

COVID-19 *Response Strategy*

14 MAY 2020



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Purpose of this strategy

The purpose of this strategy is to outline Whangarei District Council's response to the impacts of COVID-19. The strategy will provide an overview of the likely impacts on the Whangārei economy, and in particular sectors likely to be hardest hit and take the longest to recover. The strategy will then set out key tools which Council can use to support the recovery of our local economy. Finally, the strategy will provide a framework of actions which are integrated across the various functions and responsibilities of Council.

Scope

The impacts of COVID-19 will be wide ranging and affect our community in different ways. The severity and duration of the impacts will also be varied. We are still in the early stages of understanding what these impacts might be and how they will impact our community. Global and national response is ongoing and policy announcements are being made daily. Therefore, this strategy should be treated as a living document which can be amended to respond to new or changing external factors.

For the purpose of this strategy it is important to outline what is in scope:

- interface between Council and the business community in the District
- levers that Council can pull to enable economic recovery in the District
- medium-term and long-term actions

The scope of this strategy is focused on economic recovery and our local businesses. However, the strategy acknowledges the link between the well-being of businesses and our community well-being.

The following matters fall outside of the scope of this strategy:

- responses included the 2020-21 Annual Plan
- health impacts of COVID-19
- WDC's organisational transition out of lock-down
- functions or responsibilities of other agencies and organisations, e.g. central government

The strategy will inform ongoing decision making by Council. Medium-term and long-term actions will be implemented through the 2021 – 31 Long Term Plan (LTP). The direction of this strategy will inform the strategic direction and vision of the LTP and our other key strategies and policies.

Overview of the COVID-19 impacts on businesses in Whangārei

INTRODUCTION

COVID-19 will have severe and wide ranging impacts on our economy. Government and economic commentators acknowledge that this is a fast-moving event, with economic outlooks changing far more frequently than compared to our last economic downturn, the 2008 Global Financial Crisis.

It is also important to note at this stage that there is general consensus across government and economic commentators on the extent of the short-term impacts on our economy, but there are differences on the forecasting of how quickly (or not) the economy recovers. An example below is given by Infometrics:

By March 2022, we expect quarterly GDP to be still 6.6% below its December 2019 level. In comparison, the trading banks' forecasts for March 2022 range from BNZ's prediction of 7.0% smaller to Westpac's rosy outlook of 3.2% bigger. Forecasts of the unemployment rate also capture this spread: we are picking a 9.4% unemployment rate in March 2022, compared with a range of 8.4% (BNZ) to 5.2% (Westpac) for the trading banks.

Within this context, this strategy gives an overview of the impacts for Whangārei, based on the best available information. The identification of impacts is based on official information releases from central government, expert economic analysis provided by external resources and research undertaken of the impacts from the 2008 Global Financial Crisis. The key areas for focus in this analysis includes:

- recession and unemployment
- district growth
- tourism
- housing
- general business
- construction, manufacturing and logistics
- government reform and decision making
- local government

The New Zealand economy has experienced a consistent level of growth throughout the last 10 years. In 2018, the GDP for New Zealand increased by 3.2% while in comparison, Whangārei District experienced an increase of 2.6%.

2019 Snapshot of Whangārei prior to COVID-19

INDICATOR	WHANGĀREI	NZ
Population 2019	96,000	4,917,000
Population increase (2013 – 2018 census)	+18.1%	+10.8%
Dwellings	37,887	1,855,962
Dwellings increase (2013 – 2018 census)	7.7%	6.2%
Ethnicity (note people can identify with more than one ethnicity)	80% European/Pakeha 26% Māori 3.5% Asian 2.9% Pacific Peoples 2.0% Other	74% European/Pakeha 14.9% Māori 11.8% Asian 7.4% Pacific Peoples 1.7% Other
Age profile	21.2% 0 - 14 Years 11.4% 15 - 24 Years 47.6% 25 - 65 years 19.7% 65 years +	19.3% 0 - 14 Years 13.8% 15 - 24 Years 51.6% 25 - 65 years 15.3% 65 years +
Average household income	\$92,100	\$104,400
Median house price	\$497,438	\$585,000
Change in house price (2009 – 2019)	+55.1%	+50%
GDP by key industries	\$551M Manufacturing \$368M Healthcare \$298M Construction \$261M Forestry \$216M Retail \$195M Agriculture	\$26,976M Manufacturing \$15,844M Healthcare \$16,895M Construction \$11,338M Agriculture \$14,290M Forestry \$12,285M Retail
GDP per capita	\$48,790	\$58,807
Unemployment rate	4.5%	4.2%
Labour force participation	66.1%	70.2%
Deprivation index	6.4	5.4

IMPACT 1: RECESSION AND UNEMPLOYMENT

Economists and governments across the world and here in New Zealand have reached consensus that COVID-19 will cause a recession (commonly defined when GDP growth rate is negative for two consecutive quarters or more), particularly for countries where their economies were already contracting, such as Japan, Germany and France. Even in more buoyant economies such as China, USA and New Zealand, there are strong signs of recession.

The impact of COVID-19 and related response measures on the New Zealand economy is still evolving. To support decision making, the New Zealand Treasury has developed an Economic Response Document with a range of scenarios to reflect this uncertainty. This Treasury Report provides a series of different estimations of the New Zealand economy's direction depending on the longevity of the COVID-19 response from Central Government. The report provides information on the economic outlook that will support the direction of medium-term policy. The Treasury have fully acknowledged the economic impacts of COVID-19 are still highly uncertain in the new report.

The numbers estimated in the scenarios have been based on the assumption that the \$20 billion fiscal support already announced by Central Government does not need to be extended. They also considered the economic outlook if the world economy is weaker and takes longer to recover.

Key results include:

- falls in annual GDP are greatest in the year to March 2021 and vary from a decline of around 13% in the least restrictive of the scenarios considered, to closer to one third in a scenario that involved tight restrictions throughout the year
- Scenario 1 – unemployment will peak at 13%
- Scenario 3 – unemployment will reach nearly 26%
- inflation remains below the 2% mid-point of the target range throughout the forecast period, and monetary conditions are supportive throughout.

In addition to domestic conditions, the world outlook is also highly uncertain. The international trend has been towards longer periods of public health interventions to limit physical interactions. This implies some risk not only to activity in affected countries, but also to trade and financial linkages between countries, which are critical to a global economic recovery.



Below are the GDP projections for the Treasury Scenarios (1 being best case, 3 being worst)

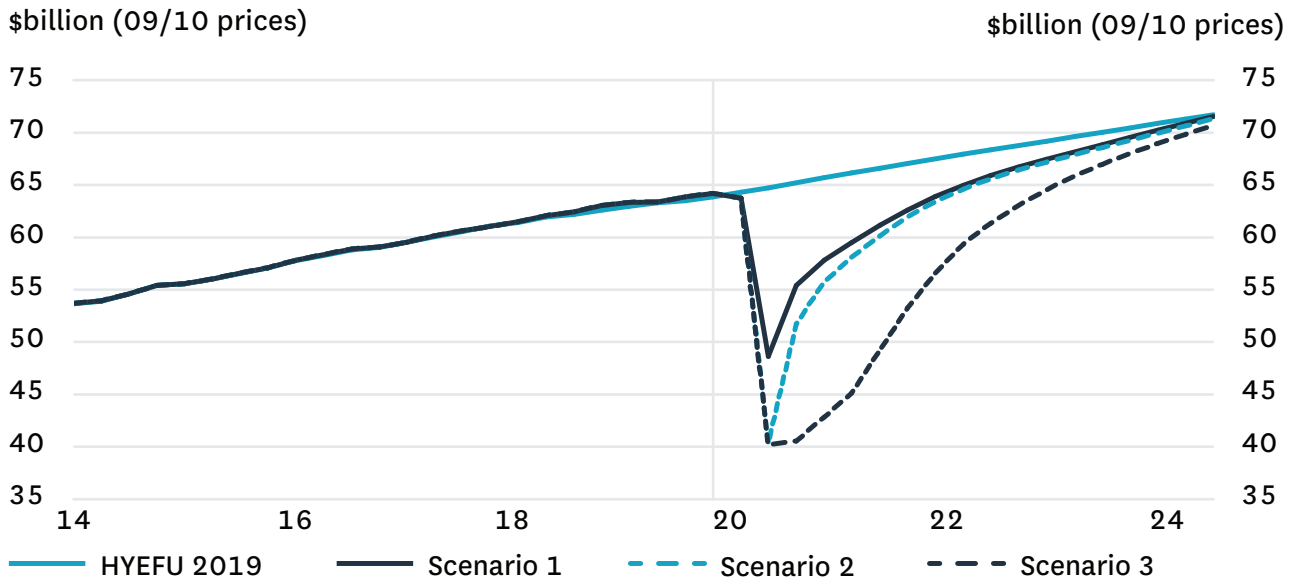


Figure 1 New Zealand Treasury Scenarios for Real GDP. <https://treasury.govt.nz/sites/default/files/2020-04/c19-4265378-t2020-973-economic-scenarios-v3.pdf>

It should be noted that Infometrics view the current repercussions for the economy to not only be significantly worse than others expect, but also to endure for longer as structural adjustments are forced on the economy:

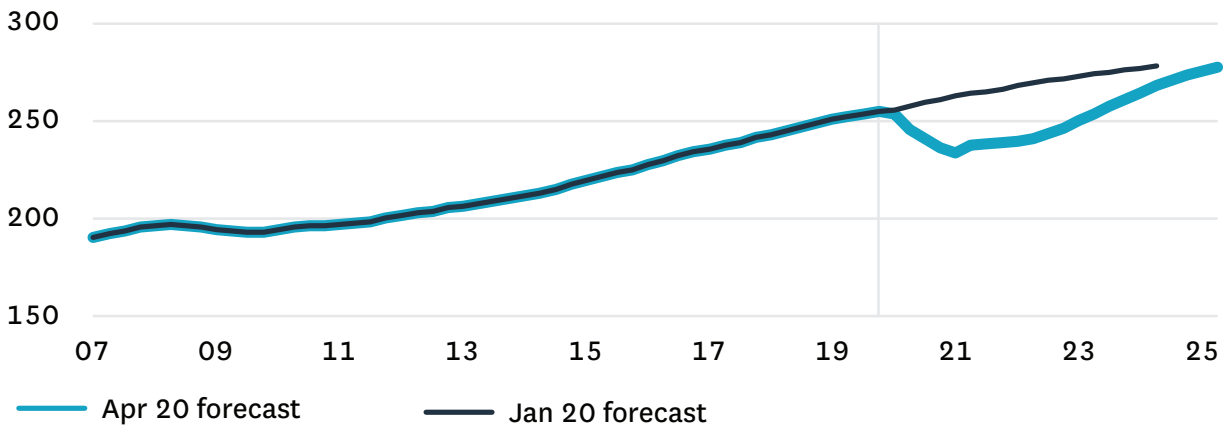


Figure 2 Infometrics GDP forecast comparison, Infometrics Macroeconomic Forecast April 2020



The economic scenarios released by Treasury on 13 April suggest that the unemployment rate may range from 13% to nearly 26% depending on the scenario. That equates to an additional 300,000 to 720,000 people unemployed across New Zealand.

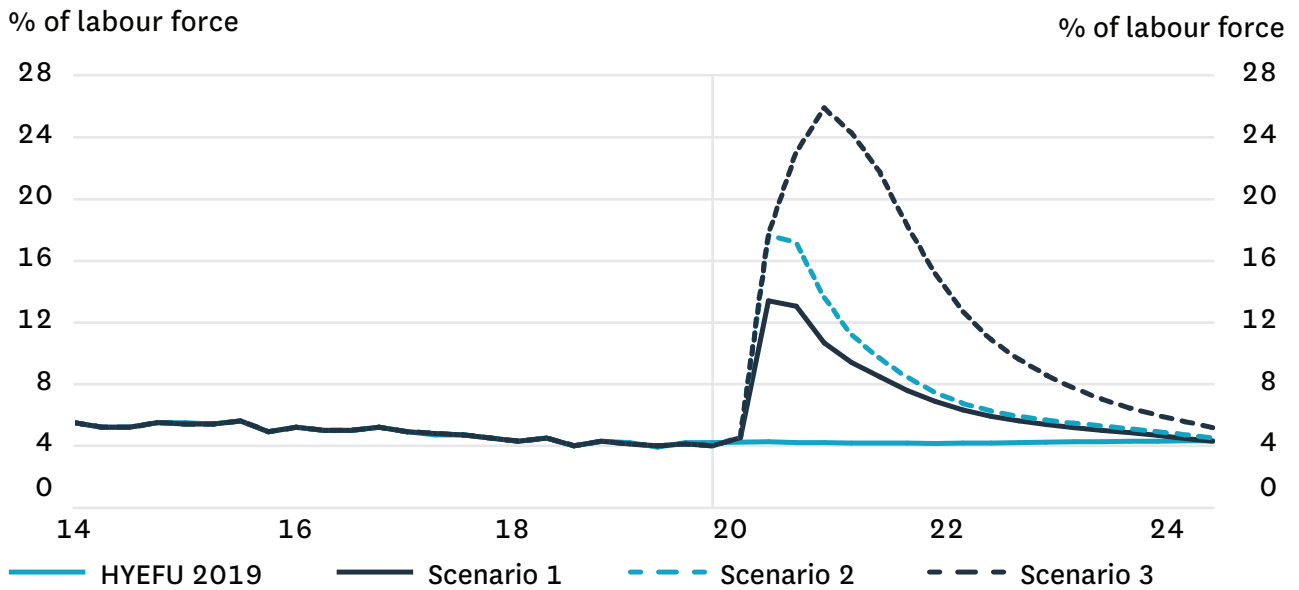


Figure 3 New Zealand Treasury Scenarios for Unemployment rate. <https://treasury.govt.nz/sites/default/files/2020-04/c19-4265378-t2020-973-economic-scenarios-v3.pdf>

Looking at Whangārei, over 20% of our filled jobs relate to the construction and manufacturing sectors (discussed in more detail later in the report), retail trade accounts for another 10%, professional services and accommodation and food services combined include 11% of filled jobs. These are likely to be sectors which will be impacted the most severely and have likely job losses.

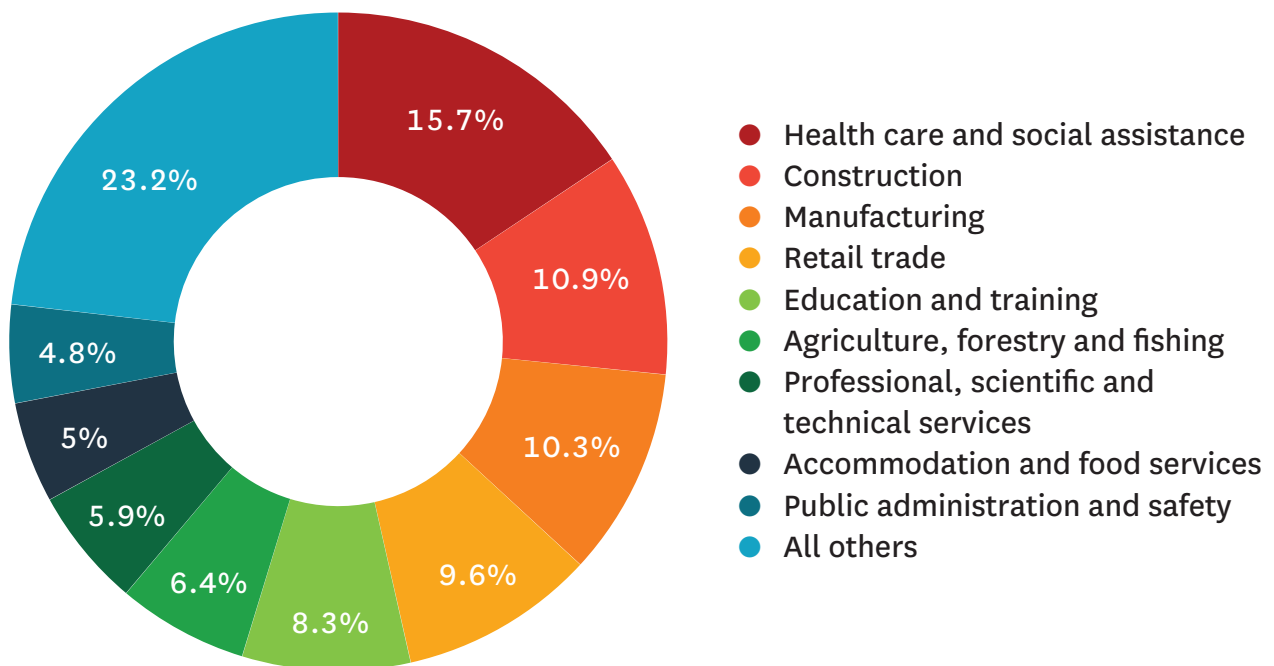


Figure 4 Infometrics Proportion of filled jobs by sector in Whangārei 2019

Infometrics have provided preliminary employment projections. These are subject to further refinement and analysis, but they show the largest percentage drop in employment to impact on:

- Retail Trade, Accommodation, Food services
- Transport, Postal and Warehousing
- Information Media and Telecommunications
- Financial and Insurance Services
- Manufacturing
- Construction

<i>High-Level Industry</i>	EMPLOYMENT		CHANGE 20-21	
	2020	2021	%	Level
A - Agriculture, Forestry and Fishing	2,588	2,467	-4.6%	-120
B - Mining	67	61	-8.9%	-6
C - Manufacturing	4,205	3,715	-11.7%	-490
D - Electricity, Gas, Water and Waste Services	224	204	-8.7%	-19
E - Construction	4,549	4,025	-11.5%	-524
F - Wholesale Trade	1,322	1,222	-7.6%	-100
G - Retail Trade, Accom+food services	5,968	4,834	-19.0%	-1,135
I -Transport, Postal and Warehousing	1,734	1,430	-17.5%	-304
J - Information Media and Telecommunications	274	215	-21.6%	-59
K - Financial and Insurance Services	484	426	-12.0%	-58
L - Rental, Hiring and Real Estate Services	935	864	-7.6%	-71
M - Professional, Scientific and Technical Services	4,163	3,917	-5.9%	-246
O - Public Administration and Safety	2,029	2,032	0.2%	4
P - Education and Training	3,436	3,310	-3.7%	-126
Q - Health Care and Social Assistance	6,512	6,497	-0.2%	-15
R - Arts and Recreation Services	2,378	2,157	-9.3%	-221
Total	40,866	37,377	-8.5%	-3,490

