6 April 2021

[redacted]

[redacted]

Request for Official Information responded to under the Local Government and Official Information and Meetings Act 1987 (LGOIMA) – reference: 8148254 (OIR: 2021-215)

I refer to your information request we received on 22 March 2021 for the following:

1. A copy of the Berl report on the LGCI increase

Please refer to attachment 1 - the BERL-Taituarā Local Government Cost Adjustor Forecasts report (September 2020). Each year Taituarā commissions BERL to produce forecasts of movements in key local government input costs and an overall cost index. BERL uses its Computable General Equilibrium model of the economy to forecast the overall level of economic activity, investment activity, and macroeconomic indicators, from which movements in key input prices are derived. This year's report updates the adjustors and cost index.

Taituarā — Local Government Professionals Aotearoa (formerly SOLGM) is the national organisation that supports and develops local government professionals in New Zealand.

2. A copy of any report to Councillors concerning affordability

There was no report given to Councillors, however affordability was discussed at a public workshop and I have attached the presentation slides that was given to Councillors, please refer to attachment 2 – Workshop 4 – LTP questions 2 and 3.

3. A copy of the papers at the workshop where valuation changes were agreed

I have attached the presentation slides from the workshop where the valuation changes were discussed, please refer to attachment 2.

On 23 March 2021 we received a further request from you as follows:

4. What is the financial effect of the suggested changes to development charges in the LTP please?

The proposed changes to development contribution charges (development charges) are:

2021 LTP Proposed DC Charges	Ōtaki ($)	Paekākāriki ($)	Paraparaumu-Raumati ($)	Waikanae ($)	Peka Peka ($)
Total development contribution levy (GST Inclusive)	$13,338	$4,119	$13,177	$15,557	$12,208

More information can be found on page 20 of the draft Development Contributions Policy for the 2021-41 Long Term Plan (LTP), available here:
https://kapiticoast.infocouncil.biz/Open/2021/03/CO_20210325_AGN_2299_AT_WEB.htm

These changes mainly affect the amount of income forecasted to be recovered through development contributions, of which the first 5 years of the prospective income is shown below:

	Year 1 21/22 $000	Year 2 22/23 $000	Year 3 23/24 $000	Year 4 24/25 $000	Year 5 25/26 $000
Development and financial contributions revenue	3,564	4,111	5,533	6,629	7,610

Please refer to the financial statements in the draft 2021-41 LTP supporting documentation for more information on income forecasts over the period of the LTP. These are available here:
https://kapiticoast.infocouncil.biz/Open/2021/03/CO_20210325_AGN_2299_AT_WEB.htm

Please note that the development contribution income figures are estimates only, and are based on current levels of development, with some allowance for population growth and price inflation. The actual amount of income received will be influenced by the actual volume and mix of developments in the district.

Yours sincerely

Mark de Haast
Group Manager Corporate Services
Te Kaihautū Ratonga Tōpū






berl

Local Government Cost Adjustor Forecasts

Three scenarios

Mahuru 2020

Authors: Konrad Hurren, Dr Ganesh Nana

Making sense of the numbers

Measures to contain COVID-19 in New Zealand have resulted in a severe economic downturn. Levels of activity and employment have declined, with income and spending consequently uncertain. These economic indicators will recover over time, but it is going to require bold moves and planning to minimise the harm caused over the interim. A continued focus on the kaupapa of intergenerational wellbeing will be required to ensure connections within and between communities are retained during the period of heightened stress.

To support this Business and Economic Research limited (BERL) have prepared scenarios for cost adjustors to be used by councils in their planning and project activities. These cost adjustors are projected under three scenarios, which are consistent with economic forecasts published by the Reserve Bank of New Zealand, the New Zealand Treasury and BERL.

- BERL mid–scenario – considered to be a likely outcome relevant to most regions of New Zealand
- Stalled rebuild scenario – where GDP and employment grow more slowly
- Faster rebuild scenario – where GDP and employment grow more rapidly.

Councils in areas with a higher reliance on tourism and retail or shrinking, aged, population might use the *stalled rebuild scenario*. Areas with higher public sector employment and a growing, young, population might use the *BERL mid-scenario* adjustors. Finally, areas with a higher proportion of knowledge and agricultural employment would likely use the *faster rebuild scenario*.

Broadly in line with the Reserve Bank of New Zealand assumptions, the underlying assumptions about COVID-19 are:

- New Zealand avoids a widespread outbreak of COVID-19 and is at Alert Level 1 through 2021
- Stringent border restrictions remain in place until the end of 2021
- From the September quarter 2020, New Zealand's economy gradually recovers. Demand from our trading-partner economies also recovers only gradually.

Again in line with the Reserve Bank of New Zealand's assessment, there are considerable downside risks to our outlook. In particular, there are the rises of:

- Recurrent resurgence of the virus in New Zealand
- Global stagnation as confidence sags
- A domestic recovery hindered by skilled labour constraints in critical sectors.

Should these risks eventuate, the economic outlook would shift more towards the *stalled rebuild scenario*.

Population, the Māori economy, the future of life, leisure, and work are challenges for councils over the next decade. The role of local government, and local government funding are significant issues councils have to come to terms with in order to meet these challenges. We argue that bold moves and exploration of new funding methods are in order. The kaupapa of intergenerational wellbeing is of foremost importance.

Contents

Tables

Figures

1 Introduction

The impact of the containment measures of COVID-19 is likely to be one of the biggest challenges many of us will face. The Reserve Bank of New Zealand (RBNZ) has described this economic crisis as the worst in a century. It will require local governments to reconsider the assumptions, forecasts, and data that will be used to prepare long term and annual plans.

Maintaining an environment that saves lives and a health system that meets the demands placed on it is of the upmost importance during the response to the virus. The containment measures of COVID-19 will have long-term impacts on the wellbeing of communities up and down Aotearoa and will require a long-term response. This will impact all four of the wellbeings; economic, social, cultural and environmental.

