Council Response to COVID-19

Meeting: Kaipara District Council
Date of meeting: 29 April 2020
Reporting officer: Sue Davidson

Purpose/Ngā whāinga

As a result of the COVID-19 pandemic, to consider:

1 Council's proposed hardship relief package and;
2 The preparation of the Annual Plan 2020/2021.

Executive summary/Whakarāpopototanga

New Zealand is in a State of Emergency and lockdown in response to COVID-19. Council needs to decide on an appropriate response and communicate it to the public to assist in helping our communities through this difficult economic time.

Council is in a leadership role and has the ability to support its' community through a period of change and uncertainty making provisions in the short term and the longer term.

Our proposed plan is in response to emerging needs and is based on the following key principles:

- Encourage as many ratepayers as possible who feel they may be facing hardship, to contact our rates staff to agree a more palatable payment plan without the fear of penalties.
- Accelerate the delivery of a programme of work which will create jobs in our community and deliver long term benefits.
- Look to provide encouragement to businesses which have been impacted, especially the hospitality industry which has been the hardest hit.
- Look to reduce the rates increase for 2020/21 but not at the expense of asset management and future capital programmes.

Recommendation/Ngā tūtohunga

Part One

That Kaipara District Council

a) Recognises the impact COVID-19 pandemic has on the Kaipara community.

b) Notes the proposed comprehensive hardship relief package put forward by this report as a result of the COVID-19 pandemic.

c) Requests the Chief Executive conduct informal community engagement on the hardship relief package and the funds proposed and report the results to the May Council meeting.

Part Two

That Kaipara District Council

d) Rescinds the previous Kaipara District Council Annual Plan decisions made at the December 2019 and February Council 2020 meetings, highlighted below:

11 December 2019 Council meeting

- Agrees that if the financials presented to the February Council briefing and meeting demonstrate that the total rates increase is within the range 4.83% to 5.49%, consultation on the proposed Annual Plan 2020/21 is not required as there are no significant or material differences from the 2018/28 Long Term Plan.

26 February 2020 Council meeting

- Approves the proposed Annual Plan 2020/21 be prepared on the basis that the rates increase will be 5.49% after factoring in growth (Option One in the report).

e) Approves the proposed Annual Plan 2020/21 be prepared on the basis that the general rates increase will be 4.0% after factoring in growth (Option three in the report).

f) Agrees that consultation is not required if the general rates increase of 4% after factoring in growth is approved (recommendation e) as there are no significant or material differences from the 2018/28 Long Term Plan.

g) Sets the Uniform Annual General Charge at $764 for the 2020/21 financial year.

Context/Horopaki

Overview

The COVID-19 pandemic has created unprecedented economic and social circumstances, particularly during the lockdown period. The country is in a national state of emergency, most businesses are closed, or have significant limitations on operations. Many people may be working reduced hours and/or being supported by the Government wage subsidy scheme.

In addition to the impact of COVID-19 the ongoing drought is impacting our farming community and those on tank water. The alignment of both events will create significant challenges for our district and will impact the whole economy, likely resulting in a recession. Early data suggests the impact on some sectors (such as hospitality, tourism, developers and retail) will be greater than others. Evidence internationally has shown local and Central Government initiatives play a key role in supporting economic recovery. Our challenge is to balance rates, support those facing most hardship, whilst delivering economic stimulus to kick start the Kaipara economy.

The principles applicable to our proposed approach are:

- to focus on those who are in need
- to agree Council is critical to facilitating economic recovery
- to concur with Central Government messaging that rates should be continued to be paid, to help the community to continue to deliver services and help the District bounce back into recovery.

Sector Advice

The Society of Local Government Managers (SOLGM), Department of Internal Affairs (DIA) and Local Government New Zealand (LGNZ) working group have issued guidance stating that Councils need to show a balanced budget (where operating revenues are set to cover operating expenses) and Councils need to have rates payments coming in to fund the essential services they must provide. They state there is a need for Council to balance a number of considerations:

- Council’s role in continuing to support the local economy and help keep people in work.
- Council’s role in ensuring the investment is made to maintain the reliable provision of basic health and safety needs, including drinking water, wastewater, rubbish and refuse collection.
- The uncertainty and stress that ratepayers will be under.
- The longer-term impact of a reduced level of investment into services and infrastructure.

Impacts

All Councils are grappling with the competing pressures of reducing rates, loss of revenue from fees and wanting to maintain employment and community wellbeing.

Our District’s wellbeing is being tested and communities are looking for help in the following ways:

- Immediate welfare needs.
- Reducing their outgoings (noting rates is a small portion of these).
- Improving job and business security.

Northland Councils’ released a shared media statement stressing to those residents who find themselves having difficulty paying their rates to approach their council to arrange a payment plan. In addition, they need to look to the subsidies Central Government has initiated to help individuals and businesses.

