



**Far North
District Council**



Te Kaunihera o Tai Tokerau ki te Raki

AGENDA

Supplementary Reports Assurance, Risk and Finance Committee Meeting

Friday, 22 May 2020

Time: 1:00 PM - 4:00 PM
Location: To be held electronically
via TEAMS

Membership:

Cr John Vujcich - Chairperson
Mayor John Carter
Member Bruce Robertson
Deputy Mayor Ann Court
Cr Mate Radich
Cr Kelly Stratford
Cr Moko Tepania

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1 INFORMATION REPORTS

1.1 FINANCIAL IMPACT ASSESSMENT - COVID -19

File Number: A2887172

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PURPOSE OF THE REPORT

To provide information to the committee on the financial impact of the COVID – 19 Alert Level 4 and 3 closure.

EXECUTIVE SUMMARY

- On Wednesday 25 March 2020, the Government moved New Zealand to Alert Level 4 and instigated a total shutdown of all non-essential businesses.
- A gradual closure of businesses within the district had already started as a result of the border closures and the impact on tourism-based companies/suppliers.
- Movement to Alert Level 3 did not significantly change how the economy worked and concerns remain in terms of income that may be expected.

RECOMMENDATION

That the Assurance, Risk and Finance Committee receive the report Financial Impact Assessment - Covid -19.

BACKGROUND

On Wednesday 25 March 2020, the Government moved New Zealand to level 4 and instigated a total shutdown of all non-essential businesses. A gradual closure of businesses within the district had already started as a result of the border closures and the impact on tourism-based companies/suppliers.

Staff have received contact from the community in relation to cancellation of direct debit payments and payment options as a result of the impact on their personal circumstances. There has also been contact from customers who rent property on a commercial basis seeking help to manage their finances during this period.

At the start of the COVID-19 pandemic alerts, Council increased borrowing by \$10m by taking a short-term loan from LGFA. This is re-payable on the 23rd June 2020. At the same time, staff increased the amount drawn on the floating cash facility to \$19m, leaving head room of only \$1m.

At the 9th April Council meeting, Council approved an application to increase the floating cash facility by \$10m and at the same time, increase the overdraft facility to \$10m. The documentation to action this has been signed and is with the bank for action.

At the 12 May 2020, Council had cash funds in the bank of \$9.95m.

DISCUSSION AND NEXT STEPS

At the Council meeting of 9 April 2020, Council approved a package of support for customers:

That Council as interim measures, pending further Council amendment:

- a) *Approve the following actions be taken on a case by case basis in relation to rates, water and rental payments affected by the COVID-19 level 4 shutdown:*
- a. *Remit penalties on rates and water accounts if the customer meets current policy criteria;*
 - b. *Provide delayed payment options for up to six months (or two rates instalments) for customers using the following criteria:*
 - i. *Commercial (Non-residential) customers*
 - 1. *A 30% reduction in revenue; or*
 - 2. *Qualification for a Government support package; or*
 - 3. *Qualification for a mortgage “holiday” from the bank.*
 - ii. *Residential (owner/occupied) customers, where the property is the residence*
 - 1. *Evidence of loss of employment; or*
 - 2. *Payment from an employer under the government support package;*
or
 - 3. *Qualification for a mortgage “holiday” from the bank; and*
 - iii. *For lease/rent payments under an ADLS lease with clause 27.5 a “fair proportion” of rent not payable be determined case by case*
 - iv. *That the same proportion apply to other lease payments where the customer can show a COVID-19 shutdown related drop in income.*
 - c. *Payment plans must be entered into with the Debt Management team and be maintained throughout the shutdown and beyond;*
 - d. *Any actions approved would only be available to customers who are not in arrears with Council as at 1 July 2019 (arrears are determined as more than 1 instalment owing).*

Information detailing the number of customers receiving support is included in the Revenue Recovery report on a quarterly basis.

At the time of writing, Council had received 157 contacts from customers of which 117 (75%) had been responded to. Most of these contacts have come from Kerikeri, Paihia, Kaikohe and Kaitiaia

To date, customers have requested a mixture of new, amended and cancelled direct debit payments. There have been 74 new payment arrangements agreed, 26 have requested an amendment to an existing direct debit which is below current rates easy pay levels, and 24 have asked to fully cancel a direct debit.

Comparisons are currently being made to dishonour levels (this is where a direct debit payment is declined by the bank) as well as income receipting levels.

For the same eight week period (from the start of lockdown to date), dishonours have increased by 45% from \$18k to \$26k. Rates income for the same period is showing a downward trend of \$1m (12.75%). Council is currently struggling to get cheque payments diverted from the NZ Post mailbox to council staff for receipting. These are payments that we have not processed, and this will be part of the \$1m.

The same receipting analysis shows that income from fees and charges relating to Building consents and Resource consents is down \$138k (46.15%). This is not significant in monetary terms but could continue to decrease dependent upon how COVID-19 affects customers plans.

The 4th rates instalment is due on the 20th May and it is at that point that the real shortfall in rates income will become apparent.

FINANCIAL IMPLICATIONS AND BUDGETARY PROVISION

Financial implications are within the body of the report.

ATTACHMENTS

Nil