding does not necessarily mean that any funds will be allocated.

Council will only consider funding projects that are in the Bay of Plenty Region or have significant direct benefits to communities of the Bay of Plenty.

Council will only fund direct infrastructure costs and will not fund investigation, business case development, design, consenting, project management or preliminary and general costs. Council funding can only be applied to new infrastructure costs with adequate evidence including cost certificates and proof that all relevant consents have been granted.

Council will generally not fund replacement or renewal of existing infrastructure, or increasing capacity of network infrastructure to allow for growth.

Council will generally pay on completion of the project and will only consider providing interim payments for projects that are delivered over multiple financial years.

The applicant will be wholly responsible for the project, and ensure all requirements are met including but not limited to legislative compliance, liabilities, health and safety risks, or other risks.

Any Council funding is for a defined maximum sum and Council has no obligation to provide for cost increases.

Council has no obligation to provide for ongoing operating/maintenance/replacement costs.

Types of funding available

Council will generally require some form of repayment of the principle investment, and may require some form of payment of the actual cost to Council of interest impacts of the investments.

Council may use equity investments to take an ownership stake in the infrastructure being developed. This form of funding will only be used in exceptional circumstances where there are compelling strategic and commercial reasons for part ownership by Council. Council will expect a suitable financial return on equity investments.

Council may use interest bearing loans to third parties. The applicant will be required to repay interest and principal as determined by Council. This may be advantageous if Council can borrow at a lower rate than the applicant.

Council may decide to set an interest free period on loans. Interest free periods may be used if there is strong community benefit but the applicant does not expect to make commercial returns in the short-term. Council will bear the cost of interest, however, may choose to pass on interest costs to the beneficiaries of the project through either targeted or general rates.

Council may decide to use a pure grant for projects which have strong community benefit. Council will bear the costs on interest, however, may choose to recover the investment principal amount and pass on interest costs to the beneficiaries of the project through either targeted or general rates (depending on whether there is local or regional benefit).

Evaluation of applications

In order to assess funding requests, Council will take the following factors into account:

- a. Alignment with Council's Community Outcomes and Objectives
- b. Demonstration that the project delivers benefits in a more efficient way or that cannot be achieved directly by Council
- c. The level of benefit and how this is shared, including any potential financial returns
- d. The impact if Council does not fund this project i.e. whether the project and benefits will not be delivered or delayed
- e. The funding model and affordability of the project
- f. Sources of funding other than Council and potential repayment or financial returns
- g. The level of certainty of costs, benefits and risks

Council staff will conduct a full due-diligence review of the applicant. This due-diligence review will cover at least:

- a. The financial position of the applicant, available capital or debt capacity, and why funding is required
- b. Potential for other funding sources to be applied for
- c. The applicant's track record for delivery of projects of similar scale and complexity

In addition, Council funding decisions will include consideration of long-term financial prudence and sustainability, long-term equity of funding allocated; and any potential precedent that may be set. Council is the sole decision maker and may decline any funding application or set conditions as it deems appropriate.

Funding documentation

Third Party Infrastructure funding will generally follow a robust approach to due diligence at the project level. The key due diligence steps are:

a. Initial funding application

This is a relatively short 10 page application and is attached to this policy. This application should be submitted without further supporting documentation and stay within the suggested 10 page format. Council will request further information if required.

If Council approves the initial application, the applicant may be requested to provide a business case by a set date and funding will be conditionally allocated. If BOPRC has proactively identified the project requirement, staff will prepare the initial funding application and, if approved, seek funding partners to prepare competitive business cases.

b. Business case

This is a detailed outline of the project. Costs, benefits and risks are expected to be relatively certain by this stage and supported by a quantity surveying estimate or similar. Community engagement should have been conducted as appropriate, though consents and all funding for the project may not yet be confirmed. If Council approves the business case, details of the funding requirements and any outstanding conditions will be formalised through a funding agreement.

c. Funding agreement

The funding agreement will use a standard Council template and include delivery conditions for the key components of the business case such as timeline to obtain consents or other funding being confirmed. Key conditions may be linked to immediate repayment requirements or cancellation of Council funding if they are not met. It is not expected that any key conditions will be re-negotiated through the Funding Agreement and approval will generally be delegated to the Chief Executive.

d. Completion report (and ongoing monitoring)

The applicant will prepare a final project report to Council that outlines what the project has delivered compared to the business case. Some projects may have a component of ongoing monitoring, particularly where Council holds an equity position.

Other relevant policies

Funding decisions will take into account the following policies and strategies:

- a. Council's Strategic Framework to ensure alignment with Strategic Challenges, Community Outcomes, and Objectives
- b. Council's Financial Strategy to ensure that long term financial impacts remain financially prudent
- c. Council's Revenue and Financing Policy if rates mechanisms are required to fund the project
- d. Council's Significance and Engagement Policy to determine if Council needs to undertake public consultation and the extent of this

Appendix One

Bay of Plenty Regional Council

Third Party Infrastructure Funding Request

Applicant: Insert legal name

Key contact: Insert name and email of person to contact for further information

Project: Insert project name

Total project cost: Insert cost Amount requested: Insert cost

Funding type requested: Select from equity, loan, interest free loan, grant

Figures are excluding goods and services tax.

Executive summary

Provide a summary of key points of the funding request. Keep this section to the first page only.

In all other sections condense and summarise material to stay within the 10 page limit, using the page layout of the template as a guide to the level of detail required.. Do not include other supporting material. If BOPRC requires additional information it will be requested from the key contact person

1. Problem/Opportunity

Briefly outline the problem or opportunity that this project seeks to address. Describe the level of urgency of this project i.e. must it be done now, what is the impact if it is delayed.