Figure 5 Infometrics Whangārei COVID-19 PRELIM Employment Projections

During the lockdown period feedback and insight has been sought from local businesses on their response to the economic downturn and possible recession. Their comments are summarised below:

- employers are clearly experiencing high levels of stress and anxiety
- many employers are not able to contribute financially to top up the wage subsidy to the 80% of wages target
- advice to employers has been that retention of staff should be a priority and they are not obliged to meet the gap between the subsidy and 80% and are only encouraged to pay more if they can
- growing requests from employers (and a few employees) asking about employment law, especially redundancy
- Ministry of Social Development (MSD) Work Brokers are focusing on supporting essential services with their work force
- embedding social procurement (hire local; MSD clients, Māori, youth and otherwise abled) into government investment such as the Provisional Growth Fund (PGF) and infrastructure is a significant opportunity to increase employment in Northland (this would best be instigated at ministerial level)
- wage subsidy support is a priority although handled nationally
- MSD Labour Market team assisting 'essential' Northland businesses
- applications for benefits due to cease work have been following normal trends, approx. 65 per week although cease work numbers are expected to increase significantly.

What a recession means for Whangārei

- Job losses likely across all sectors, but mainly in manufacturing, tourism and construction.
- Decline in population growth.
- Drop or hold in major investments.
- Local businesses closing particularly small firms.
- Contraction of the housing market.



IMPACT 2: DISTRICT GROWTH

Linked to both travel restrictions and a recession will be an impact to our District's growth. Over the past 5 years we have experienced some of the highest rates of population growth in New Zealand, with a 17% increase between 2013 – 2018.

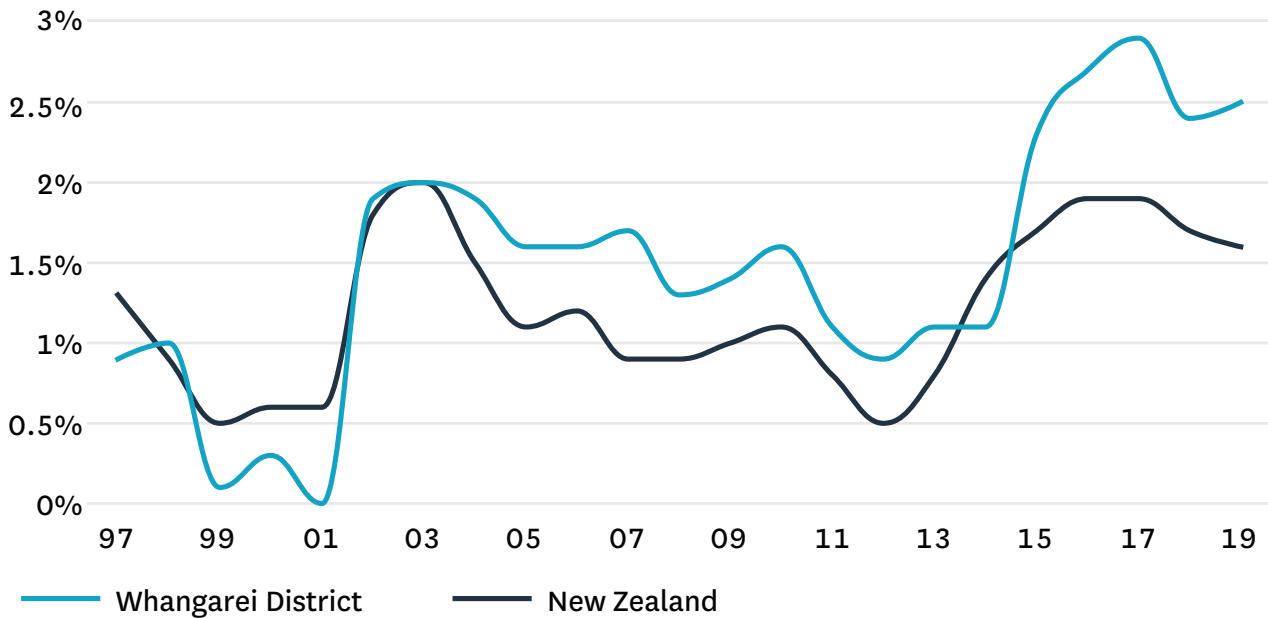


Figure 6 Infometrics Percentage Annual Population Change in Whangārei District and New Zealand, 1997 - 2019

Understanding the drivers for this growth is crucial in determining any likely impacts from COVID-19. Our growth is largely driven by people moving to Whangārei, rather than a natural increase in our existing population. Of those people moving to Whangārei, some are moving from overseas as either immigrants

or returning New Zealand citizens. Some are moving from other locations in New Zealand, primarily Auckland. People moving out of Auckland are largely moving out due to pressures (housing costs, traffic, amenity) from living in Auckland due to its population increase which is largely driven by immigration.

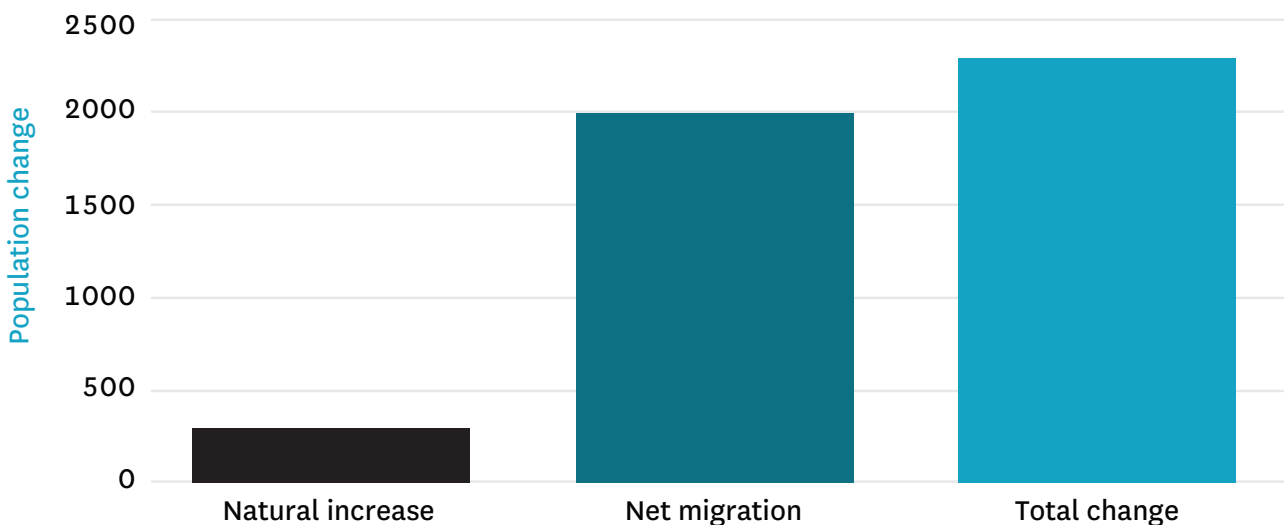


Figure 7 Infometrics Sources of population growth in Whangārei for 2019

A likely impact from COVID-19 travel restrictions and the associated recession is our national immigration numbers will decline rapidly from the current rate of about 50,000 people per year. This will slow population growth in Auckland.

With a recession comes job and income uncertainties as well as a volatile housing market. This will impact decision making on whether to move to Whangārei from other parts of New Zealand. Therefore, it is likely that most people considering a move to Whangārei will wait until there is more economic certainty.

Due to the impact on migration, it is almost certain that we will see slowdown in population growth for our District over the next 3 years.

Beyond that depends largely on macro and national economic factors that are difficult to predict. The slowdown could see annual population increase drop from current 2.5% per annum to between 0.3 – 1% per annum. It is likely that this trend would continue for at least 2 years. How quickly population growth could recover to rates we have seen recently will largely be dependent on macro economic factors, immigration and border controls as well as the opportunities available for people moving into our District.