There have also been calls for Council to review the rates rise for the next Annual Plan 20/21 due to the economic turmoil that has occurred as a result of COVID-19. Our Council cannot afford a general waiver of rates, nor is this permitted under legislation nor Rates Policy. Fourth quarter rates instalments, amounting to approximately $8,000,000, are due on 20 May 2020. There will be individuals and sectors of our community who will find this rates instalment difficult to pay.

Council must be mindful of managing its finances prudently (revenues, expenses, assets, liabilities).

The key risks to Council finances will be driven by:

- loss of fees and charges income, however Council is fortunate these account for only 8% of our income.
- impact on timing of collection of rates revenue and therefore increasing Council debt levels.
- slowing down capital expenditure to reduce rates against the possibility of continuing projects to help people in the District to be employed.
- loss of development and financial contributions - these are linked to capital projects.

The extension of rates postponement, or payment plans, is likely to increase Council's borrowings. It is estimated the extension of rates postponement or payment plans may reduce rate revenue by $4,000,000 (approximately 10% of rates) over the financial year. This means debt could be increased by an unbudgeted $4,000,000 with at a cost of approximately $160,000 in interest per annum. This is a conservative estimate and KDC has spare borrowing capacity. Northland Regional Council is using 15% for their estimates, but it is all dependent on how large the proportion of retail and tourism businesses are in the District, as these are likely to have felt the biggest losses in revenue, and the follow on consequence of having to reduce staff which are also our paying residents.

Our capital expenditure program has stalled, as a condition of the lockdown so this helps in the short term with our anticipated cash flow.

Hamilton City Council is following the governments' lead by increasing investment in its community to reignite the economy. They have approved a 10-point plan, increasing community grants, providing rent relief and have brought forward its capital programme.

KDC commissioned Infometrics to provide a summary of how the COVID-19 virus will impact our ratepayers. Infometrics helped provide clarity on the number of people likely to be affected detrimentally in our district. An Infometrics video can be accessed on our website and has been viewed by all Councillors.

Based on the information provided, hospitality and construction are the most vulnerable in sectors in Kaipara as shown in Table 1 below.

Table 1: Filled jobs and business units in vulnerable sectors in Kaipara in 2019 (Infometrics 2019).

Sector	Filled jobs		Business units	
	Number	% of Total	Number	% of Total
Total Kaipara	**8,703**	**100.0%**	**3,492**	**100.0%**
Construction	1,018	11.7%	423	12.1%
Accommodation and food services	347	4.0%	108	3.1%
Forestry (including wood product manufacturing)	328	3.8%	96	2.7%
Other store and non-store retailing	288	3.3%	78	2.2%
Real Estate services	99	1.1%	54	1.5%
Total in vulnerable sectors	**2,080**	**23.9%**	**759**	**21.7%**

Infometrics stated Kaipara would be better off than many districts because of its reliance on agriculture and dairy and 58% of its workforce would be continuing to work under COVID-19 Level 4 lockdown. A great deal of the population (23%) are pensioners and beneficiaries who would continue to receive benefits which have recently been increased. A summary of the Infometrics information is in Attachment A.

Our Council is fortunate to be a growth Council; however, this has meant a higher cost base which occurs with growth. In addition, KDC has been in catch-up mode following low investment during the Commissioners, who were focused on reducing debt levels.

Table 2, below, provides rates revenue information for businesses in our District.

