

COVID 19 Statement

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.

Early into lockdown, staff were receiving significant contact from the community attempting to cancel direct debit payments because they were, at that time, unsure of their future financial circumstances. There has also been contact from customers who rent property on a commercial basis seeking help to manage their finances during this period.

Revenue for rates, water and rental payments are key to Council being able to continue to meet its obligation to provide essential services such as water, wastewater and community services such as public toilets. In past LTP reviews it has been suggested that FNDC's reliance on rates should be reviewed and other funding sources identified. However, the fact that Council does have a high level of rate income has actually transpired to be a positive – with other income sources generally holding well.

Rates and water charges

Council has policies to address any circumstances where a remission or postponement of rates is required. In the case of COVID-19, there is a policy for the remission of penalties on rates and water accounts and this was applied if the ratepayer made an application.

Council has a "Rates Easy Pay" scheme that provides for ratepayers to spread payments over a maximum period of 2 years. Providing that payments are made; penalties are not charged.

Staff worked with customers who were requesting to cancel direct debit payments to reduce the amount on a direct debit rather than cancelling it. This was both to maintain payments to avert a significant arrears value being created and to minimise the impact on the ratepayer as once a direct debit is cancelled, the bank freezes the ability to re-instate it for 12 months.

Lease/rental charges

Council has no policies in relation to tenants of Council buildings.

There are currently 31 properties leased to individuals or organisations. Of these, 7 were on the new ADLS lease and had the section 27.5 clause concerning "No access in an Emergency"

No Access in Emergency

- 27.5** If there is an emergency and the Tenant is unable to gain access to the premises to fully conduct the Tenant's business from the premises because of reasons of safety of the public or property or the need to prevent reduce or overcome any hazard, harm or loss that may be associated with the emergency including:
- (a) a prohibited or restricted access cordon applying to the premises; or
 - (b) prohibition on the use of the premises pending the completion of structural engineering or other reports and appropriate certifications required by any competent authority that the premises are fit for use; or
 - (c) restriction on occupation of the premises by any competent authority,
- then a fair proportion of the rent and outgoings shall cease to be payable for the period commencing on the date when the Tenant became unable to gain access to the premises to fully conduct the Tenant's business from the premises until the inability ceases.

This suggests that the tenant does not have to pay a "fair proportion" of the rent and outgoings for the period they are unable to conduct business.

Council is also a tenant in 15 properties and the above clause features in 5 of the leases.

Council agreed to reduce rent for affected businesses that met the criteria by 60% for 3 months with a review following that. Overall, the impact on Council was less than \$50k

Payment holiday

Council allowed ratepayers who had a previously good payment record to take a payment “holiday” for the May 2020 payment. This was then spread over a period of time under the rates Easy Pay options. There were criteria as follows:

Commercial ratepayers:

- a) A 30% reduction in revenue; or
- b) Qualification for the Government support package; or
- c) Qualification for a mortgage holiday from the bank.

Residential ratepayers:

- d) Evidence of loss of employment; or
- e) Payment from an employer under the government support package; or
- f) Qualification for a mortgage holiday from the bank; or
- g) Means testing using a simple income and expenditure review.

For the lease/rent payments a similar process was used.

Council considered 2 options

Option 1.

Provide support for customers on a case by case basis by

- h) Remitting penalties if required
- i) Arranging a rates easy pay plan that allows for the delayed payment of the May instalment but can encompass the July instalment if required.
- j) In the case of seasonal tourism activities, arrange a seasonal payment plan if necessary, to allow the business to recover from the tourism impacts of border closures.

Staff recommend this option

Option 2.

Do nothing and allow the penalties to stand as charged if payment of any instalment is missed. Do not provide any additional flexibility in the rates easy pay scheme and do not provide for seasonal payment plans for tourism related activities.

