

5.9 Interest Free Loans under the Department of Planning's Local Infrastructure Fund

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SUMMARY

This report recommends that Council make no submission in response to the Department of Planning's Local Infrastructure Fund for the provision of infrastructure related to urban growth areas.

RECOMMENDATION

- 1** *That Council note the eligibility criteria for the Local Infrastructure Fund and that there are no Council projects that meet this criteria.*
- 2** *That Council not make an application under the Local Infrastructure Fund.*

BACKGROUND

The Department of Planning has established a \$200m NSW Local Infrastructure Fund to provide an "interest free" loans scheme for local councils that aims to bring forward infrastructure projects that are being delayed due to a lack of funding. The available interest free loans apply to projects over \$1m and the loan cannot exceed 10 years.

The funding aims to provide an immediate economic boost through the implementation of water, sewer, drainage and roads infrastructure projects which are to be provided for local communities. The focus is also on areas of high population growth and will assist in increasing the supply of serviced land for housing and employment.

Under the funding guideline there are a number of essential and desirable criteria which must be met which include:

Essential

- 1** Ability to deliver – project must commence in the 2009-10 financial year and be completed in 12 months.
- 2** Works must be essential to urban development.
- 3** Value for money – costs included in the application must be supported and demonstrate value for money.
- 4** Accelerated infrastructure provision – funding will only be provided to projects not being delivered due to a lack of funding.

5.9 Interest Free Loans under the Department of Planning's Local Infrastructure Fund (contd)

Desirable

- 1 Existing commitment to infrastructure projects – ideally projects would be part of an approved contributions plan or a development servicing plan.
- 2 Integration to State Government infrastructure must already exist.
- 3 Outcomes must be communicated to the public.

Funding Conditions

Project Cost:	Project Cost minimum \$1m
One Funding Contribution per project:	One funding contribution per project
Funding restrictions:	Funding will not cover administration, travel, licensing, salaries or other activities that are the responsibility of the applicant
Council to meet all future costs:	Council must demonstrate an ability to meet all future operating and maintenance costs.
Loan Term:	Loan period not to exceed 10 years, Council can propose a repayment schedule.

Applications are to be submitted by 31 August 2009.

In determining the appropriateness of projects that best meet the funding, consideration has been given to Council's current debt service ratio and the forecast debt service ratio. The following table shows Council's projected debt service ratio based on the 2008-09 Interim financial results and the 2009-10 Management Plan projections.

	2008-09 Actual	2009-10 Management Plan	2010-11 Management Plan	2011-12 Management Plan	2012-13 Management Plan
Debt Service Ratio	9.10%	12.31%	13.31%	14.00%	14.89%

Existing and planned Debt Service Ratios are approaching an unacceptable loan level, taking into account that the Local Government Department Guideline is 10%. Any increase in Council's overall loan principal would mean that Wyong Shire Council would exceed the acceptable loan limit. Therefore, should Council consider lodging a submission under the Local Infrastructure Fund, it would need to do so with the clear understanding that if such a submission was successful, Council's acceptable loan level would be exceeded. On this basis, Council should not lodge a submission unless the projects being considered have a clear and appropriate priority and Council is satisfied that funding to repay the loans will be forthcoming in the future.

It should be noted that the Department of Local Government Indicators assess Council's Debt Service Ratio on a consolidated basis, ie they consolidate the level of loans raised to service projects within the General Fund with the level of loans required to service works within the Water and Sewer Fund. As Councillors would be aware, it is the Water and Sewer Fund that carries the majority of Council's loan liability. In fact, the General Fund carries only very minor loan liability and these relate to low interest loans taken out in respect of improvements to Council's Holiday Parks. Should Council's Debt Service Ratio be looked at only in respect of General Fund, its loan level would be well within the Local Government Department Guidelines.