Table 2: Number of business properties in Kaipara and rates revenue

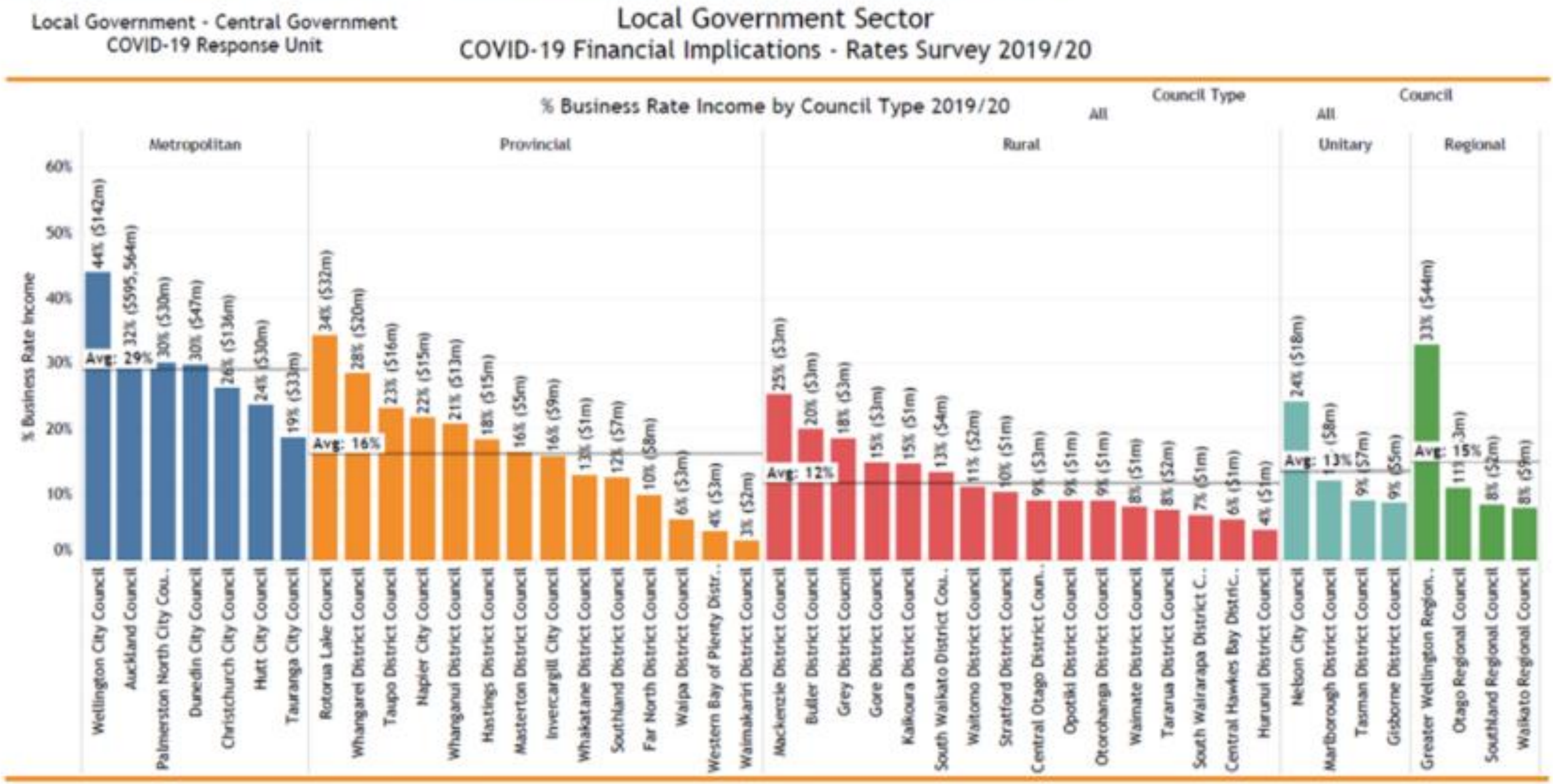
Property Type	Number	Rates Revenue
Commercial properties	284	$1,168,717
Industrial properties	198	$ 520,551
Total	**482**	**$1,689,268**

Total rates, including GST, are $43,665,215. Commercial business pays 3.9% of the total value of our rates. Kaipara is fortunate it doesn’t have the reliance on tourism or have a large commercial base. For many Councils the retail sector is a much larger percentage of Councils rateable properties so they will be worse affected.

Refer to the graph on the following page on percentage of business rate income.

KAIPARA DISTRICT

Appendix 1: Percentage of business rate income by Council type



Source: SOLGM survey.

Discussion/Ngā kōrerorero

The issues and solutions for each Council will be different and we have identified our business community needs our support. Council has a role and desire to focus on the long-term wellbeing of our community. There is a need to enable residents to enter into a payment plan with Council to avoid penalties and to support our businesses as they are the vibrancy and lifeblood of our communities.

COVID-19 has meant loss of jobs in our community and Council is able to help businesses, with a genuine need, to restart after the long period of lockdown. Council needs to support and work alongside them. It is with urgency the retail and hospitality businesses need to be open for business. This will help with employment opportunities in our District.

Council is required to look at the economic and community wellbeing and the proposed initiatives are aimed at helping our communities, particularly the business sector to recover. Supporting the business sector as much as we can will support community health and wellbeing.

Initiatives that will help our community deal with COVID-19

This report introduces a comprehensive package of relief targeted to help those affected by COVID-19. The initiatives are separated into two parts and discussed further below.

Part 1

1	Use of targeted hardship relief / payment plan without penalties	$160,000
2	Use of rates postponement for financial hardship	
3	Bring forward capital investment	
4	Waive community lease costs and community loan interest for 6 months	$23,300
5	Hardship grants for those in hospitality Industries	$200,000
6	Hardship grants for other businesses	$325,000
7	Approve Fees and Charges with little or no change from 2019	$130,000

Part 2

8	Kaipara Mayor’s Taskforce for Economic Support and Recovery	
9	Reduction of the 2020/21 Annual Plan rates rise and therefore reduce the rates burden for all rateable properties	

Part 1

1 Targeted hardship relief/ payment plan

Council has current remission policies for “Financial Hardship” and for remission of “Penalties”.