Outlined below is draft population projections (please note that these are draft figures, that require further refinement)

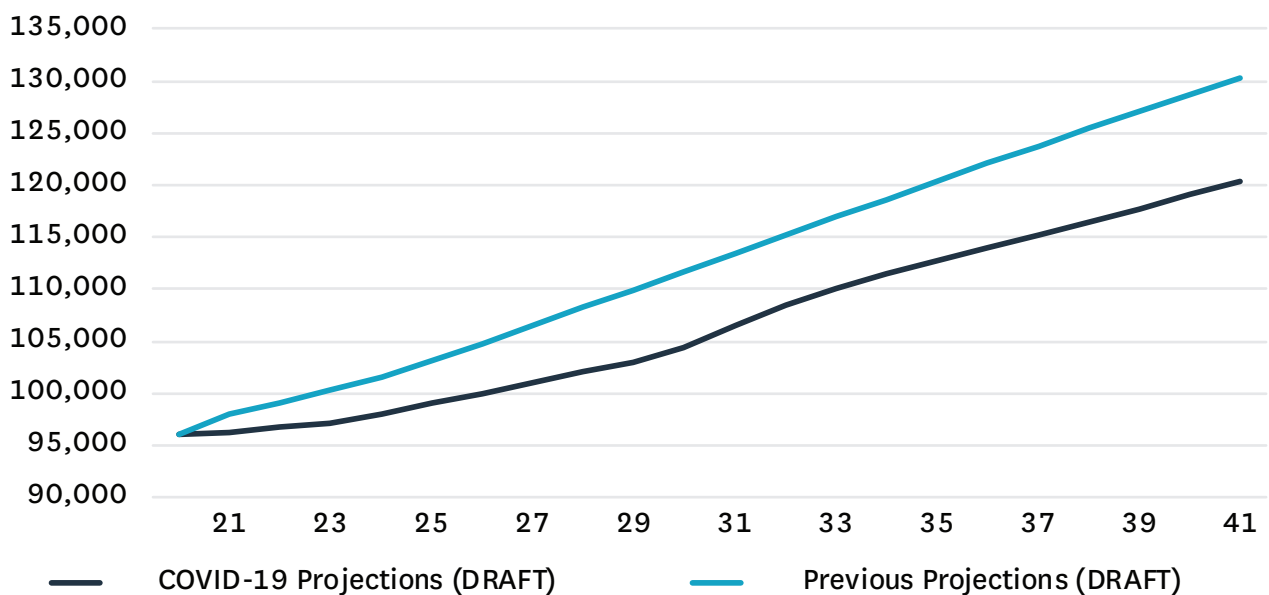


Figure 8 Whangārei District Draft Population Projections

What a decline in population growth means for Whangārei

- Lower demand for housing, development projects and infrastructure – impacting on the construction sector.
- Lower revenue and expenditure for Whangarei District Council.
- Reduced economic activity and interactions.

IMPACT 3: TOURISM AND HOSPITALITY

Nationally it is recognised that tourism and hospitality sectors will be significantly impacted by COVID-19 and the associated travel restrictions. Economic commentators, such as Infometrics, project that the sector will not recover to pre-COVID levels as quickly as other sectors of the economy.

In 2019 Whangārei received 130,191 international visitors. Tourism employs 3,189 people in the District. Tourism expenditure in Whangārei in 2019 was \$484m, comprising the following categories:

CATEGORY	WHANGĀREI DISTRICT	
	<i>Expenditure</i>	<i>% of total</i>
Accommodation services	\$23.9m	4.90%
Cultural, recreation, and gambling services	\$12.2m	2.50%
Food and beverage serving services	\$55.9m	11.50%
Other passenger transport	\$64.0m	13.20%
Other tourism products	\$61.1m	12.60%
Retail sales - alcohol, food, and beverages	\$64.9m	13.40%
Retail sales - fuel and other automotive products	\$47.1m	9.70%
Retail sales - other	\$155m	32.00%
Total	\$484m	100%

Figure 9 Tourism expenditure in 2019 for Whangārei, Source Stats NZ

With the requirement to self-isolate and travel restrictions, we expect foreign arrivals to all but cease for an extended period, closing off this spending stream. The government's closure of the borders is likely to be extended several times given the continuing acceleration of the virus' spread in Europe and the United States.

We expect the accommodation and food services sector (i.e. hospitality), some retail trade, aviation and recreational services to see significant job losses.

Provisional estimated impacts of COVID-19 could see the number of international visitors drop by 70% or more over the next 2 months. The longer-term impact is less clear and is dependent on the longevity of travel restrictions and people's willingness to travel.

However, of the \$484m, \$393m of tourism spend in Whangārei is by domestic visitors. It is yet to be seen how domestic travel will be impacted by COVID-19, but the predictions are for a significant down-turn.

Anecdotal sampling of the District's visitor industry has identified:

- as with the case with the wider business sector canvassed, it would be unwise to overly generalise as all these businesses are unique in their business age/lifecycle, financial situation, product offer and more importantly their levels of business capability
- many of our operators are small 'lifestyle' businesses with secondary income streams and while not perfect, the inability to trade over the winter months has a significantly smaller impact than if this had happened in summer
- for these smaller operators, the overseas visitors do not account for a significant portion of their markets
- large operators heavily invested in assets and staff do rely on the overseas market and the value that it drives for their products – they are in a precarious state at present but there has been a demonstrable level of collaboration across the region among these businesses and they see that they all need to be there if a new, sustainable and resilient visitor industry is to emerge
- accommodation providers expressed a range of responses with some sampled who were not experiencing any major disruption having pivoted their market offer to things such as social housing, essential health worker accommodation and the like – those at the lower value end of the market such as motor camps, have virtually no ability to access new customers
- many hospitality and food and beverage industry businesses are looking at training programmes and upskilling for staff to ensure a workforce going forward. They are experiencing high levels of stress around finance and uncertainty given they are non-essential (although many have accessed wage subsidies and business support it is likely that some will close permanently)
- most operators expressed the view that future events and destination marketing will be critical to their future sustainability.

What a decline in tourism means for Whangārei

- Reduction in international and domestic visitors to Whangārei.
- Job losses in the tourism sector from now and likely over the next 12 months.
- Tourism related business closure or reducing operational hours.
- Decline in cruise ship activity.
- Possible increase in domestic activity (subject to travel guidance from central government).



IMPACT 4: HOUSING

The housing market prior to Christmas 2019 was showing signs of growth in both the regions and the major centres such as Auckland. Predictions pre COVID-19 estimated annual house price growth of 5.3%. Although such an increase perpetuates affordability issues, it also gives confidence in investor decisions to build new homes. House building is a key component of our construction sector which is worth \$289.5m to our GDP.

The latest economic predictions show that house prices could fall between 5 – 10% over the next 12 months nationally. However, depending how long the effects of COVID-19 are felt, the housing market could bounce back relatively quickly. There are several reasons for this:

- interest rates remain at record low levels
- housing demand is still outstripping housing supply, even with a slowing population growth
- we have a relatively strong labour market
- during the 2008 Global Financial Crisis (GFC) house prices fell by an average of 6%, but bounced back with 12-18 months

In the short term however, it is likely that major housing and development projects will be put

on hold or cancelled. Home owners who have high mortgages may find themselves in negative equity situations.

From a housing market perspective, the six-month mortgage holiday scheme arranged between the government and the trading banks will only delay an inevitable downturn (although it will give a valuable respite from a household expenditure perspective). Infometrics predict the number of forced sales will increase substantially once the scheme expires in September, particularly given the projection of continued high levels of unemployment. Downward pressure on property prices will be exacerbated by an overhang of newly constructed houses that were started prior to the pandemic, which developers may struggle to sell.

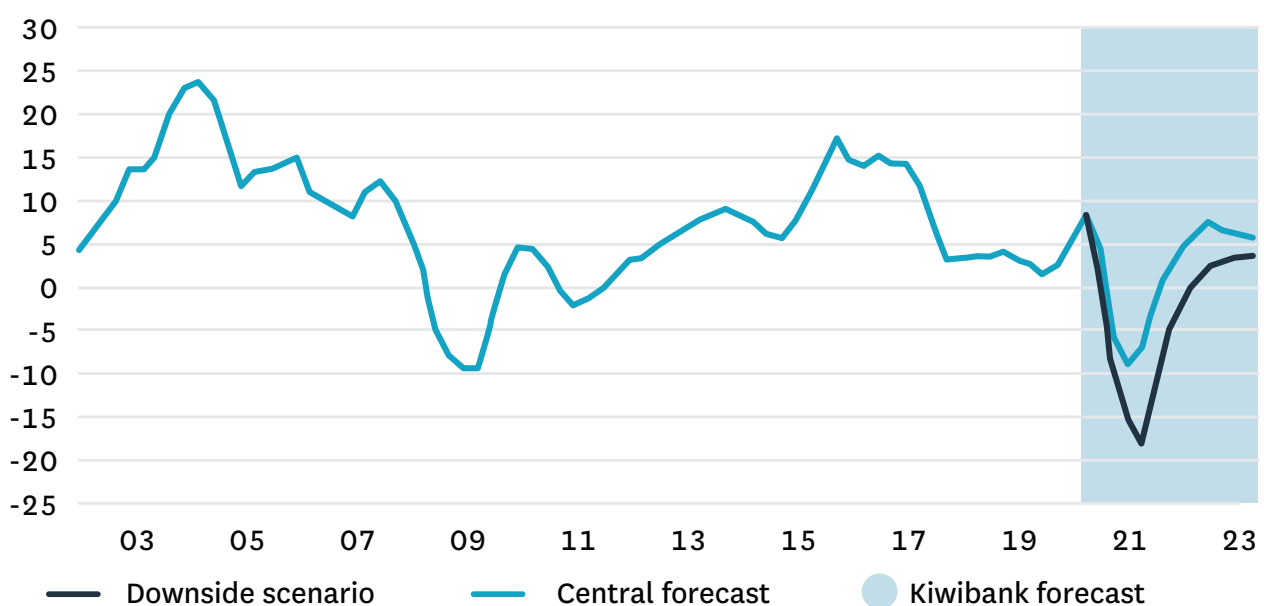


Figure 10 Forecast of house price inflation, Source Newsroom, REINZ and Kiwibank

Rents could be on their way down too. Two factors could contribute to this. More offices would likely be converted into residential space, but those conversions would take more than a year to come into play. A larger factor in the short term was former AirBnB properties that would be put onto the open rental market primarily due to houses shifting from short-term holiday rentals to longer-term rentals due to the decline in the visitor industry.