5.9 Interest Free Loans under the Department of Planning's Local Infrastructure Fund (contd)

As Council is only one of two water supply authorities within NSW, Council would argue that its Debt Service Ratio should not be looked at on a consolidated basis, rather that its loan levels should be viewed separately in terms of that applicable to the General Fund versus the Water and Sewer Fund. Despite Council's view, the Department of Local Government Indicators currently only consider Debt Service Ratio on a consolidated basis. Therefore, as previously stated, should Council increase its loan levels within the General Fund, it will have the effect of placing Council's Debt Service Ratio beyond an acceptable level.

It is also relevant to note that Council has always had the ability to utilise loan funding to bring forward Section 94 works, as well as the recent ability to pool Section 94 funds. Should Council determine to utilise loans to forward fund Section 94 projects, it also has the ability to levy Section 94 funds for the interest payments. To date, Council has not favoured this option on the basis of the negative impact the raising of these loans would have on Council's other loan raising ability. Council will need to give further consideration to whether it would consider utilising loans to bring forward certain Section 94 projects as part of a separate discussion in relation to the Section 94 Funding Model. To commence this discussion, a Councillor Briefing is scheduled for 23 September.

Therefore, while Council may wish to consider additional loan raising within the General Fund to enable the forward funding of Section 94 projects on the basis that it would not extend the General Fund Debt Servicing Ratio beyond an acceptable limit, any additional loans for Section 94 projects will have an unfavourable impact on Council's ability to raise loans for other General Fund activities.

The utilisation of the interest free loans to accelerate the Section 94 infrastructure program means that Council commits to repayment of the principal in a period not to exceed 10 years. Hence Council will need to allow for the cash outflows and be able to meet the principal costs and operating and maintenance costs of the project.

Potential projects

Taking into account the factors included in the eligibility criteria (a copy of the full guidelines provided by the Department of Planning are attached for Councillors' information), particularly the need for any project proposed to be currently unfunded, there are considered to be few options for Council to consider. The following table lists a potential range of projects. Council would note from the list that none of these projects entirely satisfies the eligibility criteria and therefore are unlikely to be successful. The projects also demonstrate the difficulty that staff encountered in attempting to identify projects that are high priority, necessary for urban development, are currently unfunded and yet a future funding/repayment source is evident. Therefore, whilst these projects are provided as options for Council to consider, it is recommended that Council not lodge a submission to the Fund. This action is recommended; both on the basis that there is a lack of projects that meet the eligibility criteria and on the basis that should Council be successful in any submission, the impact on its Debt Service Ratios would clearly be unfavourable. In addition, Council's ability to raise further loans for projects within the General Fund would be adversely affected.

- 1 Major intersection upgrades on Sparks Road to service Warnervale Town Centre**
- Agreement has not yet been reached with the RTA on funding share of intersection works. Intersection designs are not completed and approvals are not in place. Whilst these works are necessary to service development in the Warnervale Town Centre and will ultimately be funded by a Section 94 Contribution Plan, the works cannot be completed within an 18 month period to qualify for an "interest free" loan from the State Government.

5.9 Interest Free Loans under the Department of Planning's Local Infrastructure Fund (contd)

- 2 Major intersection upgrades on Sparks Road to service the Wyong Employment Zone (WEZ)** - Agreement has not been reached with the RTA on funding share of intersection works, intersection designs have not been completed and approvals are not in place. Whilst these works are necessary to service development in the WEZ and will ultimately be funded by the Section 94 Contribution Plan, the works could not be completed within an 18 month period to qualify for the "interest free" loan from the State Government.
- 3 Porters Creek Stormwater Harvesting Infrastructure** - There are components of the Porters Creek Stormwater Harvesting Strategy that are required to service development in the WEZ and adjoining development precincts. The final design of the Porters Creek Stormwater Harvesting Strategy has not yet been completed and approvals have not yet been obtained for the scheme which will be rolled out as part of a staged program over a 10 year period. These works include a stormwater re-use pipeline, regional water storages and constructed wetlands/storages. Council would not be in a position to complete construction work within an 18 month period on any component of the scheme given the timeframes that are needed to finalise designs, obtain approvals, tender for construction and complete works.
- 4 Louisiana Road/Pacific Highway Signalised Intersection** - Agreement has not been reached with the RTA on funding share of intersection works, intersection designs have not been completed and approvals are not in place. Whilst these works are necessary to service development in the Louisiana Road Infill Precinct and will ultimately be funded by the Section 94 Contribution Plan, the works could not be completed within an 18 month period to qualify for the "interest free" loan from the State Government.
- 5 District playing fields in Precinct 7A** - New district playing fields are planned to service the rapidly expanding population of the Warnervale District. Insufficient funds can be generated to acquire these playing fields using Section 94 Contributions for many years. Whilst land has been identified for future playing fields, it has not yet been acquired by Council. Hence no design work or approvals are in place to allow construction to commence and completion of the works within an 18 month period.