Remissions of rates result in reduced income for Council that then must be funded from other ratepayers. It shifts the burden of rates and the Rates Policy is limited in that you have must have applied for the Government rates rebate scheme to qualify.

Staff currently promote the use of a payment plan to those who have hardship and apply the remission of penalties as per the current policy.

Council staff have answered approximately 35 calls a week from customers concerned about their rates. Some have cancelled their direct debit, but most have agreed to payment plans with the penalties being remitted. Staff will ensure no penalty occurs on the outstanding amounts as they have committed to an agreed payment plan, if it is paid off over the agreed period.

Council is unable to state all penalties will be removed universally unless it changes its policy which would involve consultation under Section 102(4) of the Local Government Act 2002. This requires the Council to consult with the community when adopting rates remissions or postponement policies. Sections 85 and 87 of the Local Government Act 2002 sets out the operational aspects of remitting and postponing rates (respectively), and states this must be done in accordance with an adopted remission or postponement policy.

Council will be promoting to all our ratepayers who are in difficulty, they contact us, agree to a payment plan, and staff will be flexible about required repayments. The key issue for Council is to make it timebound and the penalties will be remitted if the timetable is adhered to.

2 Rates postponement for financial hardship

Any rates postponement needs to comply with the Rating Policy. Council's policy covers individual homeowners only and although there is some administrative work regarding the application, it does allow the Council to add a postponement fee to the rates to be postponed and for the costs of a statutory land charge to be added ($850). The benefits to the ratepayer would be temporary and time limited. Council would obviously increase its borrowing in response to the postponement, and once the ratepayer has repaid it, then Council's debt will decrease. There are limitations with this policy as the ratepayer can't own a business or other property.

Council could investigate changing the policy to cover businesses and farms, but again this would require consultation with the community. These policies are part of the Long Term Plan (LTP) and best changed in that process.

Section 80 of the Local Government Act 2002 allows Council to make decisions inconsistent with its policies, but certain requirements must be followed detailing the inconsistency and the rationale. Staff would not recommend this as these types of decisions need to be well thought through, considered and cognisant of any unintended consequences.

3 Bring forward capital investment

Council is also looking at bringing forward investment in capital works, subject to the help of the government, to stimulate business and create jobs. Additional investment would aid recovery of our district. Parliament has authorised the Government to spend an additional $52 billion in the current financial year on capital projects that extend into the 2020/2021 year and potentially beyond. Successful projects must be ready to go within six months, be of benefit to the public, and be worth at least $10m in order to create jobs and support families. These projects may require consultation depending on the Council contribution to be made.

Our infrastructure team have proposed nearly $200m of projects covering Mangawhai Community Plan, Kauri Trail including Dargaville, Four waters and Transport projects. This ambitious package will help increase economic stimulus for our District and provide jobs for those who may be affected in the construction industry. A separate report itemising KDC's application has been seen by Elected Members.

The Government has yet to provide details on the successful projects or the funding details. Any capital projects will need to have maintenance and depreciation factored in, although bringing renewal expenditure forward should result in less maintenance. These Government funded projects are not included in the Annual Plan 20/21. More work will need to be completed if KDC is successful in gaining funding as any costs to Council have not been accounted for.

Council is also looking at grouping its own capital expenditure projects in larger packages to confirm work for the longer term. Doing this also makes it more attractive for tenderers.

4 Waive six months lease costs for community groups and community loan interest

Council has been approached by at least one of our lessees seeking to waive rent payments given the downturn in the economic climate and the business being closed. Council has several community non-profit leases and the cost for waiving six months is approximately $22,000.

This initiative would be mostly funded from this financial year, with the latter three months costs included in the Annual Plan 20/21.

The Mangawhai Museum has a loan with Council which attracts interest of 6%. This six month initiative would allow $1,300 of interest to be waived. This is the only community loan KDC has provided.

5 Hardship grants for those industries most affected such as hospitality and tourism $200,000 (Hospitality Fund)

As mentioned earlier in this report, our hospitality and tourism sectors are most affected. A hardship grant is being proposed as this helps our businesses in the short term and will help those retail businesses most vulnerable to be able to be open for business after lockdown. It is an overt subsidy to get our businesses through difficult times.