Over supply of commercial property will have an impact on Council's commercial property portfolio and Council will need to be mindful of the optics of using ratepayer funds to unduly compete with private sector landlords.

What a change in the housing market means for Whangārei

- House price and sale volumes fall over the next 12 months.
- Short-medium term reduction home building activity and investment – resulting in a drop in Resource Consents and Building Consents.



IMPACT 5: BUSINESS WELL-BEING

For our economy in general, cashflow is the key concern for business, finances are tough both for their business and for their customers. Even with only four weeks of lock-down, businesses are already feeling the pinch around the lack of income in the community (people losing their jobs and this impacts their spend/pipeline)

New businesses (opened in the last 12 months or taken over in the last 12 months) are heavily impacted as they don't have the cash build up like more experienced business owners do.

Medium to larger businesses who went through the GFC know that they may need to lose staff in order to survive (which is hard for them as they want to keep their staff). It should be noted that during the GFC many Whangārei businesses held on to workers for longer than was economically sustainable due their feelings of responsibility to their staff.

Stress is high for the business community, this includes their personal lives as well (working

from home, being a sole earner, family losing jobs etc). The unknown around the lock down timeframe is top of mind plus what will the levels look like for businesses moving forward. Mental health is a key concern, businesses are resilient but this is a type of crisis that has not been faced before and there is little they can control.

Small and Medium Sized Enterprises (SME's) need one on one tailored support, and this needs to be via a local person giving them time and guidance as skills and knowledge vary from one owner to the next.

NORTHLAND BUSINESS BY SECTOR SEEKING REGIONAL BUSINESS PARTNERS SUPPORT SINCE LOCKDOWN (99 ARE WHANGĀREI BUSINESSES) AS AT 15/4/20

Sector	No.	%
Accommodation	7	
Administrative & Support	6	
Agriculture & forestry & fishing	9	
Arts & Recreation	9	
Construction	27	13.85%
Education & Training	4	
Electricity & Gas & Water & Waste	4	
Financial & Insurance	5	
Food & Beverage	21	10.77%
Health Care & Social Assistance	5	
Information media & Telecommunications	4	

NORTHLAND BUSINESS BY SECTOR SEEKING REGIONAL BUSINESS PARTNERS SUPPORT SINCE LOCKDOWN (99 ARE WHANGĀREI BUSINESSES) AS AT 15/4/20		
Sector	No.	%
Manufacturing	14	
Other	15	
Professional & Scientific & Technical	8	
Public Admin & Safety	2	
Rental & Hiring & Real Estate	6	
Retail trade	28	14.36%
Tourism	14	7.18%
Transport & postal and warehousing	2	
Wholesale trade	4	
Grand Total	195	

Figure 11 Table of Northland business by sector seeking Regional Business Partner support as 15 April 2020

Consumer confidence will be negatively impacted by COVID-19. Confidence results from March 2020 show that it was abruptly lower compared to previous months, but there will still be further significant drops to come as the effects of the lockdown on businesses become clearer. Infometrics project that household spending activity will fall sharply in

the June quarter, primarily because consumers are unable to spend on many of the goods and services they would regularly purchase. Spending will bounce back from this negative supply shock in the September quarter, but the extent of this rebound will be limited by the job losses and reduced incomes that have transpired in the meantime.

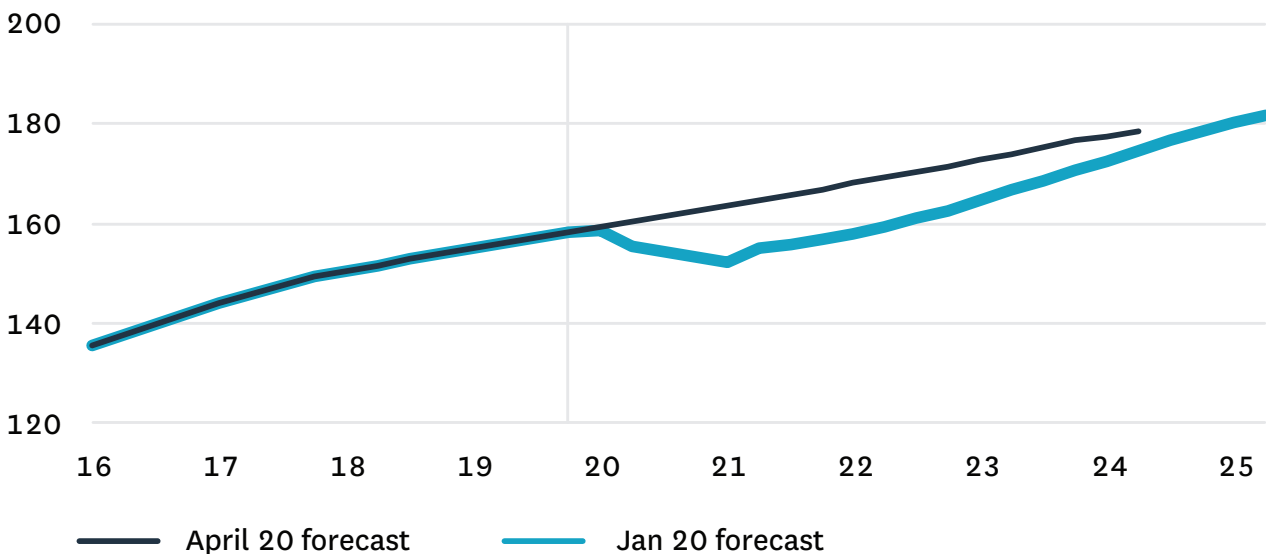


Figure 12 Infometrics discretionary spending forecasts, Infometrics Macroeconomic Forecast April 2020

However, the lock down period under Level 4 and more so under Levels 3 and 2, presents opportunities for e-commerce as more businesses operate online. This is applicable to the selling of goods and the provision of certain services which don't require face to face contact. Challenges exist for companies that do not currently have adequate online resources or skill sets, however this may be an opportunity for support from NorthChamber and/or Northland Inc.

As our community gets more and more familiar with virtual interactions, larger scale economic opportunities arise such as a 'virtual farmers market'. This also has the advantage of creating an online portal for smaller businesses who do not have the resources themselves to develop an online presence.

IMPACT 6: CONSTRUCTION, MANUFACTURING AND LOGISTICS

As noted above, our construction sector is a major contributor to our economy. Manufacturing is Whangārei's biggest economic sector contributing \$960.4m to our GDP and employing 4,177 people.

These sectors are likely to be severely impacted by the economic downturn associated with COVID-19. This will be felt through the cancellation or postponement of major projects and reduced demand for goods manufactured in the District.

Any associated unemployment will impact on workers with specific skills, who may find it challenging to find employment elsewhere. Furthermore, although there are large firms in our District, most businesses are small, employing an average of 4 people. As with the 2008 GFC, these small businesses will find it difficult to survive through a longer-term recession.

Anecdotal sampling from the construction and manufacturing sector:

- increase in companies looking to make staff redundant
- bonds for this industry a concern
- concerns that some clients may enter into bankruptcy, taking the contractors with them
- most in trade are non-essential except emergency work
- there has been a high percentage of pre-contract work cancelled already
- cashflow crisis has been compounded by customers not paying progress-payments
- huge uncertainty about what future workloads might look like post-lockdown.

A down-turn in the construction sector will result in a reduction in the number of building and resource consents being lodged and processed by Whangārei District Council. This will shift the current trend of an increase in consents reflecting a buoyant construction sector. Below are three scenarios showing a 20%, 30% and 50% reduction in building consents:

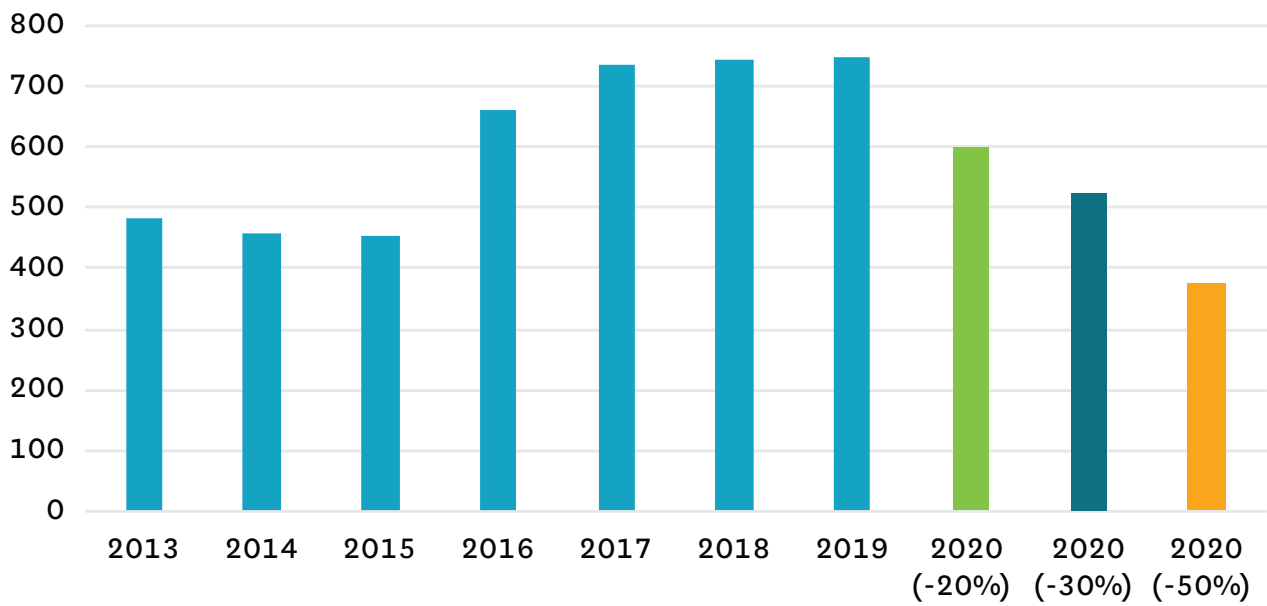


Figure 13 Whangārei District Total Building Consents Draft Projections

What changes in the construction, manufacturing and logistics mean for Whangārei

- Lack of material, equipment and parts for infrastructure and development projects.
- Job losses and business closure.
- Reduced imports/exports through Northport and corresponding reduction in traffic movements.
- Reduction in building and resource consents.



IMPACT 7: GOVERNMENT FUNDING, REFORM AND DECISION MAKING

COVID-19 is the government's top priority and will remain so for the foreseeable future.

The shift in government priorities will likely result in the following:

- deferring significant decisions – such as the Navy base, Port expansion, Three waters reform
- deferring reform programmes that could be perceived to negatively impact on our economy – such as National Policy Statements on Urban Development, Highly Productive Land, Biodiversity and Freshwater
- reprioritisation of funding – government have announced a \$12.1b dollar relief programme and there may be further announcements dependent on the severity of the recession and the longevity of COVID-19
- delay in treaty settlement negotiations for Kaipara Moana.

Ultimately this may also impact on the election and government's long-term programme. Delays in decision making will impact on Council programmes and decision making, such as planning decisions (e.g. District Plan rolling review).

It is recognised that government fiscal policy has the biggest role to play in cushioning the economy's downturn and then generating momentum heading into the recovery. In broad terms, this support and stimulus can happen via three channels.

- increased government spending on purchasing goods and services (government consumption)
- transfers of money to individuals or businesses (which shows up in private consumption or business investment)
- increased government spending on assets such as infrastructure (government investment).

\$12.1b COVID-19 package

- Worth 4% of New Zealand's GDP.
- \$8.7b in support for businesses and jobs.
- \$2.8b for income support and boosting consumer spending.
- \$500m boost for health.

The more recent extension to the package includes the following:

- the government, retail banks and the Reserve Bank have announced a six-monthly principal and interest payment holiday for mortgage holders and SME customers whose incomes have been affected by COVID-19
- the government and the banks will implement a \$6.25b Business Finance Guarantee Scheme for small and medium-sized businesses. This is to provide short-term credit to cushion the financial distress of SMEs. The scheme will include a limit of \$500,000 per loan and will apply to firms with a turnover of between \$250,000 and \$80m per annum. The loans will be for a maximum of three years and expected to be provided by the banks at competitive rates. The Government will carry 80% of the credit risk, with the other 20% to be carried by the banks
- the government has agreed to freeze all rent increases and to look to extend no-cause terminations.

\$900m loan to Air New Zealand

- The facility comes under a number of conditions including the possibility of the government expanding their 52% stake in the airline.
- \$600m of the loan will come with an interest rate of between 7-8%.
- \$300m of the loan will come with an expected interest rate of 9%.

\$56m expenditure to support Māori communities and businesses

- \$30m has been made available for targeted health funding for Māori.
- \$10m is available for whanau Māori community outreach.
- \$15m will go towards Whanau Ora to reach Māori communities.
- \$1m has been made available to provide Māori businesses with advice and planning tools to tackle the economic impacts of COVID-19. Te Puni Kokiri (TPK) are supporting the activities of Te Kahu o Taonui-National Iwi Chairs Forum. TPK is reaching out to Māori businesses with support of NZ Māori Tourism, Federation of Māori Authorities (FOMA) and Poutama Trust.
- TPK are also working alongside Northland Inc to support Māori Businesses regionally and supported KPMG to develop an online survey.

Tax schemes

- \$3.1b tax loss carry-back scheme (estimated cost over the next two years). Essentially this means a forecast loss in the current financial year can be offset against the tax paid on a profit from last year
- \$60m estimated annual savings to business each year from changes to the tax loss continuity rules
- \$25m in the next 12 months for further business consultancy support
- Greater flexibility for affected businesses affected to meet their tax obligations
- Measures to support commercial tenants and landlords. To this end the Government will extend the current 10 working day timeframe that commercial landlords may cancel the lease to 30 working days. This will be for both the period the tenant is in arrears before the notice is given, and for the period to remedy the breach. The Government will also extend the timeframes for lenders from 20 to 40 working days for mortgaged land, and from 10 to 20 working days for mortgaged goods. This will apply to commercial mortgages and home loans. However, the already announced mortgage deferrals are likely to be the first port of call for residential borrowers.

Further government support policy and stimulus for the economy is likely over the next few months. Of note will be the 2020 Budget, which is likely to contain the biggest initiatives and perhaps a focus on the medium and longer term. Other significant announcements could be made at December's Half-Year Economic Update or the 2021 Budget, as the shape and magnitude of the required response from the government becomes clearer.

It is clear that government will seek to inject financial stimulus into the economy. However, its capability to do that is not limitless and we may find that it is able to inject less money into the economy than we would hope.

IMPACT 8: LOCAL GOVERNMENT SECTOR

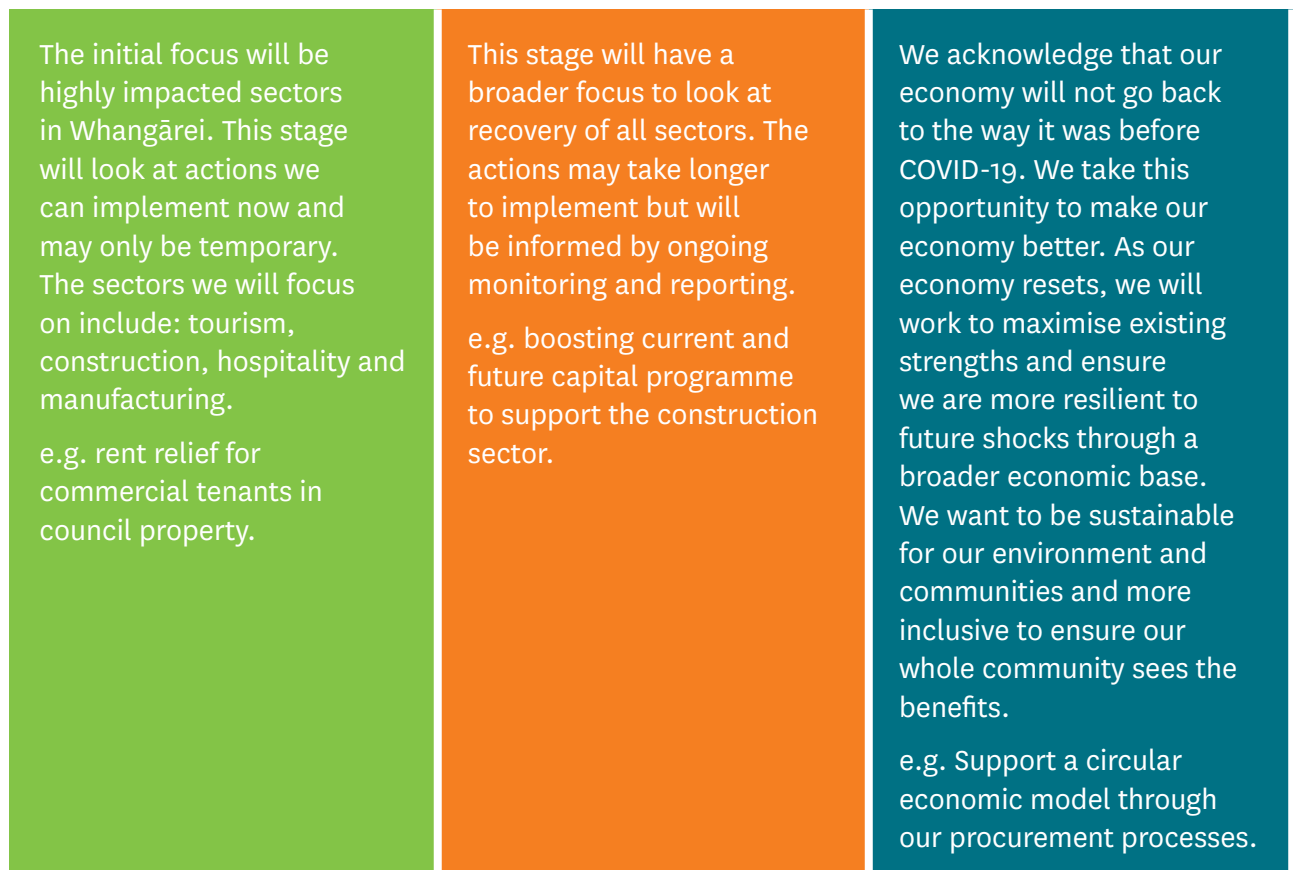
The COVID-19 Local Government Response Unit has provided an initial assessment of the likely economic impacts on the local government sector.

