

Treasurer

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Lord Mayor Ald Sue Hickey
Hobart City Council
GPO Box 503
HOBART TAS 7001



Dear Lord Mayor,

Accelerated Local Government Capital Program

I am pleased to advise you that as part of the 2017-18 Budget, the Government will roll out the Tasmanian Economic Stimulus Scheme Accelerated Local Government Capital Program across the State.

As you are aware, last year the Government trialled a loans scheme for councils, in the North and North West of Tasmania which generated enormous interest from those councils.

I am writing to provide information in relation to the arrangements for implementing the Accelerated Local Government Capital Program State-wide.

Under the ALGCP, the Government will enter into a partnership with the participating councils to bring forward up to \$60 million of infrastructure investments, which will be financed by new borrowings at no cost to the participating councils. The funding is to be made available through the Program, on a first-come first-served basis.

For approved projects, the Program will provide assistance to councils and joint authorities State-wide through:

- the provision of loan interest rebates in the form of a grant for the eligible period of each loan, with a five year maximum rebate term; and
- access to borrowing to finance projects under the Program through the Tasmanian Public Finance Corporation.

The ALGCP will be administered by the Department of Treasury and Finance.

The Program is now open and will close on 31 August 2017, and applications will be managed on a rolling basis up until that time. It is preferable that councils make a single application for all relevant projects, rather than multiple applications.

Projects that are eligible for funding will be those that the council has already determined it will undertake over the next five years. The provision of assistance under the Program will be determined by me, having regard to the commencement date of construction, the quantum of applications received and the contribution the projects will make to employment growth and economic activity.

The Government is of the view that, as councils are accountable to their communities and are well placed to make decisions as to what is in their best social and economic interests, it will be up to each council to determine the nature of proposals coming forward for funding under the Program. There will be no business case review of the projects that are submitted to Treasury.

Tascorp will still be required to undertake its normal credit assessment for each participating council.

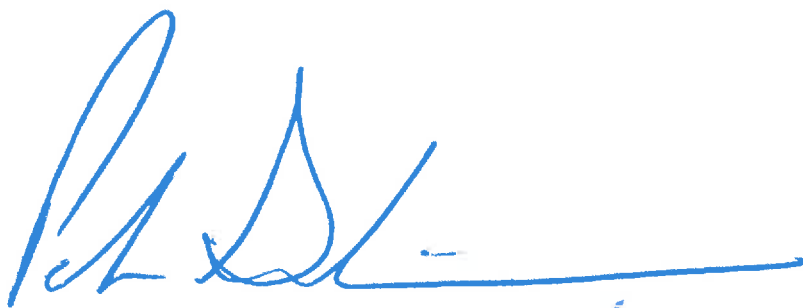
The attached Guidelines provide details of the information required to support an application, the eligibility criteria and the proposed assessment process. Should you have any queries or require any further information regarding this matter, please contact David Tadd, Assistant Director, Government Finance and Accounting Branch at Treasury on (03) 6166 4194 or email david.tadd@treasury.tas.gov.au.

It is important that procurement arrangements used by councils to implement these accelerated capital projects deliver value for money outcomes. I would also expect that councils will provide every opportunity for Tasmanian-based businesses to bid for the work to be undertaken.

I am confident from the previous success in the North and North West of the State that this Program will not only stimulate higher levels of economic activity across the State, it will also enable councils to enhance the social and longer-term economic outcomes for their communities.

I encourage you and your Council to work in a timely way on finalising a package of initiatives that will see your Council accelerate its planned capital program over the immediate term.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Peter Gutwein', with a long horizontal line extending to the right.

Hon Peter Gutwein MP
Treasurer

Encl

Accelerated Local Government Capital Program State-wide Guidelines

May 2017



Introduction

The purpose of the Accelerated Local Government Capital Program is to support expanded investment in infrastructure by Tasmania's local government authorities, through the provision of targeted loan interest rebates.

Examples of the types of projects which may be considered under the Program include (but are not limited to):

- roads, bridges and footpaths;
- upgrading community halls and other town facilities and amenities;
- development of waste transfer stations;
- improvements to local parks;
- development of, or improvements to, recreational and sporting grounds;
- township beautification works;
- tourism infrastructure development; and
- other building works.

All Tasmanian councils and joint authorities are eligible for the Program.