The uncertainty surrounding the effects of the containment measures of COVID-19 on the New Zealand economy makes planning for the future more challenging. The purpose of this report is to provide the Society of Local Government Managers (SOLGM) a set of adjustors to use in cost forecasting. The information in this report is intended to inform and guide local councils as they prepare to develop planning documents to outline the response to support community wellbeing over the 10-year planning horizon.

We begin this report by summarising the results of our modelling of the immediate economic effects of the containment measures of COVID-19. Economics is about people and how they sustain themselves in pursuit of the things they value. That is why the focus of our economic analysis is employment, rather than the more typical GDP.

We then summarise three scenarios for the economic outlook over the coming 10 years in Aotearoa. These scenarios are drawn from work completed by the Reserve Bank of New Zealand, The New Zealand Treasury, and BERL. Each scenario illustrates a modest recovery in economic activity that is more or less rapid depending on the assumptions of the scenarios. These scenarios are used to inform our forecasts of the cost adjustors.

We produce our forecasts of costs adjustors under three scenarios:

- Stalled rebuild scenario – where GDP and employment grow more slowly
- BERL mid–scenario – considered to be a likely outcome relevant to most regions of New Zealand
- Faster rebuild scenario – where GDP and employment row more rapidly.

Each of these scenarios is described in some detail and guidance is given to councils to help them decide which scenario of cost adjustors is suitable to use depending on the specific details of their local economy.

We also provide some considerations of the challenges and opportunities ahead, including: population, the role of local government, funding local government, the Māori economy, and the future of life (leisure, work, and ways of living). This narrative is intended to give further context to the new world and new business model.

We conclude with a brief and non-technical description of our methodology intended to give councils confidence in our adjustors.

2 The immediate impact of the containment measures

Alert levels

The containment measures of COVID-19 are categorised into four "alert levels" with varying degrees of restriction on activity. It is useful to briefly summarise the relevant specifics of each alert level. For a full description please see the COVID-19 website.[1]

- Alert level 4 is the most restrictive with severely limited travel only allowed for essential activities. As well as closures of all non-essential businesses
- Alert level 3 is slightly less restrictive with an instruction (but not enforcement) of essential-only travel and an allowance of gatherings up to 10 people. Non-essential businesses are effectively closed, aside from deliveries
- Alert level 2 is still less restrictive with businesses being allowed to open to the public, under a set of strict guidelines of physical distancing and gatherings of 100 people permitted
- Alert level 1 is the least restrictive. For all intents and purposes it is a return to "normal" with a suggestion to continue sanitation practises. The key aspect of this policy in terms of the economic effect is that the international border is closed to entry.

Immediate impact

At time of writing New Zealand is officially at alert level 2, having spent some weeks under each of alert levels 4, 3, and then 1. There was recently a new cluster identified in Auckland and the decision was made to place Auckland at alert level 3 and the rest of the country at level 2.

To get some idea of how each alert level impacts the economy we use estimates produced by the Reserve Bank of New Zealand (RBNZ) and the New Zealand Treasury (The Treasury). We summarise our results in Table 2.1

We found that the greatest effect on employment is under alert level 4, the most restrictive. Under this alert level there is an associated 21 percent immediate decrease in employment in New Zealand. The most strongly impacted industries are accommodation and food services, construction, and arts and recreation services. These industries exhibit a drop in employment of 39, 36, and 36 percent, respectively.

The largest decrease numerically is in construction, with 86,950 jobs lost during alert level 4.

Looking at alert level 2 (the current alert level) we calculate that most industries are expected to recover somewhat (netting zero, or relatively few, lost jobs). The largest exceptions to this are accommodation and food services and arts and recreation services. These industries make up almost the entirety of the tourism sector. With the international border closed and other alert level 2 measures in place employment in these industries at alert level 2 will be some 31 percent lower than pre-COVID.

[1] https://uniteforrecovery.govt.nz/covid-19/covid-19-alert-system/alert-system-overview/

Table 2.1 Immediate employment impact of COVID-19 containment measures

	Indicative employment loss at each COVID-19 alert level			
Industry	**Level 4**	**Level 3**	**Level 2**	**Level 1**
Accommodation and food services	-64,890	-58,400	-51,910	-42,180
Administrative and support services	-40,260	-37,750	-12,580	-2,520
Agriculture, forestry, and fishing	-9,690	-4,310	-2,150	0
Arts and recreation services	-17,730	-17,730	-14,770	-10,340
Construction	-86,950	-15,050	-5,020	0
Education and training	-7,740	-7,740	-7,740	-4,650
Electricity, gas, water and waste services	-2,220	-950	-320	0
Financial and insurance services	-6,370	-3,190	-1,590	-530
Health care and social assistance	-10,650	-10,650	-5,320	-5,320
Information media and telecommunications	-5,240	-1,310	0	0
Manufacturing	-54,090	-10,820	-5,410	0
Mining	-2,640	-270	0	0
Other services	-35,620	-23,750	-16,630	-4,750
Professional scientific and technical services	-52,080	-44,060	-9,350	-1,340
Public administration and safety	-5,760	-5,760	-2,880	0
Rental hiring and real estate services	-1,770	-1,770	-890	-300
Retail trade	-63,980	-44,780	-17,060	-6,400
Transport, postal and warehousing	-22,370	-12,780	-2,130	-1,070
Wholesale trade	-27,120	-4,240	-1,700	-850
Total	-517,125	-305,270	-157,430	-80,220

We have repeated this analysis focussing on the Māori economy specifically. The results of this analysis are consistent with those of the analysis of the whole economy. These are summarised in Table 2.2