A summary of the key findings include:

- it appears that all councils expect a significant reduction in non-rate revenue in the fourth-quarter of 2019/20 and well into 2020/21
 - the sudden onset of COVID-19 means that the impact on the business sector is more pronounced than in a conventional recession. Councils with a high proportion of business rates are likely, in the short-term, to face greater collection difficulties than others
 - in districts with a high degree of non-essential service industries, the impacts of COVID-19 mean that a greater proportion of households and businesses may face financial hardship. These councils will likely see greater reductions in revenue from fees and charges and rate collections
 - districts heavily reliant on revenue derived from tourism activities are expected to be under significant financial stress for an extended period
 - many councils were planning significant rate rises in 2020/21 and beyond to fund essential infrastructure upgrades, and expansions to meet growth demands. These rate rises are being reconsidered due to potential ratepayer hardship arising from COVID-19
 - any reduction in planned rates revenue will have long-term or multi-year implications such as large future rate increases and/or further reduced spending to balance the books and catch up.
- lower-than-planned rates and other revenue reductions means councils are likely to reduce operational and capital expenditure. This will create job losses directly or indirectly. Longer-term, reduced investment in infrastructure is likely to lower productivity and reduce the availability of serviced land needed for housing
 - councils typically spend twice as much on suppliers (including contractors) as staff and will likely look to reduce this expenditure. This will have both direct and indirect impacts on their communities
 - most councils are unlikely to meet the 30 percent revenue reduction criteria for the Government wage subsidy themselves, but some council subsidiaries may. This income may not offset all of the costs of retaining affected staff during the period of the subsidy
 - our very limited analysis of councils' borrowing capacity is that the majority of councils have sufficient debt headroom to respond to COVID-19 impacts through to the end of the 2020/21 financial year. However, revenue reductions will reduce the headroom for all councils. Most significantly, there are several councils already managing higher debt that have very little spare borrowing capacity and may reduce borrowings to mitigate the risk of breaching LGFA debt covenants.

For Whangarei District Council we can expect reductions in most if not all of our income streams. This includes income streams such as the NZTA subsidies. NZTA will have had a significant reduction in their income as a result of COVID-19 and may struggle to meet their funding commitments to councils.

Framework for recovery



WHY IS THIS FRAMEWORK BEING USED?

This framework will be used to structure our response to COVID-19. The progression from responding to immediate impacts, through to economic recovery and then economic rebuild broadly aligns with the approach set out by central government. It also aligns with response strategies being adopted by central and local governments globally.

THE NEED FOR FLEXIBILITY AS WELL AS COLLABORATION

However, within this framework there needs to be flexibility. The progression through the stages will not be linear and the application of the framework may look quite different depending on the economic sector.

Delivery of the framework will require a culture of collaboration underpinned by our existing organisational strategy. Many of the actions will require a number of parties to deliver them successfully. Collaboration and partnership must also exist between Council and key stakeholder such as our hapu partners, iwi, central government and local businesses.

Key to the delivery of this strategy will be partnership. The focus will be on partnering with the following:

- local businesses
- central government
- hapu

WHAT DO WE WANT THE ECONOMIC RESET TO LOOK LIKE?

The economic reset for Whangārei will be based on our already diverse economy. Pre COVID-19, Whangārei had a relatively balanced economy that was not overly reliant on a single sector. This should be strengthened as well as looking at new opportunities in the technology sector, green/sustainable businesses and land-based industries, value-added primary production, aquaculture and marine engineering. Focusing integrated supply chains as well as clustering of economic activity.

As noted by a number of local commentators and business owners, within the recovery and rebuild of our local economy there are opportunities to maximise benefit for our community and capitalising government support for the regions and provincial centres:

- greater collaboration and partnership across the economy
- reinvigorate and better utilisation of local businesses
- investment that will be game changers for the Whangārei, such as the Drydock facilities
- education and re-training programmes to support people to get back into work
- less reliance on imported manufacture goods, greater priority on New Zealand goods.

Ultimately, we want a reset of our economy to produce an inclusive, productive and sustainable business ecosystem.

What tools can we use?

To ensure that this strategy focuses on what we can influence the most, we will use the tools set out below. These tools focus on the levers which we can pull and how we can deliver them. For example, an increase in our capital infrastructure programme could be delivered through our next 10-year Long Term Plan which is due next year.

TOOL	DETAIL	HOW
Finance	<ul style="list-style-type: none"> • Development Contributions • Rates • Commercial rents (Council property) • Fees and charges • Grants • Procurement 	<ul style="list-style-type: none"> • Annual Plan 2020 – 21 • Long Term Plan 2021 – 31 • Long Term Plan 2024 - 34
Regulatory processes	<ul style="list-style-type: none"> • Building consents • Resource consents • Enforcement 	<ul style="list-style-type: none"> • District Plan • Bylaw reviews
Support and partnership	<ul style="list-style-type: none"> • Expert advice and support • Facilitation and help through council process • Partnership with hapu • Partnership with local business 	<ul style="list-style-type: none"> • Operational - Technical staff and resources • Governance and decision making
Infrastructure	<ul style="list-style-type: none"> • Infrastructure projects to enable economic activity • Levels of service to support a well functioning economic sector/ attractive investor environment 	<ul style="list-style-type: none"> • Capital programme set through the Long Term Plan/Asset Management Plans
Future planning	<ul style="list-style-type: none"> • Location for future growth and infrastructure • Alignment with government planning and investment 	<ul style="list-style-type: none"> • Whangārei District Growth Strategy • Spatial Planning/Placemaking
Advocacy	<ul style="list-style-type: none"> • Political advocacy to central government for policy change/key decision making • Political advocacy to promote the District 	<ul style="list-style-type: none"> • Elected Members and Strategic Leadership Team

TOOL	DETAIL	HOW
Communication	<ul style="list-style-type: none"> • District promotion (locally, nationally and internationally) • Communication to our key stakeholders and businesses • Wider community communication 	<ul style="list-style-type: none"> • Key messages • Communication tools such as social media • Communication and promotion tools
Organisational culture	<ul style="list-style-type: none"> • Whanaungatanga - Collaboration and partnership through the delivery of COVID-19 actions • Manaakitanga - Care and respect for other, particularly those who have been hardest hit by the impacts of COVID-19 • Kotahitanga – working together to the single goal of recovery from COVID-19 • Atawhaitanga – Focus on our role of stewardship and responsibility as a willingness to contribute what is needed to move through this crisis 	<ul style="list-style-type: none"> • Strategic Leadership Team • Department Managers and Team Leaders

Actions

This section of the strategy contains specific actions we will take, using the tools available to us as a local authority and aligned with our proposed response framework:

STAGE 1 | RESTART: RESPOND TO IMMEDIATE IMPACTS ON KEY ECONOMIC SECTORS

	ACTION	COUNCIL TOOL	HOW
1.1	Review our planned rates increase through 2020-21 Annual Plan process (as per Whangārei Economic Recovery Package – endorsed by Council 16/04/20)	Finance Rates	2020-21 Annual Plan
1.2	Operational budget review for savings through 2020-21 Annual Plan process (as per Whangārei Economic Recovery Package – endorsed by Council 16/04/20)	Finance	Operational 2020 -21 Annual Plan
1.3	Support for those struggling to pay rates, fees and charges (as per Whangārei Economic Recovery Package – endorsed by Council 16/04/20)	Finance Rates	Operational
1.4	Community support through welfare networks support for vulnerable groups (as per Whangārei Economic Recovery Package – endorsed by Council 16/04/20)	Support and Partnership	Operational
1.5	More frequent payments to Council suppliers (as per Whangārei Economic Recovery Package – endorsed by Council 16/04/20)	Finance	Operational
1.6	Rent relief for commercial tenants (as per Whangārei Economic Recovery Package – endorsed by Council 16/04/20)	Finance	Operational 2020 -21 Annual Plan
1.7	Support for businesses through partnership with Northland Inc and NorthChamber (as per Whangārei Economic Recovery Package – endorsed by Council 16/04/20)	Support and Partnership	Operational
1.8	Northland's Civil Defence Emergency Management response (as per Whangārei Economic Recovery Package – endorsed by Council 16/04/20)	Support and Partnership	Operational

	ACTION	COUNCIL TOOL	HOW
1.9	<p>Continue to provide essential services through the lock down period:</p> <ul style="list-style-type: none"> • drinking water • wastewater • solid waste • cemeteries • animal services • road repairs/maintenance • urgent consenting requirements associated with essential services. 	<p>Infrastructure</p> <p>Regulatory processes</p>	Operational
1.10	<p>Prioritise processing building and resource consents. Where possible reduce processing timeframes. Continue to work with the construction industry and where practicable respond to their needs to enable construction projects to take place.</p>	<p>Regulatory processes</p> <p>Building consents</p>	Operational
1.11	<p>Engage with our hapu and iwi partners to identify opportunities for partnership in the immediate response to COVID-19 and ongoing economic recovery projects.</p>	<p>Support and Partnership</p>	Operational
1.12	<p>Seek support/advice from the COVID-19 Local Government Response Group, to inform our processes and decision making.</p>	<p>Support and Partnership</p>	Operational