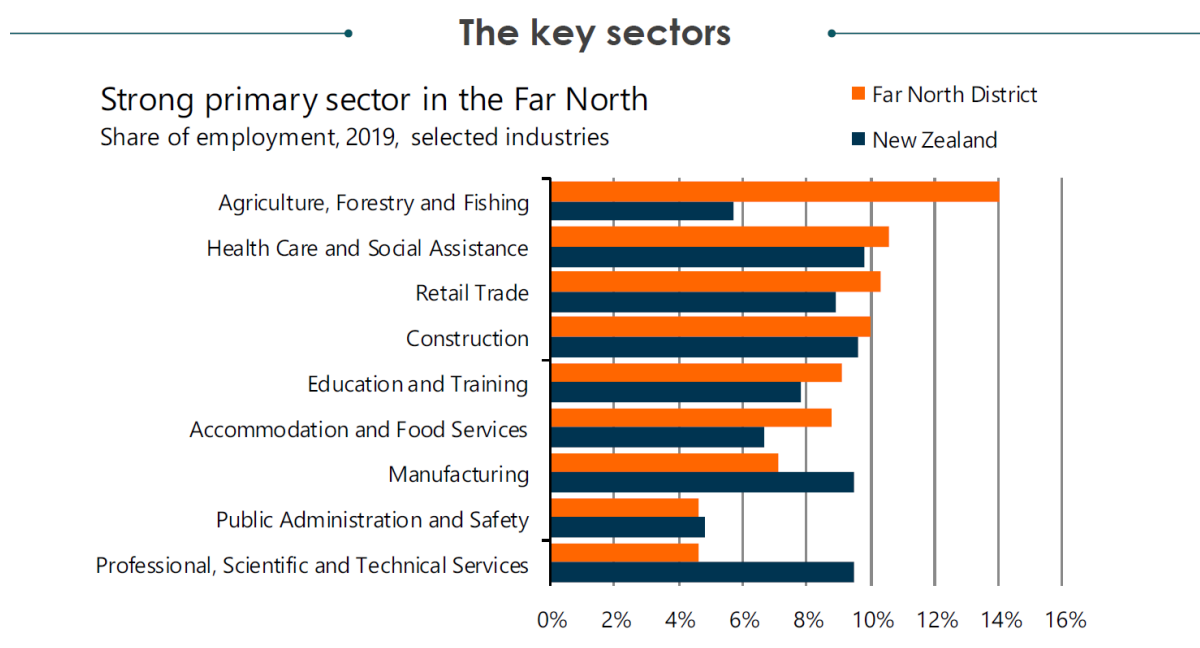
Staff do not recommend this option.

Infometrics information for September 2020 was:

Far North District - quarterly overview by Infometrics

The Far North economy bounced back in the September quarter as industries continued to build momentum post-lockdown. Economic activity in the September quarter was up 2.6% per annum in the Far North, limiting the decline in year-end growth to -1.8% per annum, according to provisional estimates from Infometrics. Local households have proved resilient in the face of COVID-19. Consumer spending rose by 19.2% per annum in the September 2020 quarter, according to Marketview data. The post-lockdown surge in spending in the Far North was the third highest rise across the two-thirds of the country we monitor. Part of this rise in spending is also down to a still growing population. Health enrolments in the Far North rose 2.1% per annum in the September quarter, the 14th highest rate of growth throughout the country. The Infometrics Local Economic Insights Dashboard confirms this growth, with a sustained rise in broadband data use in the Far North. With additional demand, house prices have risen strongly, up 6.8% per annum. However, construction activity has softened in recent quarters, with a 25% fall in residential consents over the 12 months to September 2020. Non-residential construction has also softened, down 23% per annum over the same period, although work on major projects continues. Tourism activity has suffered a less severe hit than in other parts of the country. Tourism spending in the Far North is down just under 4% over the 12 months to September, compared to a 17% per annum hit nationally. Domestic tourism has proved a strong area of focus, but without cruise ships over the summer, tourism activity will still be constrained. The economic hit due to COVID-19 remains strongly felt by some households. Jobseeker Support recipient numbers have risen by just over 1,200 from last September, a 27% per annum rise. However, this rise is less substantial than the 43% per annum national rise. The less severe economic hit and comparably lower job losses have been supported by solid performances from the primary sector. Exports are holding up well, all things considered, with dairy expected to earn the district \$157 million in the current season. However, concerns around drought over the summer will be important to monitor.