ATTACHMENTS

- | | | |
|----------|------------------------------|-----------|
| 1 | Detailed Criteria Assessment | D02002477 |
| 2 | Project List | D02002546 |



NSW GOVERNMENT
Department of Planning

NSW Local Infrastructure Fund

GUIDE FOR APPLICANTS – JUNE 2009



Contents

Introduction	3
Purpose of this document	3
Eligibility criteria	3
Who can apply?	3
Eligible projects	3
Project delivery timeframe	3
Funding conditions	3
What will the applicant need to contribute?	3
Funding criteria	3
Target areas	3
Essential criteria	3
Desirable criteria	4
Funding Agreement	4
Submitting your application	4
Information required	4
Deadline for submissions	5
Lodging your application	5
What happens next?	5
How applications are assessed	5
Letting you know	5
Letter of Agreement	5
Other requirements	5
Other information	6
Confidentiality	6
Insurances and indemnity	6
Tax	6
Program changes	6

INTRODUCTION

The \$200 million NSW Local Infrastructure Fund has been established as an “interest free” loan scheme for Local Councils to bring forward infrastructure projects that are delayed due to a lack of funding.

The funding will provide an immediate local economic boost as water, sewer, drainage and roads infrastructure projects are provided for local communities.

The funding will also trigger construction in areas of high population growth and will assist in increasing the supply of serviced land for housing and employment.

The NSW Local Infrastructure Fund is a NSW Treasury Fund administered by the NSW Department of Planning.

Purpose of this document

This document is an invitation to Local Councils to submit applications for funding under the NSW Local Infrastructure Fund. It details eligibility requirements, selection criteria, the assessment processes and how Councils can apply for funding.

ELIGIBILITY CRITERIA

Who can apply?

The NSW Local Infrastructure Fund is open to Local Councils in NSW.

Eligible projects

Funding is provided for local projects that will support urban development – typically roads and related infrastructure, stormwater, water and wastewater projects. Only projects costing at least \$1 million will be funded.

Project delivery timeframe

Construction of funded projects must commence in the 2009/10 financial year and must be completed within 18 months of receiving funds. Ongoing funding will not be provided and Council will be responsible for all ongoing operational costs and other issues.

Funding conditions

The NSW Local Infrastructure Fund will support projects under the following conditions:

1. Project must cost a minimum of \$1 million
2. applicants are eligible for only one funding contribution per project
3. funding will not cover administration, travel, licensing, salaries or other activities that are the responsibility of the applicant
4. a maximum of 10% of the total funding amount can be spent on specialist advice or design and permit costs (for example engineering or planning).

What will an applicant need to contribute?

There is no requirement for applicants to contribute funds towards a project. However, financial contributions from the applicant and/or other sources will improve the cost effectiveness and therefore competitiveness of the project in relation to other applications. Applicants are encouraged to explore opportunities for funding from other sources. If funding from another source has been secured for the same project, or if an application is currently lodged for other funding sources, applicants should advise the Department of Planning.

FUNDING CRITERIA

Target areas

Funding will be targeted towards high growth areas and priority will be given to projects that facilitate the servicing of new homes or employment growth. These areas should align with strategic planning objectives/targets such as those identified in the NSW Government’s Regional and Subregional Strategies, Metropolitan Strategy and Metropolitan Development Program.

