

Waste funds: Guide to providing business cases for large projects

For large, complex and/or commercially oriented projects being proposed under one of the waste funds, we will require more detailed information on some aspects.

As a general guide, we expect that business cases will be required for commercial projects requesting NZ$1 million or more in funding. For non-commercial projects and council applications requesting over NZ$1 million, your Investment Manager will outline the specific requirements for your project and the process to follow.

The table below outlines the key areas we will examine more closely. Note, these are guidelines rather than prescriptive rules or a template.

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| Financial information, along with all aspects of your application, will be kept in the strictest confidence and used only for the purposes of assessing your application. Ministry staff, external panel members, and subject matter experts are subject to rigorous contractual requirements around confidentiality and conflict of interest management. Any potential conflicts of interest are proactively managed before assessment and regular declaration of conflicts of interest is a requirement. |

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| **Type of information**  | **Guidance** |
| **Beyond business as usual (additionality)**Waste funding is for generating public benefits that would not happen otherwise. It is not to displace other more appropriate sources of funding or to subsidise normal operating costs. | You will need to show clearly that:* the funding you’re applying for is critical – the project, as proposed, would not happen without it
* it is the most appropriate funding option to make the project viable or to accelerate it
* the public benefits justify the investment
* the project is a new initiative or a significant expansion of existing activities
* other similar activities/businesses, assets or investments would not be displaced, duplicated or otherwise crowded out.
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| **Strategic alignment and impact**Show alignment with national and regional priorities, and impact at scale (particularly on emissions). | In your application, you will have explained how your project aligns to key priorities and the objectives of the fund you’re applying under. You should include the following information:* independent emissions calculations
* any potential negative or unintended impacts you’ve identified
* how you’ve engaged with your local or regional council, economic development agency and iwi, and whether they support the project
* how your project aligns with regional economic or environmental development priorities
* how this project fits with your organisation’s strategy.

An outcome logic model is an effective way to illustrate how the elements of your project fit together. This is a one-page diagram showing how the funding, resources, activities and outputs of the project lead to short-, medium- and long-term outcomes, and how those connect to the fund’s outcomes. Your Investment Manager will advise you if this is a requirement. |
| **Commercial analysis**Provide detail on your assumptions around supply and demand, and the viability of your project under different scenarios. | Model different supply and demand scenarios, eg, sensitivity analysis, including sharp reductions in both. Listed below are the areas we will be interested in exploring further.**Feedstocks and supply chain*** Your assumptions of the volume, type and location of the feedstock(s) you propose to use.
* What are your procurement arrangements?
* Are there competitors or risks to the feedstock(s) that could threaten the project’s ongoing sustainability?
* What transport options does supply depend on and how secure are they?

**Market*** What is the market demand for your outputs, and what evidence is that based on?
* What competition will you face? What is the likely impact of overseas producers on your domestic market?
* What is your path to market, ie, your strategy to establish and grow sales to the required level?
* How will your outputs be distributed and what risks exist in the distribution process?

For further insight on the type of information that may be required, refer to the Treasury’s [Better Business Case model, including the Commercial Case](https://www.treasury.govt.nz/information-and-services/state-sector-leadership/investment-management/better-business-cases-bbc/overview-five-case-model#Commercial-Case). |
| **Financial analysis**Demonstrate your financial sustainability, why you need co-investment, and that the most appropriate funding instrument is being requested. | Please provide:* financial statements covering the last three full financial years, such as financial performance, financial position, cashflows
* forecasts for each of these over the next 3–5 years. Our general expectation is that historic financials are organisation focused and forecasts would just relate to the project
* calculations showing the funding gap to meet your internal investment hurdles
* if you’re requesting grant funding, show why the project is unable to support alternative funding such as a loan or equity investment
* if you’re proposing a loan or equity investment, outline key commercial terms, eg, repayment, drawdown, security, exit plan for the fund
* key financial ratio analysis.

For further insight on the type of information that may be required, refer to the Treasury’s [Better Business Case model, including the Financial Case](https://www.treasury.govt.nz/information-and-services/state-sector-leadership/investment-management/better-business-cases-bbc/overview-five-case-model#Financial-Case). |
| **Investment readiness**Explain the readiness of your organisation to undertake the project, and the extent of capability and capacity-building required to deliver the project’s objectives. | For example:* Are the necessary staff, project management and governance structures already in place or is further capacity and capability required?
* Is co-funding confirmed and available as soon as funding is confirmed?
* Have any consents required for the project been identified and obtained?
* What other elements are critical to the success of the project? Are these ready, and if not, how long will it take to put them in place?
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| **Governance and management**Background on your organisation and key individuals. | At a minimum we will require:* a summary of your organisation’s history
* brief biographies of key individuals, highlighting experience relevant to the project
* an outline of your capacity and proposed approach for managing the project.
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