Table 2.2 Immediate impact of COVID-19 on the Māori economy

	Indicative Māori employment loss at each COVID-19 alert level			
Industry	**Level 4**	**Level 3**	**Level 2**	**Level 1**
Accommodation and food services	-9,310	-8,380	-7,450	-6,050
Administrative and support services	-7,020	-6,580	-2,200	-440
Agriculture, forestry, and fishing	-1,550	-690	-350	0
Arts and recreation services	-2,620	-2,620	-2,180	-1,530
Construction	-13,830	-2,400	-800	0
Education and training	-1,130	-1,130	-1,130	-680
Electricity, gas, water and waste services	-360	-160	-50	0
Financial and insurance services	-530	-270	-130	-50
Health care and social assistance	-1,380	-1,380	-690	-690
Information media and telecommunications	-480	-120	0	0
Manufacturing	-8,760	-1,750	-880	0
Mining	-440	-50	0	0
Other services	-4,410	-2,940	-2,060	-590
Professional scientific and technical services	-4,140	-3,500	-750	-110
Public administration and safety	-860	-860	-430	0
Rental hiring and real estate services	-170	-170	-90	-30
Retail trade	-8,030	-5,620	-2,140	-810
Transport, postal and warehousing	-3,810	-2,180	-360	-180
Wholesale trade	-2,840	-450	-180	-90
Total	-71,670	-41,250	-21,870	-11,250

The impacts summarised here feed into our analysis of what the future holds.

3 Looking forward: RBNZ, The Treasury, and BERL

We have so far looked at the initial shock to the New Zealand economy as a result of the alert level containment measures of COVID-19. This section describes forecasts for the next five years from the Reserve Bank of New Zealand (RBNZ) and the Treasury. We then include BERL's view of what the next ten years might look like.

The global response to the COVID-19 pandemic has resulted in likely the worst economic crisis in generations. We are in the middle of this crisis and now is the time to be thinking about how the recovery happens. It is important for local government to understand the things they can affect which will facilitate recovery and resilience.

Both the RBNZ and the Treasury forecast a roughly similar shaped recovery. With unemployment increasing sharply and then recovering relatively fast. These forecasts take into account the spending already in place by central government. We summarise these recovery paths in Figure 3.1

Treasury's forecast (May Budget Economic Fiscal Update) assumes New Zealand remains at alert level 1 or 2 into 2021. There is a spike up to above eight percent unemployment in 2020 followed by a relatively swift recovery back to around five percent unemployment by 2024. This is an optimistic view of the recovery that assumes a relatively strong rebound for New Zealand's trading partners and a strong effect due to the Monetary Policy response.

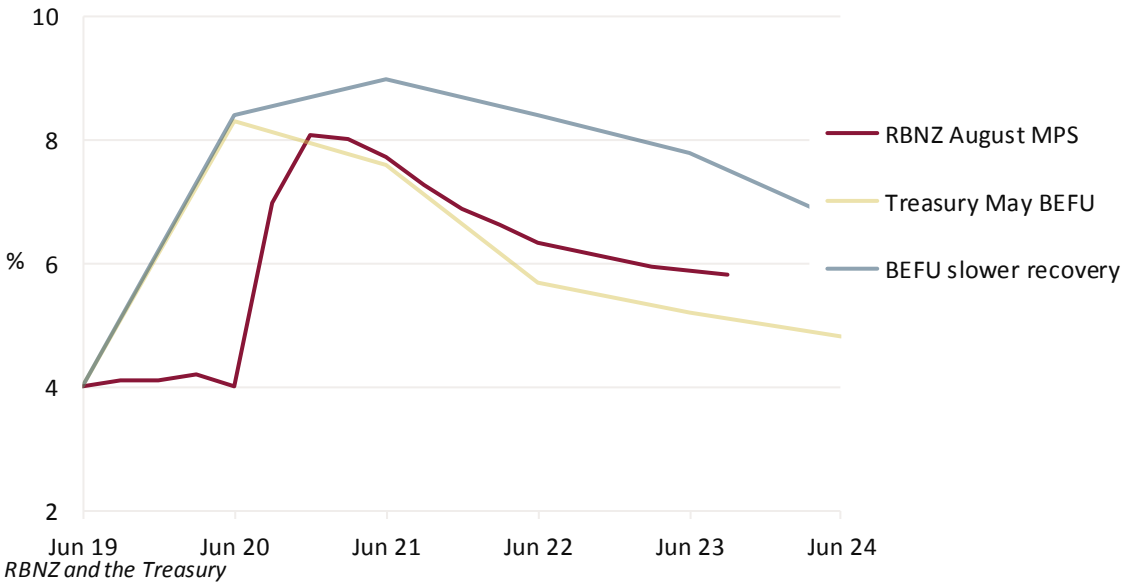
The Treasury in their Budget and Economic Fiscal Update (BEFU) included an additional scenario of a slower recovery. Treasury state that this slower recovery path includes $90 billion less in production (GDP) over the five year horizon. This scenario is calculated under similar assumptions as the Treasury's May BEFU but with more realistic (and pessimistic) assumptions around the speed of recovery.

The RBNZ in their August Monetary Policy Statement (MPS) have accounted for the wage subsidy package which explains the flat section of the unemployment chart up to June 2020. As this support package expires in September 2020 unemployment will increase sharply. Their forecast also takes account of the significant fiscal response of $62 billion in additional spending, representing 20 percent of GDP.

Additionally, the RBNZ explicitly assumes the following about COVID-19:

- New Zealand avoids a widespread outbreak of COVID-19 and is at Alert Level 1 or lower from early June 2020
- Stringent border restrictions remain in place until the end of 2021
- From the September quarter 2020, New Zealand's economy gradually recovers, reaching pre-COVID-19 levels of activity by early 2022. Demand from our trading-partner economies also recovers only gradually.