Essential criteria

All applications to the NSW Local Infrastructure Fund must meet the essential criteria below:

1. Ability to deliver

All applicants must demonstrate their capacity to deliver the project with evidence of:

- **Timely project commencement** – Funding will only be provided for projects where construction will commence in the 2009/10 financial year.
- **Timely project completion** – Projects must be completed within 18 months of the funding being provided.
- **Council delivery** – Projects must be delivered by the council or their contractors. Infrastructure provided as works-in-kind by developers will not be considered for funding.
- **Capacity to deliver** – Councils must be able to demonstrate they have the necessary resources, including effective project management and sound financial administration, to deliver and maintain the project once it is complete.

2. Works essential to urban development

Only those works which support urban development will be funded. Funding will typically only be made available for road, stormwater, water and wastewater projects.

3. Value for money

Applicants must provide at least two quotes from a suitably qualified contractor, or a proposal from a design consultant, to support all the costs presented in their application. Applicants are encouraged to seek competitive quotes to ensure their project is providing the best value for money.

4. Accelerated infrastructure provision

Funding will only be provided to projects not being delivered because of a lack of funding. Councils must demonstrate that funding will accelerate the delivery of a project. Applications must show evidence that insufficient "internal" council funds are available for the infrastructure project.

Desirable criteria

1. Council commitment to infrastructure projects - projects that receive funding should ideally be included in either an approved contributions plan or a development servicing plan.
2. Integration with state infrastructure - funding will only be provided where the necessary state infrastructure is already available. For example, local road works will only be funded if there is sufficient capacity in the regional road network.
3. Communicating results - applicants must commit to publicly communicating the outcomes of their

project. A communications kit will be provided to all successful applicants, containing resources and publicity materials to help them promote the project to their local communities.

FUNDING AGREEMENT

Funds will be provided to Local Councils as an interest free loan.

Councils will be asked to prepare a repayment schedule for each loan, within parameters set by the State Government. Specifically, the term of a loan cannot exceed 10 years and repayments will need to occur at least annually. The repayment schedule will be defined upfront before the award of any funds.

Councils will be required to provide an audited sign off to demonstrate the funds were used in accordance with the purposes outlined in their application. Loan conditions will also include recourse for the State in the event that a Council defaults on its loans.

SUBMITTING YOUR APPLICATION

Applications are to be submitted via email on an application form downloadable from www.planning.nsw.gov.au.

Applicants are encouraged to contact the Department on (02) 9860 1541 or nswlif@planning.nsw.gov.au if they require any assistance.

Information required

You will need to provide the following information:

- name and address of Local Council
- the Council's Australian Business Number (ABN)
- details of an authorised person from the Local Council, or Administrator, who will act as the nominated contact for the project and from whom more information can be sought, if required
- details of the location and type of infrastructure project
- quotes from a suitably qualified contractor or a proposal from a design consultant to support costs presented in the application
- a project budget detailing costs relating to your project
- activities you could undertake to promote your project within your community, for example newsletters, signage, media releases.

Deadline for submissions

Applications must be received by 31 August 2009. No applications will be accepted after this time.

LODGING YOUR APPLICATION

Complete the application form at www.planning.nsw.gov.au and return by email to nswlif@planning.nsw.gov.au before 31 August 2009.

Files over 5 MB should not be emailed but copied to a CD and delivered to:

The NSW Local Infrastructure Fund
Department of Planning
23-33 Bridge Street
Sydney NSW 2000

If you need help with your application contact the Department of Planning on (02) 9860 1541 or nswlif@planning.nsw.gov.au

WHAT HAPPENS NEXT?

How applications are assessed

All applications must meet the eligibility criteria detailed on page 3. After the closing date, applications undergo a preliminary check to make sure they are eligible and sufficiently complete. Ineligible or incomplete applications will not be assessed.

Applications are assessed against the equally weighted essential funding criteria of ability to deliver, works essential to urban development, accelerated infrastructure provision and value for money. Applications will receive additional support if they achieve the desirable criteria specified on page 4.

Technical specialists will undertake an initial assessment of the application against the selection criteria. An independent evaluation panel will assess the applications and make recommendations to the Minister for Planning.

Projects selected for funding may not receive the full requested amount and funding may be subject to specific conditions. Decisions for funding are final.

