

Waikato Regional Council Regional Development Fund Policy

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1 Reasons for the Regional Development Fund

Regional development is about working with others to take actions to improve economic outcomes for the Waikato region and quality of life for communities. It is more than economic development – it must also complement delivery of environmental, social and cultural outcomes. The Waikato Regional Council has enunciated this desire in its mission of “working with others to build a Waikato region that has a healthy environment, a strong economy and vibrant communities”. It has also committed to enabling regional development as one of five priorities for this triennium.

The focus of the Fund is primarily on enabling economic development as it has been determined this is where the greatest opportunity lies for better outcomes for the region in the use of the Fund. However, this development must occur in a way that provides for a win-win for both the economy and the environment, i.e. ‘green growth’. Providing for green growth is a priority for Waikato Regional Council. Among other things, the Fund will therefore look to encourage green growth in a way that showcases innovation and proactive regional solutions. This is consistent both with the council’s statutory responsibilities and the Waikato’s region’s unique value proposition.

The Waikato Regional Council has a stewardship role and statutory responsibility to ensure the region’s natural and physical resources are managed in a sustainable way under the Resource Management Act 1991. Under the Local Government Act 2002, Waikato Regional Council also has a role to play to help address different pressures around the region relating to growth, social deprivation and so on.

The Waikato region has leveraged off its strong Maori heritage and early tradition in primary industry to build a strong urban centre that is supported by a network of rural communities in a wide and varied region, a springboard for industries, innovation and a wonderful lifestyle. Playing to these strengths involves maintaining and building on the high quality natural environment of our region.

Projects will therefore be assessed to identify the extent to which they help achieve economic, green growth and broader environmental, social and cultural outcomes in line with the Local Government Act 2002. This recognises the fact that achieving all these outcomes are inter-dependent.

Investing in regional economic development projects is considered important for Waikato Regional Council because the Waikato region show mixed economic performance behind some other regions, particularly in the areas of GDP, investment, household incomes and export dependence. To help position the Waikato region well for the future, Waikato Regional Council’s Regional Development Fund can be used to make strategic investments to address this mixed performance as well as responding to natural resource constraints, the effects of climate change and mixed social outcomes.

2 Aims of the Regional Development Fund

The Regional Development Fund (“the Fund”) has two key aims. They are to:

- i. Enable Waikato Regional Council to make strategic investments in projects that will provide inter-generational benefit by improving the region’s economic outcomes in a way that also supports environmental, social and cultural outcomes; and
- ii. Ensure projects receive support commensurate with the level of regional, public benefit by using a robust assessment framework.

3 How the Regional Development Fund will operate

3.1 Process

Refer to Appendix 1 for a summary of the process.

The detailed procedures for operating the Fund and information about how projects will be assessed are provided in the Waikato Regional Council Regional Development Fund - Procedures Manual.

3.2 Who is eligible?

Any organisation or agency, public or private that wishes to undertake projects that improve the region's economic performance that complies with the criteria for eligible projects is eligible to be considered for funding from the Fund provided the organisation or agency is a legal entity with a track record that satisfies Waikato Regional Council. Potential project partners include other local authorities, iwi, central government, trusts and private organisations.

3.3 Eligible projects

The quantum of funding will be determined using the criteria in section 3.6.

Waikato Regional Council will consider any project that is not excluded in section 3.4. However, council will be guided in such consideration by strategic direction for the region provided through relevant documents including, but not limited to, 'Waikato Means Business', 'Telling the Waikato Story', Maori economic development strategy documents, iwi management plans, the Waikato Plan and Council's strategic direction.

Waikato Regional Council may provide funding of up to 50% of the following types of projects:

- i. Strategy development, feasibility assessment or business case development;
- ii. Capability building;
- iii. Capital expenditure; or
- iv. Operating expenditure for a finite period of time on condition of sufficient capital expenditure committed to the project and a satisfactory business plan to demonstrate how operating expenditure will be covered after this time.

Support for each step is subject to satisfactory completion of earlier steps by Waikato Regional Council or a third party.

3.4 Ineligible projects

3.4.1 Lack of public benefit

Projects that do not provide any public benefit will not be funded.

3.4.2 Significant adverse impacts

Where it is determined at the time of assessment that any project would have significant adverse impacts on economic, environmental, social or cultural outcomes, the project will not be eligible for funding, regardless of the positive impacts.

3.4.3 Community facilities

Waikato Regional Council will not fund the development or operation of community facilities, e.g. sports fields, stadiums, swimming pools or theatres unless it is part of a national programme and accompanied by central government funding.

Note: This sub-clause is a placeholder. Funding arrangements for community facilities will be developed through the Waikato Plan.

3.4.4 Events and festival

Waikato Regional Council will not fund events or festivals.