Figure 3.1 New Zealand economic recovery scenarios, unemployment

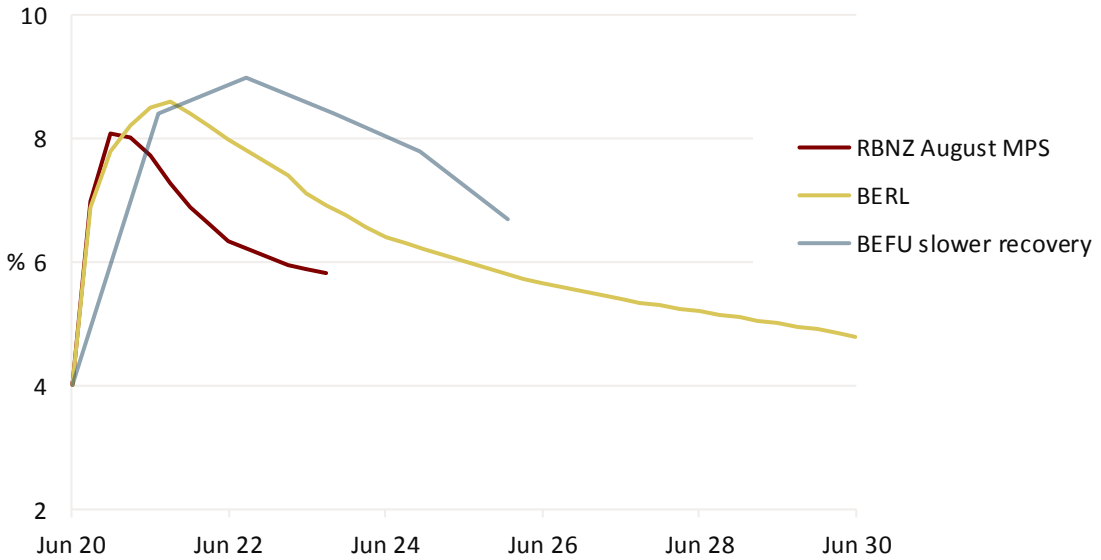


RBNZ and the Treasury

Next, in Figure 3.2 we reproduce the Treasury's slower recovery scenario as well as the RBNZ scenario. We emphasise the severity of this economic crisis and note that, historically, unemployment has always taken around ten years to fully recover after a crisis in New Zealand. We therefore include on this graph our own BERL forecast of the path the recovery might take over a more realistic next ten years.

We forecast unemployment slowly recovering to near five percent by around 2030. This outlook assumes the COVID-19 eradication strategy is successful and a vaccine is developed sometime in 2021 allowing the border to reopen and life to return to somewhat normal. However we assume a pessimistic slow recovery out to 2030. This pessimism is justified by the historical record of recoveries in New Zealand taking around ten years to play out, as well as BERL's understanding of the microstructures of the New Zealand economy.

Figure 3.2 New Zealand economic recovery scenarios, unemployment out to 2030



BERL, RBNZ, and the Treasury

These forecasts create the backdrop against which councils will need to make investment and spending decisions over the next decade. To assist in this task BERL has conducted extensive econometric research into how local government price indices evolve in tandem with macroeconomic variables. We have built RBNZ, the Treasury, and our own forecasts into the forecasts of the price indices.

In line with the Reserve Bank of New Zealand's assessment, there are considerable downside risks to our outlook. In particular, there are the rises of:

- Recurrent resurgence of the virus in New Zealand
- Global stagnation as confidence sags
- A domestic recovery hindered by skilled labour constraints in critical sectors.

Should these risks eventuate, the economic outlook would shift from the *BERL mid scenario* towards the *stalled rebuild scenario* described in the following section.

4 Cost adjustors

In this section we describe our scenarios and publish adjustors for local government costs out to June 2031. We also provide guidance to councils on which scenario might be most applicable to their local area based on general economic facts.

Scenarios

We have designed three scenarios consistent with the RBNZ and the Treasury forecasts of New Zealand's economic recovery following the containment response to COVID-19. These scenarios are:

1) Stalled rebuild scenario

2) BERL mid-scenario

3) Faster rebuild scenario.

These scenarios are forward looking and show what we expect to be the path the economy should take over the medium term. Each scenario includes a strong period of upward economic pressure in the June 2021 quarter. This reflects a period when we expect COVID-19 to be largely contained and business starts to return to normal. During this initial period, much of the pent up demand and postponed investment decisions are filled.

We also accept that, after the containment measures of 2020 COVID-19 could return in a second or third wave pandemic. We have not attempted to explicitly model this situation but our *Stalled rebuild scenario* captures the downside risk to the economy and can be used to describe a second or third wave of COVID-19.

Each of these scenarios paints a different picture of how GDP and employment might recover over the period from 2020 to 2031. The local government price indices we identified in previous research have been modelled to respond to changes in employment and GDP. In this way we are able to create three scenarios of local government costs over the next decade which will be more or less applicable to different regions depending on the specific structure of local economies.

Next, we publish the cost adjustor forecasts under our three scenarios and provide justification for which scenario councils might use, depending on the structure of the local economy.

Indices that make up the cost adjustors

In the next section we detail our assumptions and provide the cost adjustors and Local Government Cost Indices (LGCI) for each scenario.

The local government cost adjustors are indices of adjustors built from eight price indices which BERL has determined to drive local government costs. These are detailed in our methodology section.

The LGCI are a set of three indices that are a combination of the five local government cost adjustors.

The OPEX (operating expenditure) index is more heavily weighted towards planning and administration and water. This index is mainly driven by costs of wages and salaries at the local government level as well as other administration costs and water and environment. This is driven by population increases and general economic activity (requiring council consents, input, or oversight).

The CAPEX (capital expenditure) index is more heavily weighted toward water and environment and roading. This index is driven by changes in the need for capital expenditure. As New Zealand rebuilds after the initial containment efforts of COVID-19 we expect this index to rise driven by the administration of "shovel ready" projects and other civil construction.