Letting you know

You will receive notification via email to confirm your application has been received. We may also contact

you during the assessment process for further information about your application.

A list of successful applicants and project summaries will be published on the Department of Planning's website and all applicants will be informed by letter whether or not their application for funding has been approved.

Given the large number of applications expected, individual feedback on applications may not be given.

Letter of Agreement

If your application is successful, you will be required to sign a Letter of Agreement, which will stipulate all funding obligations and conditions. Conditions in the Letter of Agreement will relate to:

- project delivery
- reporting outcomes
- financial reporting
- publicity
- providing documentation.

The Letter of Agreement is signed by both the Department of Planning and the successful applicant. Applicants are expected to sign the Letter of Agreement within four weeks of receipt. If this is not achieved, the offer of funding will automatically lapse.

Once the Letter of Agreement is signed, funding will be provided. On completion of the project, a Final Report will be required which includes evidence of completion, a Statement of Expenditure and an Acquittal Certificate which must be signed by a minimum of two office bearers at the Local Council.

Other requirements

Successful applicants will also be required to:

- seek prior approval from the Department of Planning to vary proposed deliverables associated with the project
- comply with all conditions in the Letter of Agreement
- acknowledge the NSW Local Infrastructure Fund support in all promotional materials or any public statements.

Fund recipients must use the monies solely for the purpose of carrying out the project. Statements of Expenditure will be part of the project's reporting requirements. Any unexpended monies must be repaid.

OTHER INFORMATION

Confidentiality

The Department of Planning will use the information you supply to assess your project for funding. Information on funded projects may be used for promotional purposes.

The Department of Planning will endeavour to treat sensitive personal and confidential information that you provide to us confidentially. If you require strict commercial confidentiality, you should request this in your application. However, all documents held by the Department of Planning are subject to the Freedom of Information Act 1989.

Insurances and indemnity

The applicant will be required to hold broad form public liability insurance (a minimum limit of \$20 million is expected) and, where applicable, professional indemnity insurance and workers' compensation insurance. The applicant will be required to indemnify the Department of Planning for all losses and/or damage arising from the project.

Tax

Goods and Services Tax (GST) applies to payments made under the NSW Local Infrastructure Fund, if the recipient is registered for GST. It is recommended that applicants seek independent legal and financial advice to determine all taxation obligations before submitting an application.

Program changes

The Department of Planning reserves the right, at its sole and absolute discretion and at any time, to change the eligibility and selection criteria for funding streams under the NSW Local Infrastructure Fund.

Project List	Stage Government Criteria									Council Criteria
	Essential				Desirable					Essential
	Ability to deliver – Project must commence in the 2009/10 financial year and be completed in 18 months of provision of funding	Works must be essential to urban development	Project Cost	Total Funding Sought from NSW LGIF	Value for money – costs included in the application must be supported and demonstrated value for money	Accelerated infrastructure provision – Funding will only be provided to projects not being delivered due to a lack of funding	Existing commitment to infrastructure projects – Ideally projects would be part of an approved contributions plan or a development servicing plan	Integration to State Government infrastructure must already exist	Outcomes must be communicated to the public	Ability for Council to recoup funds and/or repay loan (other than general revenue)
1. Major intersection upgrades on Sparks Rd to service Warnervale Town Centre	x	✓	\$2 million	\$2 million	✓	✓	✓	✓	✓	✓
2. Major intersection upgrades on Sparks rd to service the Wyong Employment Zone (WEZ)	x	✓	\$18.5 million total	\$6 million*	✓	✓	✓	✓	✓	✓
3. Porters Creek Stormwater Harvesting Strategy	x	✓	\$14.6 million	\$14.6 million	✓	✓	✓	✓	✓	✓
4. Louisiana Road/Pacific Highway Signalised Intersection	x	✓	\$4 million	\$4 million	✓	✓	✓	✓	✓	✓
5. Warnervale District playing fields	x	✓	\$10.6 million	\$10.6 million	✓	✓	✓	✓	✓	✓

* Funding sought would be for one priority intersection only