This would enable businesses that have imposed licenses/fees (liquor premises and managers fees, food and health compliance fees) to be paid by grants, after the businesses meets certain criteria. The Council would be paying the charges itself on behalf of the business that had applied for the licences. The impacts of this are provided at Table 3, below

Table 3 – Estimated numbers of licences and financial impacts of this initiative

	Number	Estimated revenue 19/20
Liquor licences	75	$86,000
Food and health licences	174	$140,000
Total		**$226,000**

The fund could be established from this financial years' budget to a limit of $200,000 and would be targeted to hospitality and tourism industries. It would be distributed in both this and the following year. The fund would be administered by the Chief Executive and a summary of grants provided would be reported to Council to provide transparency.

Section 14 of the Local Government Act 2002 requires transparency. The approach would ensure the process was open and transparent to our communities and will be funded from 2019/2020 year which is showing a positive operations variance against budget.

There is a risk the business may not be successful in this climate, but the primary concern is attempting to support the business at the moment.

This initiative also mirrors the Ministry for Primary Industries (MPI) who also advised they are waiving the fee they charge to businesses.

6 Hardship grants for other businesses impacted $325,000 (COVID-19 Agility Fund)

Again, this grant is proposed to help our businesses in the short term. It is an overt subsidy to get our businesses through the difficult times

This fund is targeted at:

- Commercial and industrial businesses (482) which meet criteria to apply for grants to offset against rates due over the next year.
- Campsites (on Council land) for relief of lease if hardship/loss is proven/criteria met.
- Sporting and community groups (57) where rates are paid.

- Hospitality and retail businesses to enable them to consult professional advice on their business up to $1,000. Any assistance we can provide to get hospitality and retail business open and being viable is worthwhile.

The aim is to support businesses in our communities with a genuine need to return to running a vibrant business.

This fund would be created in this financial year to be distributed in both this and the following financial year. The fund would be administered by the Chief Executive and a report would be reported to Council of the use of the fund to provide transparency. This will be funded from the operations budget of 2019/2020 year which is showing a positive variance against budget.

The criteria for qualification will be determined by the Chief Executive, who will consider

- an appropriate level of financial assistance
- the evidence required to demonstrate hardship to ensure it reaches the intended recipients
- the ease of application (online and evidence uploaded)

7 Approve Fees and Charges with little or no change from 2019 $130,000

Council could approve similar fees and charges to the 2019 year instead of increasing them. The cost of this initiative is approximately $130,000 in reduced income against what had been planned in the Fees and Charges to be included in the 2020/21 Annual Plan. The Fees and Charges will be addressed by Council in a separate paper on this agenda.

Most of the above proposals for relief are already provided for by our policies, and there are no additional costs proposed as a burden to the Annual Plan 20/21 with the exception of additional interest as a result of increased debt, and less income due to the changes to the intended Fees and Charges for the next financial year.

Significance and Engagement on Part 1

These initiatives are not considered significant under Council's Significance and Engagement Policy, however, because new grant funds have been created it is prudent to engage with our community to ensure they support the purpose these are being created for. Section 78 of the Local Government Act 2002 states consideration needs to be given to the views and preferences of those affected. These are not significant funds in themselves so engagement could be fairly agile as this support is urgently needed by our communities.

Part 2

8 Kaipara Mayor's Taskforce for Economic Support and Recovery

In response to the COVID-19 and drought situation, the Mayor launched the Taskforce for Economic Support and Recovery at the beginning of April. The initiative was created because Kaipara people and businesses have been hard hit by the situation and Kaipara District Council has a role in helping to lead the re-stimulation of the local economy and reactivate communities and businesses as quickly as possible.

The Taskforce will network, advocate, inform, support and work together with others in the District and beyond, to lead Kaipara communities through the next six to eight months or so. A website has been launched which provides more information, including the Taskforce Toolkit and will continually be updated as the work of the Taskforce develops, at https://www.kaipara.govt.nz/taskforce.

9 Reduction of the 2020/21 Annual Plan rates rise and therefore reduce the rates burden for all rateable properties

Draft 20/21 Annual Plan

The Council had approved preparation of the Annual Plan 20/21 and agreed on a 5.49% rate increase on last year's Annual Plan, which meant the level of services was not reduced, and there were positive outcomes for our community. The rate of increase was higher than that provided for in the LTP 2018/28 of 4.83%.

It was recognised Kaipara District is in high growth and Council is now looking to provide amenities for its residents and to ensure the renewal and management of assets is adequately provided for. Provision has also been made for a capital expenditure programme of $28 million which includes some of the Kaipara Kickstart programme that will not be completed by June 2020. This programme is largely funded from external sources.

The Local Government Cost Index (LGCI) rate which relates to funds spent on maintaining operating assets stands at 2.2%.

Service levels

Reducing the rates below 5.49% increase, may affect levels of service.

Council needs to maintain momentum on economic recovery for our community. Service provided to the primary industry or construction sector will not be reduced. These are:

- improved processing of consents
- planning and development of projects
- operations of critical infrastructure
- improved response to customer calls.