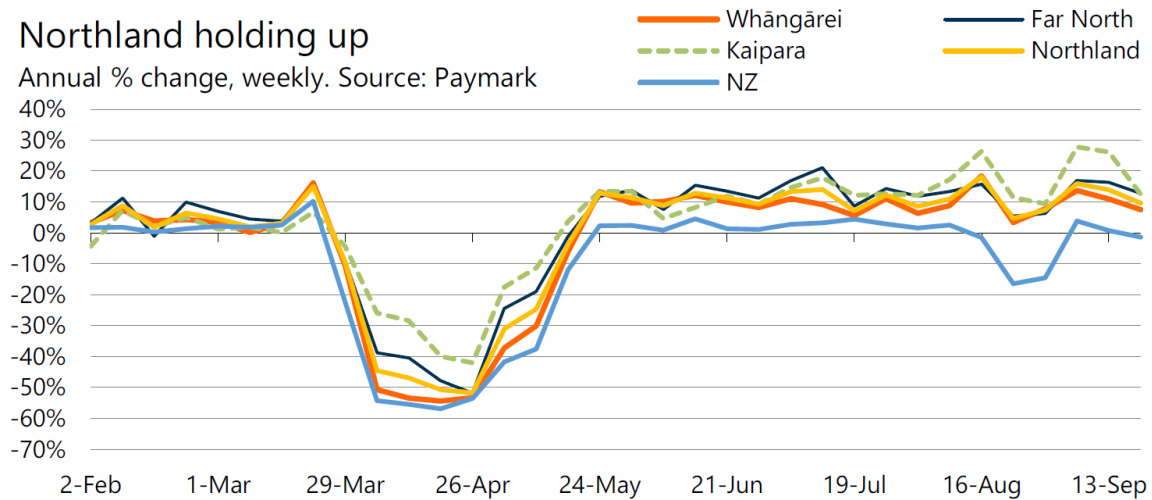
Information from Brad Olsen in October 2020 provided the following indicators



How's Northland doing?

Northland holding up

Annual % change, weekly. Source: Paymark



As a direct result of the recent case identified in Northland additional information was provided as follows:

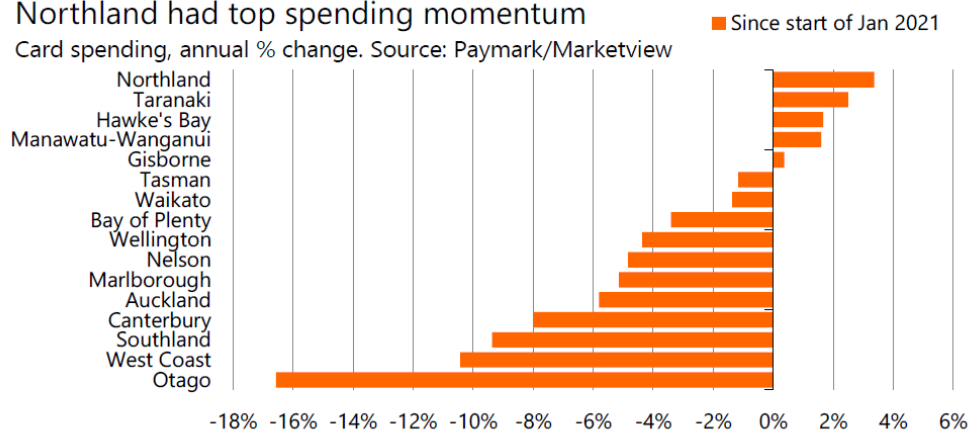
Northland economy remains resilient

- Northland has the highest annual increase in spending across New Zealand for the January month so far. Regional spending so far in January 2021 is up 3.4%pa on average from a year earlier – (see **Graph 1**).
- We expect the current case to knock back spending and general economic momentum, including reduced local tourism activity for a period.