For eligible projects, the Program will provide assistance to applicable local government authorities through:

- the provision of loan interest rebates in the form of a grant for the eligible period of each loan, with a five year maximum rebate term; and
- access to borrowing to finance projects under the Program through the Tasmanian Public Finance Corporation.

Funding of a maximum \$60 million is to be made available through the Program, on a first-come first-served basis. This Program will commence on 1 June 2017.

Eligibility Criteria

The Program will remain open until 31 August 2017, and applications will be managed on a rolling basis up until that time. It is preferable that local government authorities make a single application for all relevant projects, rather than multiple applications.

To be eligible for assistance under the Program, local government authorities will be required to demonstrate that each nominated project:

- is in addition to the Council's approved borrowing program for the current year;
- is part of the Council's future infrastructure plans and is able to be brought forward to enable construction to commence by 30 June 2018;
- will provide Tasmanian employment opportunities;
- is procured through appropriate processes that deliver value-for-money outcomes; and
- is to be financed through an approved loan from the Tasmanian Public Finance Corporation.

While applications by local government authorities will be assessed against the above eligibility criteria, it is not intended or necessary for projects to satisfy all criteria. However, priority will be given to projects which demonstrably satisfy the majority of the above criteria and where construction can commence by 30 June 2018.

It is intended that assistance will only be provided on the basis that all borrowing to finance the project is undertaken through the Tasmanian Public Finance Corporation. Any borrowings undertaken through other credit providers are not eligible for support.

Under the *Local Government Act 1993*, the Treasurer is required to approve all borrowings undertaken by local government authorities in each financial year, whether new borrowings or refinancing.

This Program does not apply to loans already nominated for approval, as part of a council's current 2017-18 borrowing program. Only borrowings that are additional to the current borrowing program will be eligible for consideration.

Applications by local government authorities for new borrowings are assessed based on benchmark ratios to ensure the ability to service new and existing debt. In general, borrowing requests that result in a Net Debt to Revenue position of below 40 per cent are considered sustainable and are recommended for approval. Borrowings that exceed 40 per cent indicate that the Council will be operating in a higher risk category and additional information justifying the borrowing request would need to be considered.

The Net Interest Cost Ratio benchmark is set at 7 per cent, which is consistent with the Net Debt to Revenue benchmark and the statutory limitation on gross borrowings as stipulated in the *Local Government Act*.

New borrowings by local government authorities, for the purpose of the Program, will be considered by the Treasurer in accordance with this assessment methodology.

Administration of the Program

The Program will be managed and administered by the Department of Treasury and Finance.

Projects to receive assistance through the Program will be considered and approved by the Treasurer. The Program will remain open until 31 August 2017.

The provision of assistance under the Program will be determined by the Treasurer having regard to the commencement date of construction, the quantum of applications received and the contribution the projects will make to employment growth and economic activity in the State, and it therefore may not be possible to provide assistance to all projects which meet the eligibility criteria.

Applications will be assessed as they are received and, following consideration by the Treasurer, Treasury will advise each Council of the outcome of their application.



The amount of the interest rebate will be calculated based on the total amount of interest paid on the approved level of subsidised borrowings, for the period approved by the Treasurer and subject to a five year maximum rebate term.

The period of the rebate will be the amount of time for which the project has been brought forward, capped at a maximum of five years. For example:

- a project originally scheduled for June 2020 which is now being undertaken in June 2018 will receive a subsidy for a two year period up to June 2020; and
- a project originally scheduled for June 2025 which is now being undertaken in June 2018 will receive a subsidy for the maximum period of five years.

The rebate will be paid to each Council as a grant, after the loan has been drawn down, with payment generally to be made half yearly in arrears. Councils will need to provide Treasury with a copy of the Tascorp loan repayment schedule for each borrowing at the time of drawing down the loan(s).

For approved projects with a total grant payment (interest rebate) of less than \$1 million, each Council will be advised by letter from Treasury of the approved terms and conditions and the process by which the rebate will be paid.

For approved projects with a total grant payment (interest rebate) of more than \$1 million, a Funding Deed between the Crown and the Council will be required.

For further information, please contact:

David Tadd

Assistant Director, Government Finance and Accounting

Phone: 6166 4194

Email: david.tadd@treasury.tas.gov.au