3.4.5 Resource consents

No allocated funding will be released until all required resource consents have been obtained. The Fund will not provide funds for the costs of applying for or meeting resource consent application requirements.

Note: Staff will work with potential project partners to help develop proposals as required.

3.4.6 Retrospective funding

The Fund will not provide retrospective funding.

Waikato Regional Council will not reimburse any project expenses or costs that were incurred before an agreement on the terms and conditions on which funding support will be provided is agreed between the project partner and Waikato Regional Council. This includes repayment of debt.

Proposals may be made for components of projects that have begun where components can be isolated into stand-alone projects. The benefit of the project will be assessed on the basis of the scope included in the project proposal.

3.5 Eligibility criteria

Waikato Regional Council will consider making contributions only to regional development projects that meet all of the following criteria:

- i. The project is located in the Waikato region;
- ii. The project is of sufficient size to be regionally significant by:
 - a. providing regional economic development benefits to the communities of more than one territorial authority; and/or
 - b. attracting additional funding to the region; and/or

- c. having a total value of \$2 million or more where capital expenditure or operational expenditure is sought or, for other types of eligible projects, the end result would be a project that has a total value of \$2 million or more (assuming the previous steps demonstrate benefit in continuing with the next steps of the project);
- iii. The project promotes regional economic development in one or more of the following ways:
 - a. enhancing 'green growth' in the region;
 - b. being based on Waikato's regional advantage, including its natural environment;
 - c. being innovation based;
 - d. supporting national economic growth;
 - e. complementing other regions' strengths, where this builds on Waikato's strengths;
 - f. generating ongoing, net economic benefit to the region;
 - g. ongoing creation of new jobs to communities with high deprivation;
 - h. ongoing creation of new high income jobs or jobs in high value-added product/industry;
 - i. lifting median household incomes;
 - j. increasing the value of exports;
 - k. adding value/improving productivity per capita.
- iv. Development can be achieved in a way that also enhances environmental, social and cultural outcomes.

3.6 Quantum of funding

In determining the quantum of funding for any project, Waikato Regional Council will consider the criteria set out below.

Each criterion will be weighted to reflect Waikato Regional Council's priorities, having regard to the strategic role that council would like the Fund to play in the development of the region.

The weights are shown alongside the criterion headings in the Procedures Manual. Weightings will be reviewed annually, in line with section 6.

- i. The extent to which the project is 'regionally significant'; and
- ii. The extent to which the project promotes inter-generational, regional economic development; and
- iii. The extent to which the project enhances the council priority of green growth in the region; and
- iv. The contribution the project will make to improving environmental, social and cultural outcomes in the region; and

- v. The extent to which the project is aligned with Waikato Regional Council's strategic direction; and
- vi. The extent to which the project is a legislative requirement and;
- vii. The consequence of not funding the project; and
- viii. The extent to which the project provides value for money; and
- ix. The extent to which the project complements the vision of other organisations in the region; and
- x. The extent to which the potential project partner demonstrates the capacity and capability to undertake the project; and
- xi. The extent to which the project is inter-dependent with other projects; and
- xii. What other funding source are available to the project; and
- xiii. Whether the project will proceed or be delayed without Waikato Regional Council funding.

3.7 Evaluation of benefits

Investments from the Fund are not required to generate a direct return on investment for Waikato Regional Council.

Project partners will be required to provide information to Waikato Regional Council demonstrating the public and private benefits achieved by the investment by Waikato Regional Council through an agreed assessment framework, including an assessment of the type and extent of improvements to economic, environmental, social and cultural outcomes.

Note that section 6 also requires a three yearly review by Waikato Regional Council to evaluate the efficiency and effectiveness of the Fund, funding process and funding decisions made.

4 Process to assess project proposals

4.1 Overview

Waikato Regional Council will consider investing in projects on a case-by-case basis. Investment in any project is at the discretion of Waikato Regional Council.

A Regional Development Fund - Procedures Manual will provide information regarding the operation of the fund and the assessment process.

Waikato Regional Council staff will administer the Fund and assessment process. Staff will work with potential project partners to help develop proposals as required. Proposals may be lodged with Waikato Regional Council at any time. Staff will also undertake work as required to support assessment of proposals by the independent group and decisions by Waikato Regional Council.

An independent group appointed by Waikato Regional Council will assess proposals against the Fund policy and make recommendations to Waikato Regional Council about:

- i. Whether to fund the project;
- ii. How much each project should receive;

- iii. The type of funding (e.g. grant or loan); and
- iv. Conditions that should be attached to funding.

Waikato Regional Council will make all final decisions on the funding of projects by Council resolution. This includes:

- i. Whether the project(s) will be funded;
- ii. How much each project will receive;
- iii. The type of funding (e.g. grant or loan);
- iv. Conditions attached to funding;
- v. The review of policy and procedures.