The TOTAL index captures how the five cost adjustor indices are weighted over the entirety of local government spending (OPEX plus CAPEX)

4.1 BERL mid-scenario

The *BERL mid-scenario* might be thought of as a likely scenario. In line with the RBNZ scenario, the risks to this scenario are mostly on the downside. It is more likely that growth and employment is lower than higher that in this scenario. The assumptions are consistent with Treasury and RBNZ forecasts and include BERL's adjustment for the historic record of time taken to recover from previous economic crises.

This scenario is likely to be applicable to most councils, and especially for those in areas that:

a) Have a diverse economy without an overreliance on the worst affected industries of tourism and retail trade

b) Have relatively sound infrastructure and do not expect to engage in significant infrastructure upgrades in the next decade[2]

c) Have a growing young population

d) Have a high proportion of employment in local and central government

e) Have a high proportion of employment in knowledge work generally.

We expect that areas of New Zealand whose economies fit this description are likely to experience a prolonged but generally healthy recovery. This assumes continued support from local and central government.

Some examples might include each of the local bodies comprising an area around Wellington City, as well as those comprising an area around Christchurch City and Hamilton City.

[2] We have in mind projects such as the Transmission Gully or a new light rail system as *significant* upgrades

Cost adjustors

Table 4.1 Local government cost adjustors, BERL mid-scenario, June 2020 base

	BERL mid-scenario				
	Planning & Regulation	Roading	Transport	Community	Water & Environment
2019	983	981	982	983	976
2020	1000	1000	1000	1000	1000
2021	1005	1008	1007	998	962
2022	1032	1042	1036	1030	1019
2023	1058	1075	1063	1058	1055
2024	1082	1107	1089	1084	1082
2025	1106	1139	1115	1111	1112
2026	1131	1172	1141	1138	1144
2027	1156	1206	1169	1165	1176
2028	1182	1241	1197	1194	1213
2029	1208	1277	1226	1225	1254
2030	1235	1315	1255	1257	1297
2031	1263	1353	1286	1287	1337

Table 4.2 Local government cost index LGCI, BERL mid-scenario

	BERL mid-scenario		
	OPEX	CAPEX	TOTAL
2019	981	980	981
2020	1000	1000	1000
2021	994	991	993
2022	1030	1030	1030
2023	1059	1061	1060
2024	1086	1089	1087
2025	1113	1117	1114
2026	1141	1147	1143
2027	1169	1177	1172
2028	1199	1209	1202
2029	1231	1244	1235
2030	1264	1279	1269
2031	1297	1314	1302

Table 4.3 Local government cost adjustors, BERL mid-scenario, % change on year earlier

	BERL mid-scenario				
	Planning & Regulation	Roading	Transport	Community	Water & Environment
2019	3.2	2.3	2.8	2.0	3.8
2020	1.7	1.9	1.8	1.7	2.5
2021	0.5	0.8	0.7	-0.2	-3.8
2022	2.7	3.3	2.9	3.2	6.0
2023	2.5	3.1	2.6	2.7	3.5
2024	2.3	3.0	2.4	2.5	2.6
2025	2.2	2.9	2.4	2.4	2.7
2026	2.2	2.9	2.4	2.5	2.9
2027	2.2	2.9	2.4	2.4	2.8
2028	2.2	2.9	2.4	2.5	3.2
2029	2.2	2.9	2.4	2.6	3.3
2030	2.2	2.9	2.4	2.6	3.4
2031	2.2	2.9	2.4	2.4	3.1
20 year average %pa	*2.0*	*2.5*	*2.2*	*2.1*	*2.5*

Table 4.4 Local government cost index LGCI, BERL mid-scenario, % change on year earlier

	BERL mid-scenario		
	OPEX	CAPEX	TOTAL
2019	3.0	2.9	3.0
2020	1.9	2.0	2.0
2021	-0.6	-0.9	-0.7
2022	3.6	4.0	3.7
2023	2.9	3.0	2.9
2024	2.5	2.6	2.5
2025	2.5	2.6	2.5
2026	2.5	2.7	2.6
2027	2.5	2.6	2.5
2028	2.6	2.8	2.6
2029	2.7	2.8	2.7
2030	2.7	2.9	2.7
2031	2.6	2.7	2.6
20 year average %pa	*2.2*	*2.3*	*2.2*

The pattern of recent information and data series is infected by the Level 3 and 4 lockdown over the March to September 2020 period. This results in a significant amount of 'noise' in the data and further hinders model projection equations.

Our advice is to ignore, as much as is possible, the short-term noise when applying the above projections. The negative (or low) value projected for some cost adjustors for the 2021 year fall into this 'noise' category. Consequently, if appropriate, we advise replacing 2021 and 2022 with the arithmetic average of the two years. For example, for the TOTAL overall cost adjustor rather than applying -0.7 percent for 2021 and 3.7 percent for 2022, we advise using 1.5 percent for both 2021 and 2022. However, the profile of a larger lift in costs post-2023 should also be applied.

These comments are also applicable to the other scenario projections presented below.

Table 4.5 local government cost adjustors, BERL mid-scenario, cumulative % change

	BERL mid-scenario				
	Planning & Regulation	Roading	Transport	Community	Water & Environment
2021	0.5	0.8	0.7	-0.2	-3.8
2022	3.2	4.2	3.6	3.0	1.9
2023	5.8	7.5	6.3	5.8	5.5
2024	8.2	10.7	8.9	8.4	8.2
2025	10.6	13.9	11.5	11.1	11.2
2026	13.1	17.2	14.1	13.8	14.4
2027	15.6	20.6	16.9	16.5	17.6
2028	18.2	24.1	19.7	19.4	21.3
2029	20.8	27.7	22.6	22.5	25.4
2030	23.5	31.5	25.5	25.7	29.7
2031	26.3	35.3	28.6	28.7	33.7

Table 4.6 Local government cost index LGCI, BERL mid-scenario, cumulative % change

	BERL mid-scenario		
	OPEX	CAPEX	TOTAL
2021	-0.6	-0.9	-0.7
2022	3.0	3.0	3.0
2023	5.9	6.1	6.0
2024	8.6	8.9	8.7
2025	11.3	11.7	11.4
2026	14.1	14.7	14.3
2027	16.9	17.7	17.2
2028	19.9	20.9	20.2
2029	23.1	24.4	23.5
2030	26.4	27.9	26.9
2031	29.7	31.4	30.2

4.2 Stalled rebuild scenario

The *Stalled rebuild scenario* is a scenario that assumes that the economic recovery is somewhat stalled due to a combination of structural inertia, and other microeconomic drivers.