Month calls answered	Time to answer average call
March 2018	5 mins
March 2019	60 sec
March 2020	35 sec

The Council has improved its service markedly since the last term of elected members and costs have increased for this to happen.

- improved relationships with iwi
- improved connection and collaboration with the community
- improved collection of outstanding debts as reported to Audit and Risk
- improved animal control
- improved planning for the community and becoming less reactive.

The Council has seen the benefits of this additional resource in many other areas over the last few years with:

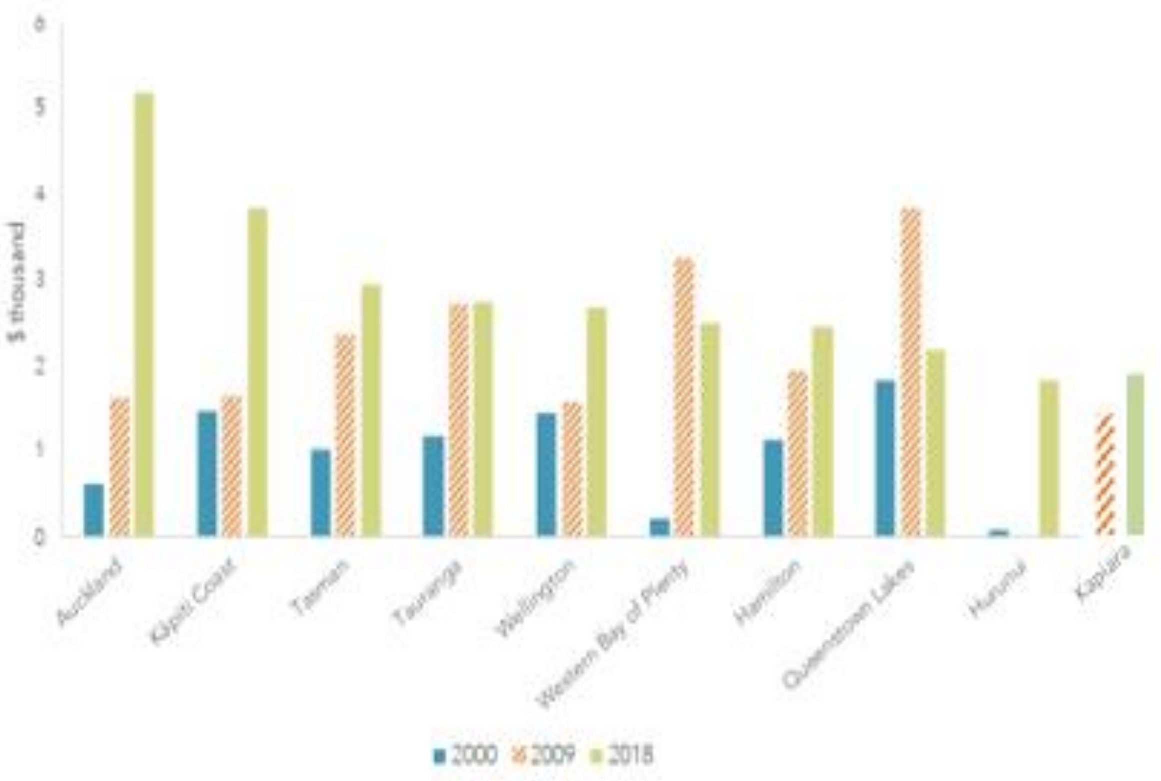
- rates collection underway
- feedback on improved community engagement
- IT projects being delivered
- spatial planning underway
- better capital management and delivery
- improved reporting and governance administration.

The ratepayers most affected by the rate increase will be those with the higher land value. This is because KDC bases the allocation of general rates on land value.

There will be employees and programmes in each area that influence the general rates. The largest area paid by general rates is roading. Council has been generous in its funding of IT projects of which a third are funded by general rates.

Debt

Debt at 30 June 2019 was $45 million. The LTP estimated debt to be $46 million at the end of June 2021. The proposed Annual Plan 2020/21 forecasts debt to be at $52 million. There is an increase in capital works each year and the Council will fund these works via a $2 million - $4 million increase in debt each year. Council is well within its debt ratios required by the Local Government Funding Agency (LGFA) and its own Treasury Policy ratios and is conservative compared to other Councils experiencing district growth. The impact of COVID-19 is likely to increase our debt by an additional $4 million - $56 million.



Source: Stats NZ, 2018b, 2019c.

The budget increase of 5.49% included several increases

This included increase in costs, some of which have been outside of Council's control, such as:

- insurance
- health and safety costs
- food health compliance
- Elected Members remuneration increases.

Several other increases had occurred and were included in the 5.49% such as:

- Te Roroa grant
- software licences
- recruitment costs
- communication costs.