2. Strategic alignment

Describe how this project aligns with the BOPRC strategy framework. Include reference to at least the community outcome and objective, and if appropriate strategic challenge and the way we work.

3. Options

Describe the preferred option and why this is the best option. Briefly discuss at least two other options (one higher cost, one lower cost) and why they were not selected. Show the cost for each option.

4. Funding model

4.1 Internal funding

Describe the funding/debt limits of your organisation and why your organisation cannot/should not fund the full cost. Describe what will happen if this funding request is unsuccessful.

4.2 Other party funding

Describe which other parties have been approached, or will be approached for funding, the amounts requested, and their response.

Describe how you have determined the amount of funding to be requested from BOPRC.

4.3 Rates impact

For council requests only. Describe the rates impact of this project on general and targeted rates.

	BOPRC funding approved	BOPRC funding not approved
General rates (number of ratepayers)	\$x total GR \$y per ratepayer z% of total GR	\$x total GR \$y per ratepayer z% of total GR
Targeted rates (number of ratepayers)	\$x total TR \$y per ratepayer z% of total TR	\$x total TR \$y per ratepayer z% of total TR

5. Project scope/deliverables

Outline the scope of the project, separating infrastructure and non-infrastructure components.

6. Benefits

Describe who benefits from the project, and wherever possible measurable benefit indicators.

Benefit measure	Current	Target

Describe what will be measured, how, and who it will be reported to.

7. Project key milestones

List key milestones for delivery, examples included below.

Milestone	Date
Community engagement completed	mm/yyyy
Full business case completed	mm/yyyy
Full business case approved by BOPRC	mm/yyyy
Design completed	mm/yyyy
Consents granted	mm/yyyy
Main contractor engaged	mm/yyyy
Construction commence	mm/yyyy
Construction complete	mm/yyyy

8. Delivery record

Describe similar project that your organisation has completed, and their performance against original time/cost/scope estimates. Describe how this track record has been incorporated into project planning.

9. Risks

Describe the main risks to the project outcome/benefits and delivery. Describe how the risks have been factored into benefit measures, project budgets and timeline, and how they will be mitigated.

Description	Type	Impact	Likelihood	Mitigation

Type: Select either outcome, delivery time, delivery cost, public, political

Impact: Select High/Medium/Low to describe current risk level. Low = under 5% variance, medium = 5-15 % variance, High = greater than 15% variance

Likelihood: Select Almost Certain/Likely/Unlikely to describe current risk level. Almost certain = greater than 65% likelihood, likely = 35-65% likelihood, unlikely = under 35% likelihood

10. Project costs

	2018/19 \$000	2019/20 \$000	2020/21 \$000	2022/23 \$000	2023/24 \$000	Later years \$000
Non Infrastructure Costs						
Community engagement						
Design and consents						
Construction project management						
Construction P&G						
TOTAL Non-Infrastructure Costs						
Infrastructure Costs						
Key component 1						
Key component 2						
Key component 3 etc						
TOTAL Infrastructure Costs						
GRAND TOTAL COSTS						

Describe the level of certainty you have over these costs. E.g. costs have been reviewed by a quantity surveyor based on detailed design or costs are preliminary engineers estimates based on high level concept etc.

11. Funding model

11.1 Non-Infrastructure funding

Note: BOPRC will not contribute to non-infrastructure costs for the project or any ongoing operating costs.

	2018/19 \$000	2019/20 \$000	2020/21 \$000	2022/23 \$000	2023/24 \$000	Later years \$000
TOTAL Non-Infrastructure Costs						
Funded By						
Funding Source 1 e.g. general rates						
Funding Source 2 e.g. targeted rates						
Funding Source 3 e.g. grant from xxx						
TOTAL NON-INFRASTRUCTURE FUNDING						

11.2 Infrastructure funding

	2018/19 \$000	2019/20 \$000	2020/21 \$000	2022/23 \$000	2023/24 \$000	Later years \$000
TOTAL Infrastructure Costs						
Funded By						
Funding Source 1 Debt						
Funding Source 2 Development contributions						
Funding Source 3 Grant from xxx						
Funding Source 4 e.g. Grant requested from BOPRC						
TOTAL INFRASTRUCTURE FUNDING						

12. Limitations and warranties

As part of this application it is acknowledged that:

- This application is correct to the best current knowledge of the applicant. Any material changes prior to BOPRC funding decisions will be reported to BOPRC.
- Funding decisions are at the sole discretion of BOPRC.
- If successful, BOPRC may require a detailed business case to be prepared.
- BOPRC will require a Funding Agreement to be entered into. The Funding Agreement will be prepared on standard BOPRC terms and conditions and based on this funding request and/or detailed business case.
- Any major variations to the project may need BOPRC approval, as specified in the Funding Agreement or other documentation.
- BOPRC funding can only be applied to new infrastructure costs with adequate evidence including cost certificates and proof that all relevant consents have been granted.
- BOPRC will generally pay on completion of the project and will only consider providing interim payments for projects that are delivered over multiple financial years.
- Any BOPRC funding is for a defined maximum sum and BOPRC has no obligation to provide for cost increases.
- BOPRC has no obligation to provide for ongoing operating/maintenance/replacement costs.

I have the appropriate management delegations to approve this funding request on behalf of the **applicant legal name**.

Signed

Date

Insert signatory name

Insert signatory position

For **insert applicants legal name**