The forecast itself is built off historic growth rates and a path consistent with RBNZ and the Treasury forecasts with a significant "skewing" of the recovery to the negative side. Under this scenario unemployment remains higher and GDP grows more slowly out to 2031.

This forecast is applicable to councils in areas that:

a) Have an economy with greater reliance on industries hardest hit by the response to COVID-19 such as tourism and retail

b) Have relatively sound infrastructure and do not expect to engage in significant infrastructure upgrades in the next decade.[3] Alternatively, they have unsound infrastructure in need of upgrading but no appetite to do so

c) Have a slowly growing, or shrinking, more aged population

d) Have a low proportion of employment in local and central government

[3] We have in mind projects such as the Transmission Gully or a new light rail system as *significant* upgrades

e) Have a low proportion of employment in agriculture.

We expect that areas of New Zealand that fit this description economically will enjoy an economic recovery in employment and GDP. But this recovery will be slower and more subdued than the BERL forecast. The drivers of this relatively reluctant growth are structural inertia within the local economy and other microeconomic forces. This inertia can be the result of a raft of different things, from incumbent firms who have no need to innovate, to a confluence of multiple errors by multiple people.

We don't think any areas of New Zealand fit all of these criteria at once but some areas (not all) on the West Coast might reasonably be described by the criteria. Councils around the country have a better idea of specific local geographies that fit these criteria.

Cost adjustors

Table 4.7 Local government cost adjustors, Stalled rebuild scenario, June 2020 base

	Stalled rebuild scenario				
	Planning & Regulation	Roading	Transport	Community	Water & Environment
2019	983	981	982	983	976
2020	1000	1000	1000	1000	1000
2021	1011	1013	1012	1005	971
2022	1032	1042	1035	1029	997
2023	1054	1072	1058	1053	1020
2024	1075	1102	1081	1076	1041
2025	1097	1132	1105	1099	1062
2026	1119	1164	1130	1124	1086
2027	1142	1195	1154	1148	1107
2028	1164	1228	1179	1173	1131
2029	1187	1261	1205	1199	1156
2030	1210	1296	1231	1227	1184
2031	1234	1331	1257	1253	1207

Table 4.8 Local government cost index LGCI, Stalled rebuild scenario, June 2020 base

	Stalled rebuild scenario		
	OPEX	CAPEX	TOTAL
2019	981	980	981
2020	1000	1000	1000
2021	1001	998	1000
2022	1025	1023	1024
2023	1048	1047	1048
2024	1070	1071	1070
2025	1094	1095	1094
2026	1118	1120	1119
2027	1141	1145	1142
2028	1166	1171	1167
2029	1191	1198	1193
2030	1218	1226	1220
2031	1243	1253	1246

Table 4.9 Local government cost adjustors, Stalled rebuild scenario, % change on year earlier

	Stalled rebuild scenario				
	Planning & Regulation	Roading	Transport	Community	Water & Environment
2019	3.2	2.3	2.8	2.0	3.8
2020	1.7	1.9	1.8	1.7	2.5
2021	1.1	1.3	1.2	0.5	-2.9
2022	2.1	2.8	2.2	2.4	2.7
2023	2.1	2.8	2.3	2.3	2.3
2024	2.0	2.8	2.2	2.2	2.0
2025	2.0	2.8	2.2	2.2	2.1
2026	2.0	2.8	2.2	2.2	2.2
2027	2.0	2.7	2.2	2.1	1.9
2028	2.0	2.7	2.2	2.2	2.2
2029	2.0	2.7	2.1	2.2	2.3
2030	2.0	2.7	2.2	2.3	2.4
2031	2.0	2.7	2.2	2.1	2.0
20 year average %pa	*1.9*	*2.4*	*2.1*	*2.0*	*2.0*

Table 4.10 Local government cost index LGCI, Stalled rebuild scenario, % change on year earlier

	Stalled rebuild scenario		
	OPEX	CAPEX	TOTAL
2019	3.0	2.9	3.0
2020	1.9	2.0	2.0
2021	0.1	-0.2	0.0
2022	2.4	2.5	2.4
2023	2.3	2.4	2.3
2024	2.1	2.2	2.2
2025	2.2	2.3	2.2
2026	2.2	2.3	2.3
2027	2.1	2.2	2.1
2028	2.2	2.3	2.2
2029	2.2	2.3	2.2
2030	2.2	2.4	2.3
2031	2.1	2.2	2.1
20 year average %pa	*2.0*	*2.1*	*2.0*

Table 4.11 Local government cost adjustors, Stalled rebuild scenario, cumulative % change

	Stalled rebuild scenario				
	Planning & Regulation	Roading	Transport	Community	Water & Environment
2021	1.1	1.3	1.2	0.5	-2.9
2022	3.2	4.2	3.5	2.9	-0.3
2023	5.4	7.2	5.8	5.3	2.0
2024	7.5	10.2	8.1	7.6	4.1
2025	9.7	13.2	10.5	9.9	6.2
2026	11.9	16.4	13.0	12.4	8.6
2027	14.2	19.5	15.4	14.8	10.7
2028	16.4	22.8	17.9	17.3	13.1
2029	18.7	26.1	20.5	19.9	15.6
2030	21.0	29.6	23.1	22.7	18.4
2031	23.4	33.1	25.7	25.3	20.7