Further mitigation of the increases involved:

- reduced spending on the District Plan of $250,000
- reducing emergency works of $100,000
- reduction in vacant staff positions of $195,000
- harvesting forestry which was a one-off revenue of $200,000.

Council also made the decision not to increase funding for depreciation on its key assets from 86% to 100% planned in the LTP, which equates to a $150,000 reduction.

Recent events - the world has now changed with COVID-19

Council wishes to demonstrate leadership in this space by considering options for reducing rates, providing targeted support to our community and giving stimuli to economic recovery.

Central Government has taken the lead to maintain employment and put more funding in to support the economy by borrowing. This could be part of Council's strategy, but like the Government, one day this will have to be paid back. Unlike other businesses, there is currently no financial support being offered to Councils to offset costs. Section 101 of the Local Government Act 2002 states "A local authority must manage its revenues, expenses, assets, liabilities, investments, and general financial dealings prudently and in a manner that promotes the current and future interests of the community."

Council only has certain costs it has control of to reduce the general rate. These are:

- Information Technology
- Iwi/customer service/support staff/ Elected Members
- community services/District Plan
- parks/reserves expenditure
- roading expenditure
- some employee costs.

The largest areas are roading, District Plan and Information Technology.

In these options, no changes have been made to any targeted rates as it is assumed improvements to infrastructure should continue as Kaipara does not want to go backwards in terms of renewal expenditure.

These figures don't consider any economic stimulus package for capital works or accelerating expenditure as we do not know the details yet. There could be costs as well as capital contributions to projects; however, this is unknown at the moment.

The Auditor General has signalled that he is comfortable with Councils borrowing and leveraging off strong balance sheets. Council's use of debt is well within its ratios and Council is in a strong position to borrow more. Staff investigated this but are aware that the Council does not want to borrow for operational expenditure.

Staff looked at utilising debt to fund the rates increase but this would mean Debt being increased by up to $2 million - $4 million. The interest and loan repayment on this amount are not significant. Council is required to have a balanced budget and in borrowing for operations may not meet this criterion set in legislation. This could be legally challenged as the provision is not in our Revenue and Financing Policy; although it is in our Treasury Policy.

The annual cost of borrowing $2 million and repaying over twenty years at 4% would be around $150,000; or interest only on $4 million is $160,000.

Council will also have to finance the downturn in debtor's payment from those finding it difficult to afford rates. This is likely to be another $2 million to $4 million to finance. Staff have discounted this, as Elected Members have indicated they would not like to increase debt.

Staff looked at all activity costs.

A contract has been signed with Northern Regional Council (NRC) to lease part of a new building for approximately $300,000 per annum in Dargaville. NRC have advised there are long term benefits to both Councils that far outweigh short term impacts. NRC are trying to accelerate the project to aid employment. The project is currently out for tender and NRC management are hoping to start construction prior to June 2020. NRC saw the new build as being an economic stimulus for Dargaville. In addition, there are likely to be costs associated with reneging on the contract and remaining in our current building would require further expenditure on remedial works of $1 million and other works of around $2 million as set out in the report presented to council in 2019.

Council indicated it is concerned with the cost of consultants. In some areas such as capital projects the use of consultants is key, as we need them to do design work and they are experts in their fields, and we don't have the skills internally. In other areas where work will reduce, consultants' contracts are being terminated. Consultants are also being reduced as building and resource consent volumes indicate a slight downturn. Casuals and fixed term contracts are also being reviewed.

As part of cost cutting measures Council has provided for a salary freeze for all its employees for a year to ensure as many current jobs can be supported as possible, and to minimise costs to ratepayers.

Council asked staff to provide information on reducing the impact of the increases in the general rate based on land value, through increasing the Uniform Annual General Charge (UAGC). This amount is set by Council and each ratepayer contributes that set amount as part of their rates for the year.

If the UAGC was increased by 5% or $36 to $764, the change would help ratepayers with larger land parcels, as the balance of the general rates is spread on land value. Local authorities can raise revenue from fixed rates (both UAGC and targeted); as stated in Section 21of Local Government Rating Act, the cap limit is 30**%**

Summary of options examined

Staff have investigated several options for the 20/21 Annual Plan. Table 4 below is a summary of these options.