STAGE 2 | RECOVERY: SUPPORT ONGOING ECONOMIC RECOVERY ACROSS THE DISTRICT

	ACTION	COUNCIL TOOL	HOW
2.1	Boost our capital programme and prioritise projects which will play a key part in Whangārei's economic recovery. (as per Whangārei Economic Recovery Package – endorsed by Council 16/04/20).	Finance Infrastructure	2020-21 Annual Plan 2021-31 Long Term Plan
2.2	Plan for the longer term impacts of COVID-19 in our growth strategy and other key strategic planning documents (as per Whangārei Economic Recovery Package – endorsed by Council 16/04/20).	Future Planning	Growth Strategy 2021- 31 Long Term Plan
2.3	<p>Prioritise central government funding opportunities for projects that will assist in the ongoing recovery of our District. This includes:</p> <ul style="list-style-type: none"> • Crown Infrastructure Partners “Shovel Ready” Projects • NZTA subsidy for local road upgrades, safety improvements and placemaking projects • subsidy/support for active and public transport modes. <p>New or amended funding opportunities may arise, which Council should be prepared to respond to with a strategically prioritised list of projects which will support economic recovery.</p>	Infrastructure Future Planning	Growth Strategy 2021-31 Long Term Plan
2.4	Prioritise levels of service which will provide safe and clean public spaces for our community. This could include more regular street/footpath cleaning.	Infrastructure - Level of service	2021-31 Long Term Plan
2.5	<p>Support economic recovery of the city centre through investment in quality design of public spaces (City Core Precinct Plan/New Town Basin Park etc) and partnering with central government, NorthChamber and key local businesses and landowners to advocate and enable city centre investment.</p> <p>Promoting the City Centre as a focus for cultural institutions and develop a diverse supporting network of cultural programmes across the District.</p>	Infrastructure – Capital works Partnerships Advocacy	2021-31 Long Term Plan City Centre Plan

	ACTION	COUNCIL TOOL	HOW
2.6	<p>Support economic recovery of retail and hospitality sectors across the District. Focusing on retail centres in Whangārei Urban Area, Ruakaka and in coastal and rural areas.</p> <p>Support could involve:</p> <ul style="list-style-type: none"> • partnership with central government on project delivery • support through key institutions such as NorthChamber and Northland Inc • focus on levels of service for key retail and hospitality areas. 	<p>Infrastructure – Capital works Partnerships Advocacy</p>	2021-31 Long Term Plan
2.7	<p>Continue to maintain core infrastructure so business have access to safe water, wastewater networks and transport options and car parking.</p>	Infrastructure - Level of service	Operation (more funding may be required)
2.8	<p>Partner with hapu and iwi to investigate opportunities to support projects which will be of benefit to our Māori economy.</p> <p>This could include advocating to central government for resources to support Hihiaua Cultural Centre and operational support for Papakāinga development (e.g. consent processes).</p>	Support and Partnership	Operation (more funding may be required)
2.9	<p>Investigate opportunities to support our ethnic groups in economic recovery through agencies such as Multicultural Whangārei.</p>	Support and Partnership	Operation (more funding may be required)
2.10	<p>Support local or central government driven housing projects through:</p> <ul style="list-style-type: none"> • Kāinga Ora • local accommodation businesses • community housing providers/shelters • Papakāinga. <p>Prioritise projects that focus on inner city living and housing needs within our community.</p>	Support and Partnership Regulatory	Operational 2021-31 Long Term Plan
2.11	<p>Through Northland Inc, work with Te Puni Kokiri investigate opportunities to support Māori Businesses in Whangārei.</p>	Support and Partnership	Operational

	ACTION	COUNCIL TOOL	HOW
2.12	<p>Continue to prioritise, where practicable, local contractors in our procurement processes and/ or contractors that can provide employment and training opportunities to the more vulnerable sectors of our community.</p> <p>This could include social procurement policy similar to Auckland Council to help offset estimate imbalance of the employment impact of young Māori/Pasifika.</p>	Finance – Procurement Infrastructure	Operational
2.13	Strategically identify development opportunities and plan and prepare the ground to attract private investment. This could also include opportunities to leverage off the commercial property.	Support and Partnership	Operational
2.14	<p>Continue to foster a customer focused approach, to support our community through:</p> <ul style="list-style-type: none"> • customer service support • information and advice • facilitation with other agencies. 	Support and Partnership	Operational
2.15	Ensure new or reviewed policies, strategies and decision making take into account, and where practicable, prioritise economic recovery.	Future Planning	Operational
2.16	Undertake fact-based research to dispel negative perceptions and ensure that within the organisation we “push back” on negative perceptions.	Support and Partnership	Operational
2.17	<p>Through prioritisation of decision making, focus on projects and plans that can fast track de-carbonisation of our economy. Look at tools such as our:</p> <ul style="list-style-type: none"> • procurement processes • partnerships • Growth Strategy and place-making. 	Finance – Procurement Infrastructure	Operational
2.18	Partner with the tourism and hospitality sector as well as NorthChamber and Northland Inc, to explore what the future of tourism looks like and identify how Council activities might need to respond.	Support and Partnership	Operational

STAGE 3 | RESET: RESET TO A MORE INCLUSIVE, RESILIENT AND SUSTAINABLE ECONOMY

	ACTION	COUNCIL TOOL	HOW
3.1	Advocate to central government for improved transport connections from Whangārei to Auckland by rail and road.	Advocate	Elected Members and Strategic Leadership Team
3.2	Advocate for a decision and funding to move the New Zealand Navy Base and Port functions from Auckland to Whangārei with a focus on the support industries and training opportunity for our local community. Advocate for the proposed drydock development to support our marine sector.	Advocate	Elected Members and Strategic Leadership Team
3.3	Advocate for investment in Northbase Hospital redevelopment and ensure our planning regime and infrastructure investments are enabling of a rebuild.	Advocate Regulatory Partnership Infrastructure	Elected Members and Strategic Leadership Team
3.4	Advocate and support for investment in projects which will diversify and broaden our economic base, as well as supporting industries which have been hardest hit. These projects could include: <ul style="list-style-type: none"> • food production – incorporating Growers Market and perhaps the development of something similar to the Manukau Food Hub • manufacturing and engineering – including our marine industry • tourism attractions and accommodation • education and training • technology and communications. 	Advocate	Elected Members and Strategic Leadership Team
3.5	Prioritise the implementation of Corporate Sustainability Strategy and the Climate Change Action Plan, with a focus on actions which will support rebuilding a sustainable economy.	Support and Partnership	Operation (more funding may be required)

	ACTION	COUNCIL TOOL	HOW
3.6	<p>Ensure our projects and support of external projects supports ongoing resilience. This should be achieved through strategic partnerships with:</p> <ul style="list-style-type: none"> • Hapu • Government agencies • Key industries and developers. <p>This should be informed by assessments of our vulnerability of climatic risks and changing economic cycles.</p>	Future Planning	2021-31 Long Term Plan
3.7	<p>Foster partnerships to develop and implement spatial planning which supports economic recovery and responds to our communities needs. This includes:</p> <ul style="list-style-type: none"> • Whangārei to Auckland Spatial Plan • Growth Strategy • City Centre Plan • Placemaking programme <p>Partnerships include with our hapu, central government and key businesses and land owners</p>	Advocate Support and Partnerships Future Planning	Elected Members and Strategic Leadership Team
3.8	To create greater diversity, provide support for industry clusters, niche producers.	Advocate Support and Partnerships Regulatory	Operational
3.9	<p>Investigate opportunities for smart city approach, technology and digital connectivity to rebuild our economy and build greater resilience.</p> <p>Future proof projects so that, as far as practical, they can adapt/respond to new technology</p> <p>Identify in infrastructure plan and business plans how new technology could improve our service delivery</p>	Infrastructure Future Planning	Operational
3.10	Partnering with our tourism sector and hapu, continue to develop our unique authentic cultural point of difference, to support continue economic development	Advocate Support and Partnerships	Operational

ONGOING ECONOMIC MONITORING TO INFLUENCE DECISION MAKING

	ACTION	COUNCIL TOOL	HOW
1.1	<p>Ongoing monitoring of local economic indicators, such as employment rates, GDP, tourism spend, building consents.</p> <p>Create a COVID-19 Recovery dashboard to enable indicators to be reported easily to the public and Elected Members.</p> <p>Ensure we have robust sources of information from our banking sector, central government, local government networks and expert economists.</p>	Future Planning	Operational
1.2	Establish a network of local businesses through NorthChamber and Northland Inc to provide information and commentary on economic recovery.	Support and Partnership	Operational
1.3	Ongoing monitoring of local government response/central government response as well as expert commentary to inform our decision making.	Support and Partnership	Operational
1.4	Information gathered to support and guide our visitor industry decision making at a strategic level.	Advocate Support and Partnerships	Operational



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