Table 4.12 Local government cost index LGCI, Stalled rebuild scenario, cumulative % change

Stalled rebuild scenario			
	OPEX	CAPEX	TOTAL
2021	0.1	-0.2	0.0
2022	2.5	2.3	2.4
2023	4.8	4.7	4.8
2024	7.0	7.1	7.0
2025	9.4	9.5	9.4
2026	11.8	12.0	11.9
2027	14.1	14.5	14.2
2028	16.6	17.1	16.7
2029	19.1	19.8	19.3
2030	21.8	22.6	22.0
2031	24.3	25.3	24.6

4.3 Faster rebuild scenario

Similarly, the *Faster rebuild scenario* is also relatively unlikely to unfold. This scenario assumes that the economic recovery from the containment measures of COVID-19 evolves faster and more vigorously than the BERL forecast. The drivers of this fast recovery are good planning, a strong local government response, a responsive productive sector, and a little bit of historical good luck.

The forecast is again built off those by RBNZ and the Treasury with a significant "skewing" toward the positive side. Under this scenario unemployment falls more quickly and GDP growth picks up more quickly in the decade until 2031.

This forecast is applicable to councils in areas that:

a) Have an economy with lower reliance on industries hardest hit by the response to COVID-19 such as tourism and retail

b) Have relatively sound infrastructure but also expect to engage in *significant* infrastructure upgrades in the next decade[4]

c) Have a growing, young population

d) Have a high proportion of employment in local and central government

e) Have a high proportion of employment in agriculture

f) Have a high proportion of employment in knowledge work generally, especially technology and science.

Similar to the worst case scenario, no area of the country will fit all of these criteria. However, areas that fit most of these criteria might be places like the Manawatū-Whanganui Region which has a high proportion of employment agriculture, knowledge work/science, and central/local government. This area has been cited by the Central Economic Development Agency to have already outperformed the national economy.

[4] We have in mind projects such as the Transmission Gully or a new light rail system as *significant* upgrades

Other examples might be Auckland Central and Wellington City. Both of these areas have low employment in agriculture (effectively none) but a highly productive technology and knowledge sector.

Areas with a strong (but not excessive) agriculture sector will experience stronger growth as the demand for New Zealand food products will remain high in the near future. New Zealand produces good quality food and even if the exchange rate is not the most favourable exports are still a significant source of growth.

Additionally, an area with more knowledge workers and science workers will experience a quicker recovery as employment in these lines of work can be performed remotely. On top of this, the spill over effects of the high productivity of this work drives the local economy.

Cost adjustors

Table 4.13 Local government cost adjustors, Faster rebuild scenario, June 2020 base

	Faster rebuild scenario				
	Planning & Regulation	Roading	Transport	Community	Water & Environment
2019	983	981	982	983	976
2020	1000	1000	1000	1000	1000
2021	1014	1015	1014	1007	978
2022	1040	1048	1041	1038	1019
2023	1066	1082	1069	1067	1053
2024	1094	1116	1098	1097	1089
2025	1121	1151	1127	1127	1127
2026	1149	1187	1157	1159	1167
2027	1178	1224	1187	1189	1202
2028	1207	1261	1218	1222	1243
2029	1237	1300	1249	1256	1285
2030	1267	1340	1281	1291	1328
2031	1297	1381	1314	1325	1369

Table 4.14 Local government cost index LGCI, Faster rebuild scenario, June 2020 base

	Faster rebuild scenario		
	OPEX	CAPEX	TOTAL
2019	981	980	981
2020	1000	1000	1000
2021	1004	1001	1003
2022	1035	1035	1035
2023	1065	1066	1065
2024	1096	1098	1097
2025	1127	1132	1129
2026	1160	1166	1162
2027	1191	1199	1194
2028	1225	1235	1228
2029	1260	1272	1263
2030	1295	1309	1299
2031	1330	1346	1335

Table 4.15 Local government cost adjustors, Faster rebuild scenario, % change on year earlier

	Faster rebuild scenario				
	Planning & Regulation	Roading	Transport	Community	Water & Environment
2019	3.2	2.3	2.8	2.0	3.8
2020	1.7	1.9	1.8	1.7	2.5
2021	1.4	1.5	1.4	0.7	-2.2
2022	2.6	3.3	2.7	3.1	4.1
2023	2.6	3.2	2.7	2.8	3.4
2024	2.5	3.2	2.7	2.8	3.4
2025	2.5	3.2	2.7	2.8	3.5
2026	2.5	3.1	2.6	2.8	3.5
2027	2.5	3.1	2.6	2.6	3.0
2028	2.5	3.1	2.6	2.8	3.4
2029	2.4	3.1	2.6	2.8	3.4
2030	2.4	3.1	2.6	2.8	3.4
2031	2.4	3.0	2.6	2.6	3.0
20 year average %pa	*2.2*	*2.6*	*2.3*	*2.2*	*2.6*

Table 4.16 Local government cost index LGCI, Faster rebuild scenario, % change on year earlier

	Faster rebuild scenario		
	OPEX	CAPEX	TOTAL
2019	3.0	2.9	3.0
2020	1.9	2.0	2.0
2021	0.4	0.1	0.3
2022	3.1	3.3	3.2
2023	2.9	3.0	2.9
2024	2.9	3.0	2.9
2025	2.9	3.0	2.9
2026	2.9	3.0	2.9
2027	2.7	2.8	2.8
2028	2.8	3.0	2.9
2029	2.8	3.0	2.9
2030	2.8	3.0	2.9
2031	2.7	2.8	2.7
20 year average %pa	*2.3*	*2.4*	*2.4*

Table 4.17 Local government cost adjustors, Faster rebuild scenario, cumulative % change

