
KAIKOURA DISTRICT COUNCIL

PARTNERSHIPS POLICY

Objective

TO ENABLE COUNCIL TO ENTER INTO PARTNERSHIPS WITH THE PRIVATE SECTOR, AND TO SET THE FRAMEWORK FOR SUCH A PARTNERSHIP.

The essential purpose of Public Private Partnerships is the substitution of private management expertise and funds for those of the public sector in the provision of services normally provided by governments. This makes it different from outright privatization, which involves the complete transfer of an asset and the services associated with it to the private sector.

The Kaikoura District Council may consider partnership arrangements with the private sector for the provision of infrastructure and services where such a partnership is likely to deliver better value for money, based on cost, time and financial arrangements than traditional delivery methods.

Commitment of Resources

Council will consider the following commitment of resources:

- a) Grants, where the assessed benefit to the community justifies, where the PPP is accorded priority by Council, and funds are available for the activity;
- b) Loans, where the benefit to the community is significant, but it is assessed that income or other funding can in time be accessed, and/or there will also be significant benefits to the private partner and/or it is otherwise unsuitable to provide other funding;
- c) Investments, where there are deemed to be significant public benefits, and the community has been consulted, either during an LTCCP or Annual Plan consultation or separately using the special consultative procedure;
- d) Acting as a guarantor for assets being constructed on Council-owned land;
- e) Acting as a guarantor in extraordinary circumstances may be considered by Council following community consultation, and where there are appropriate safeguards in place to ensure budgets are not exceeded and where limitations are specified as to the total amount Council is guarantor for.

Criteria

Council will consider partnerships with the private sector for any or all of the following reasons, where;

- a) A need has been defined in measurable output terms;
- b) Outcomes for the community, measured in cost, quality and timeliness, exceed any other provision;
- c) The partnership is structured to optimise risk allocation in order to generate incentives for cost effective, high quality services;

- d) There is an identifiable market of bidders prepared to compete for the opportunity to undertake the project;
- e) There is scope for the private sector to demonstrate particular skills and/or innovative capacity, and/or access to capital;
- f) The project size justifies the transaction and ongoing management costs.

Consultation

Where Council is considering a partnership with the private sector and the partnership is likely to significantly affect service levels or be deemed to be of significance in terms of Council's significance policy, it will undertake appropriate consultation with the community using the special consultative procedure. Where possible, this consultation will be undertaken through the annual plan or long term Council community plan process.

Conditions

Any Public Private Sector partnership will be subject to the following conditions before Council will agree to the provision of funding or other resources:

- a) Depending on the project, private participation may be subject to competitive tendering processes, with an emphasis on transparency and disclosure of processes and outcomes, acknowledging the need to protect commercial confidentially where appropriate;
- b) Any proposed partnership will be assessed against the public interest in terms of effectiveness, accountability, and transparency.
- c) The conduct of the Kaikoura District Council should always be such that confidence in the probity of the partnership model and the way it is implemented is able to be maintained at all times.
- d) Outputs will be clearly specified including measurable performance standards;
- e) Payments will only be made upon delivery of the specified services to the required standards;
- f) The partnership will be a relatively long term commitment, with the term depending on the nature of the project;
- g) All private sector parties will be fully accountable to the Kaikoura District Council for the delivery of the specified project and/or services;
- h) Risk allocation between the partners being clear and enforceable, with consequential financial outcomes;
- i) The Kaikoura District Council's responsibilities for the monitoring of outcomes will be clearly articulated; and
- j) Mechanisms for delivering ongoing value for money will be included.

Risk Identification, Allocation and Management

Council will assess and manage the risks associated with a public private sector partnership by:

- a) The major principle governing risk will be a risk transfer regime where risk will be transferred to whoever is best able to manage it taking into account public interest considerations;
- b) Whoever is allocated risk must have the freedom to choose how to handle and minimise any risk, with materiality being considered; and
- c) Where the Kaikoura District Council is not the only user of an asset, demand (or volume/usage) risk may also be transferred.

Monitoring and Reporting

Council will monitor and report on a public private sector partnership by:

- a) Being transparent and disclosing the processes and outcomes of any proposed partnership.
- b) Progress on partnership contracts will be monitored and reported in accordance with the Kaikoura District Council financial and programme reporting regime; and
- c) Community outcomes will be assessed and monitored as required under the LGA 2002 annual report requirements.