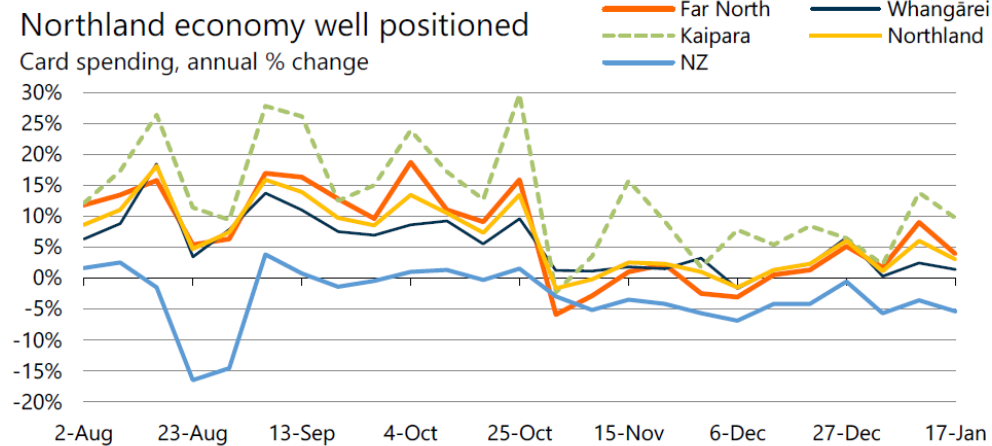
Graph 1

Northland had top spending momentum

Card spending, annual % change. Source: Paymark/Marketview



Graph 2



Far North actions

- In order to track the potential impact on Council, a tracking mechanism was put in place to compare income being received from the start of lockdown to the same period in the previous year. This has been continued and over the 46 weeks rate income has increased over last year by \$1.1m. A portion of this is due to the reactivation of debt collection protocols in January 2021. Overall, rate income held steady for FNDC as ratepayers generally opted to spread payments on a monthly basis rather than take advantage of the payment holiday option.
- Council also took advantage of the funds offered by Central Government and made bids against all packages. The bids ranged from support to establish a dog pound in the south of the region to sealing of a major tourist route. In order to ensure delivery of the projects, staff were seconded to a specialist delivery team that was able to engage with external consultants to project manage delivery within the specified timeframes. To encourage the creation of job opportunities, information and training sessions were held with Tier 2 and 3 suppliers to encourage them to become Site Safe accredited and bid for work that they would not normally have considered.

CEO "Weekender" 27 November 2020

Support for Māori business is trailblazing

The support the Council is giving to Māori-owned companies, so they can bid for infrastructure contracts, is trailblazing, according to the Ministry of Māori Development, Te Puni Kōkiri. The Council and health and safety accreditation provider, SiteSafe, are working with 28 local and mostly Māori-owned businesses that are keen to tender for Council infrastructure projects, including projects funded by the Government's COVID Response and Recovery Fund. Council and SiteSafe staff met with these businesses last week to discuss how they can help them to become approved Council contractors for these projects. Te Puni Kōkiri says the work the Council is doing is leading the way in New Zealand.



Opportunities: North Drill Ltd co-owner Bronson Murray was among the Māori contractors who attended a forum in Kaikohe in October. [Click here to watch a YouTube video about the forum.](#)

North Drill Ltd co-owner and manager Bronson Murray was among Māori business owners who attended a forum the Council organised for contractors in October. At the time, he said his company had the capability to undertake some of the work the Council was planning to tender. However, it would benefit from support on how to tender for contracts. "I suppose all we need is maybe for the Council to come half way and give us a hand to get across that bridge." Most of his staff are aged from 15 to 20 and all of them are Māori. "A lot of them have come from unemployment. All we need is the work. We can hire more people, train them and upskill them. North Drill also wants to support broader social outcomes in its workplace. "We are looking for longer outcomes like financial literacy, home ownership. All that sort of stuff."

The range of work, which spreads across the activities of Council, has meant that the supply chain has been sound.

- The housing market in the Far North is strong and application fees for consents and licenses is showing an increase of \$1m over the same period last year. Building and Resource Consents both showed a slow down as a result of the lockdown and the subsequent few months. However, this has been short term and applications for consents and LIM's are now at an all-time high.
- The I Sites have not fared as well. Over the same period that rates have held, I Site income has dropped \$1m of which \$100k (FNDC's commission) would impact FNDC directly. This indicates that people visiting the area have not been using the I Sites for bookings over the summer period but have booked directly with the provider. Actual visitor numbers over the summer period have been high, with TV1 News advising, just before Christmas, that there was no accommodation in the Far North for the coming holiday period.

All of the above information has been used to create the significant forecasting assumptions for the 2021 – 31 LTP. The risk has been established as "low" as the indicators that other Councils are seeing are not present in the Far North. The future state for Council is not expected to differ dramatically from the position we see now. The LTP has therefore been prepared on a "steady as we go" approach.