If Waikato Regional Council decides to support a project with funding from the Fund it will issue a formal offer setting out the terms and conditions for funding to successful projects. This offer will include available funding dates, milestones, key performance indicators and evaluation requirements.

4.2 Governance principles

Waikato Regional Council will use the following principles to guide its governance of the Fund and make funding decisions:

- i. Carry over funds if considered necessary, taking into account the quality of potential projects and upcoming demand for funding;
- ii. Use criteria that address economic, environment, social and cultural outcomes to determine the benefits to the regional community now and also in the future;
- iii. Act in accordance with the Local Government Act 2002 requirement to manage financial affairs prudently (s 101);
- iv. Consider its Treasury Management Policy when making funding decisions; and
- v. Remain the final decision-maker on all matters relating to the Fund, including policy, procedures and projects that will receive funding support.

4.3 Decision-making and the Policy on Significance

Projects that Waikato Regional Council invest in through the Fund are not considered significant under Waikato Regional Council's Policy on Significance. These funding decisions will be made by Waikato Regional Council in a standard decision-making process, outside of a Long Term Plan, Annual Plan or special consultative procedure process.

Decisions on the type and quantum of funding to be placed in the Fund for allocation to external parties, and the effect on Waikato Regional Council's operating or capital expenditure are not considered significant in themselves, but will be included in a Long Term Plan or Annual Plan Statement of Proposal.

4.4 Partnership Approach

Waikato Regional Council will work with potential project partners, the independent group appointed by Waikato Regional Council to make recommendations about funding projects and other potential funders through the assessment and implementation process. Potential funding partners include other local authorities,

central government, community funders, Maori organisations, iwi and private organisations. Waikato Regional Council will decide on a case by case basis whether parties other than the proponent of the project and funding partners will be involved in the assessment and implementation process, determined by their material contribution to each project or their particular expertise.

5 Funding mechanisms

Waikato Regional Council may fund projects through different mechanisms. Once the characteristics of the project and the needs of a project partner are known, a decision will be made on the funding mechanism(s). Both parties will need to agree on the mechanism(s).

In general terms, there are four mechanisms that Waikato Regional Council may use to provide support through the Fund:

- i. Grant – a direct grant by the Fund to the project partner, which may have conditions attached;
- ii. Loan – a loan by the Fund to the project partner, which is to be repaid at some specified, future date, with an interest rate specified by Waikato Regional Council;
- iii. Equity – an equity investment in the project by the Fund on condition of sufficient capital expenditure committed to the project and a satisfactory business plan and risk assessment and suitable governance arrangements (which is likely to include independent expertise to represent Waikato Regional Council's interest); and
- iv. Underwrite – a direct grant by the Fund to the project partner that will only be drawn upon in full or in part if necessary to meet agreed financial obligations.

More than one mechanism may be used to fund any particular project and the choice and conditions will reflect:

- i. The risk for Waikato Regional Council associated with the project;
- ii. The level of environmental, social and/or cultural benefit; and
- iii. The period over which funds invested through the Fund will be disbursed.

6 Review of the Policy and Review of the Procedures Manual

The Fund Policy will be reviewed in line with the development of the Long Term Plan.

The operational component of the Policy and the Procedures Manual will be reviewed annually.

The reviews will not use the special consultative procedure unless this is necessary to comply with Waikato Regional Council's Significance Policy.

The purpose of the three yearly review is to evaluate the efficiency and effectiveness of the Fund, funding process and funding decisions made. The review will include, but not be limited to the following matters:

- i. the extent to which the Fund has assisted external parties to undertake projects that improve the region's economic performance; and

- ii. the extent to which the Fund has assisted external parties to undertake projects that contribute to green growth in the region; and
- iii. the extent to which successful projects received support commensurate with the level of regional benefit that has accrued; and
- iv. the extent to which the Fund has encouraged parties to take a partnership approach to economic development in the region; and
- v. how successful the Fund has been in attracting additional money to the region; and
- vi. clearly identifying and assessing the costs and benefits of the Fund and projects funded; and
- vii. the level of economic benefit to the region achieved by the investments made by Waikato Regional Council; and
- viii. the level of green growth achieved by the investments made by Waikato Regional Council; and
- ix. the extent to which investments from the Fund have also enhanced environmental, social and cultural outcomes.

The annual review of the operational component of the Policy and the Policy and Procedures Manual will include, but not be limited to, the following matters:

- i. ensuring required information is relevant to the process and assessing the benefits and impacts of the projects;
- ii. ensuring there is fairness in the assessment process across eligible projects;
- iii. ensuring Waikato Regional Council is able to clearly and easily identify projects that provide the greatest value in respect to the Fund criteria;
- iv. ensuring the process is not so difficult or convoluted that opportunities provided by the Fund are not taken up by potential project partners.

7 Appendix 1: Regional development fund process