Table 4 – Summary of options for the 20/21 Annual Plan

	Option 1	Option 2	Option 3	Option 4	Option 5
Level of rates (with growth of .5%)	**5.49%**	**4.83% (LTP)**	**4%**	**2.2%**	**0%**
Savings Itemised (,000) NB includes interest, drop in fees and consultation costs					
Reduce NRC water storage as pay in 2019	100	100	100	100	100
Staff, wage freeze, training, operating hours	66	181	322	695	1,118
Reduce roading-local share(total)			130 (333)	300 (769)	661 (1,438)
District Plan		105	105	205	205
IT capital ($460 debt)	144	144	144	144	144
Legal Services	130	130	130	130	130
Elected Members Training		20	20	20	20
Total to reduce	**$440k**	**$680k**	**$951k**	**$1,594k**	**$2,378k**
Level of Service affected	Minor	Minor	Minor	Significant	Significant
Consultation needed	None	None	Minor	Significant with $46k consultation	Significant with $46k consultation

Option 1

Council retain the 5.49% general rates increase previously approved.

Services will be at a level acceptable to the community and provide for growth.

Level of service reduced is mowing of berms.

Risks and Mitigations

- There is a risk that Council is being unresponsive to the impact of COVID-19 on its community.
- There are financial cash flow risks given the Council may need to increase its borrowing by an estimated $4 million based on 10% of ratepayers not being able to make payments.
- There is the risk that a greater number of ratepayers are affected, and the Council must borrow more.

Option 2

Council approves the 20/21 Annual Plan be prepared based on a general rate increase at the level set out in the LTP of 4.83%.

There are now additional costs to cover in terms of interest and loss of fee income which now means trimming costs to get to the rate proposed in the LTP.

Level of service reduced is mowing of berms. The District Plan is likely to be pushed out a year.

Risks and mitigations

- There are financial cash flow risks given the Council may need to increase its borrowing by an estimated $4 million based on 10% of ratepayers not being able to make payments.
- There is the risk that a greater number of ratepayers are affected, and the Council must borrow more.

Option 3

Council approves the 20/21 Annual Plan be prepared based on a general rate increase of 4%.

This is the recommended option as Council has endeavoured to reduce costs and the changes proposed won't need to be consulted on as they are not a large departure from the original LTP nor significant. There are now additional costs to cover in terms of interest and loss of fee income.

Level of service reduced is mowing of berms. The District Plan is likely to be pushed out a year and some roading projects may be reduced.

Calculations have been completed for a UAGC of $728 (current) and $764 (proposed) – see Attachments B and C.

Risks and mitigations

- There are financial cash flow risks given the Council may need to increase its borrowing by an estimated $4 million based on 10% of ratepayers not being able to make payments.
- There is the risk that a greater number of ratepayers are affected, and the Council must borrow more.

Option 4

Council approves the 20/21 Annual Plan be prepared based on a general rate increase of 2.2% in line with the Local Government Cost Index (LGCI) which is 2.2%.

This only covers inflation on the business as usual but does not provide for new asset replacement or growth. There are now additional costs to cover in terms of interest and loss of fee income which now means trimming costs to get to the rate proposed in the LTP. Cost cutting will see a degradation of services.

The change would require a consultation process to be undertaken.

Risks and mitigations

- There will be a significant impact on services as Council may not be as responsive as currently and there could be increased customer complaints.

Option 5

Council approves the 20/21 Annual Plan be prepared based on zero rates increase with reduced services.

This option will significantly reduce services and would not enable us to facilitate recovery for the Kaipara District in a timely way. This only covers inflation on the business as usual but does not provide for new asset replacement or growth.

The reduced level of service will include the mowing of berms, roading works deferred and staff and services would be reduced. Most of our employees live in the District and Council is one of the largest employers so any redundancies would cause local economic issues and would impact on our ability to provide support for economic stimulus.

Currently the District Plan is anticipated to be replaced in 2-3 years. This option would delay this by another 2-3 years.

The change would require a consultation process to be undertaken.

Risks and mitigations

- This would impact our current level of services in many areas.
- There will be an impact on services as Council may not be as responsive and there are likely to be increased customer complaints. The message has to be clear that we are reducing rates to ease the financial burden, but this has meant services have to be reduced.
- Council will need to consult on this. Consultation may not be able to be completed prior to the 30th June when rates should be ratified for the following year, in accordance with legislation. This can be delayed for a short time but becomes problematic if the Annual Plan has not been approved before the first rates instalment is due.
- This is likely to be a significant change from the LTP and will require auditing and an amendment to the LTP.

Significance and engagement/Hirahira me ngā whakapāpā

Depending on the option chosen for the Annual Plan 2020/21 and the significance of that option there may need to be some engagement/consultation completed. Under the recommended option 3 consultation would not be required.

Next steps/E whaiake nei

Prepare the Annual Plan 2020/21 based on option 3 with a UAGC of $764.

Bring the results of engagement with the community on the relief package back to Council for approval.

Attachments/Ngā tapiritanga

	Title
A	Attachment A_Economic Effects on the Kaipara District
B	Attachment B_Sample properties 4p increase UAGC 728
C	Attachment C_Sample properties 4p increase UAGC 764