	Faster rebuild scenario				
	Planning & Regulation	Roading	Transport	Community	Water & Environment
2021	1.4	1.5	1.4	0.7	-2.2
2022	4.0	4.8	4.1	3.8	1.9
2023	6.6	8.2	6.9	6.7	5.3
2024	9.4	11.6	9.8	9.7	8.9
2025	12.1	15.1	12.7	12.7	12.7
2026	14.9	18.7	15.7	15.9	16.7
2027	17.8	22.4	18.7	18.9	20.2
2028	20.7	26.1	21.8	22.2	24.3
2029	23.7	30.0	24.9	25.6	28.5
2030	26.7	34.0	28.1	29.1	32.8
2031	29.7	38.1	31.4	32.5	36.9

Table 4.18 Local government cost index LGCI, Faster rebuild scenario, cumulative % change

	Faster rebuild scenario		
	OPEX	CAPEX	TOTAL
2021	0.4	0.1	0.3
2022	3.5	3.5	3.5
2023	6.5	6.6	6.5
2024	9.6	9.8	9.7
2025	12.7	13.2	12.9
2026	16.0	16.6	16.2
2027	19.1	19.9	19.4
2028	22.5	23.5	22.8
2029	26.0	27.2	26.3
2030	29.5	30.9	29.9
2031	33.0	34.6	33.5

In section 6 we briefly describe our methodology to give councils some confidence in the cost adjustors produced.

5 Challenges (and opportunities) ahead

5.1 Population

We provide here an estimate of how New Zealand's population could change over the next decade. This estimate is informed partly by the economic effects of the containment measures of COVID-19.

Our estimate is based on Statistics New Zealand population projections (75th percentile). We have included assumptions on net external migration to account for how the containment measures of COVID-19 might affect population.

In general, we observe a growing population, we expect around 200,000 to 300,000 extra New Zealanders by 2030. What this means is that the requirement for the basic local government operations such as the three waters, local roads, and community infrastructure will face growing demand.

This slowly falling working age population is a well-known artefact of New Zealand's generally aging population. The coming decade will see the number of people of working age drop relative to those younger and older than working age. This has implications for the plans of local government. The needs of older people and younger people are different from those in the working age. More emphasis on "third places" and community infrastructure will be important to help keep older, recently retired people, engaged in their community. Areas for parents to bring children to play will also continue to be important, including the wealth of parks and facilities dotting Aotearoa.

Table 5.1 Population projections to 2030 under three scenarios

	2020	2021	2022	2023	2024	2025	2030
Child - up to 15 years	962,850	973,480	970,330	972,580	971,450	972,120	992,620
Young adult - 15 to 24 years	672,090	670,380	659,290	652,060	651,570	652,290	660,230
Adult - 25 to 64 years	2,582,190	2,620,400	2,621,420	2,636,820	2,631,640	2,631,350	2,670,770
Older adult - 65 years and over	802,830	831,550	848,250	869,280	894,350	920,730	1,055,810
Total	5,019,960	5,095,810	5,099,290	5,130,740	5,149,010	5,176,490	5,379,430

5.2 Local government funding

We are aware of pressures across councils for zero rates increases. This approach could jeopardise the delivery of future services. This will act directly against the kaupapa of ensuring the wellbeing (across all four dimensions) of current and future generations. However, we understand the need to work around this zero rate increase pressure.

As at 1 May 2020 the RBNZ began to include Local Government Funding Agency bonds in its Reserve Bank's Bond Lending Facility. This is an important source of funding for local governments planning for the next ten years. The interest payable on these loans is the current Official Cash Rate (OCR) less 50 basis points. At time of writing this implies an interest rate payable of -0.25 percent (currently the OCR is 0.25). The RBNZ remains committed to supporting the recovery using monetary policy. We suggest that interest rates will not rise significantly any time soon. This should give local governments confidence in debt financing.

Additionally, the RBNZ has extended the Large Scale Asset Purchases Programme which seeks to purchase $100 billion of New Zealand Government Bonds, Local Government Funding Agency (LGFA) Bonds and New Zealand Government Inflation-Indexed Bonds in the secondary market by June 2022.

Local governments can access this funding to ensure community infrastructure projects are able to be pursued consistent with the kaupapa of wellbeing (across all four dimensions).

With the kaupapa of intergenerational wellbeing in mind and acknowledging local governments' role in pursuing it we suggest local councils explore how a revision of the debt-ceiling constraint could be achieved. Central government has signalled they are willing to support local government more and the economic crisis brought about by the containment measures of COVID-19 provides an opportunity to rethink.

Other options for funding include deferred payment schemes. Further, alternative funding mechanisms from central government should be actively pursued (together with LGNZ).

An untowardly narrow perspective on protecting council finances will be reflected in deficits across other wellbeing domains – as has been experienced in recent years.

5.3 The role of local government

The containment measures of COVID-19 have caused incredible disruption to supply chains by forcing people to cease production of non-essential goods and services. This fact is what makes the current economic crisis a supply side crisis.

The unemployment associated with this supply side crisis and the uncertainty associated with the potential of returning to lockdown will continue to subdue the demand side of the equation.

We will recover from this economic depression but how fast we do so depends on central and local government.

In this view of the world local government has two roles: to be the last spender in line to maintain the demand side; as well as to continue investment in economic and community infrastructure to maintain confidence generally.

Front and centre for local government must remain the four wellbeings. In pursuit of this kaupapa from the demand side local government could look to bring forward OPEX such as park and garden maintenance work to prop up the demand side in the very short term.

On the supply side local government should be leveraging their close levels of engagement and relationships with local business to instil confidence in local investment going forward. Social and community networks were shown to be more vital than ever during the COVID-19 lockdowns, local government underpins these networks.

In planning for the future local government will need a portfolio of local projects built on the kaupapa of intergenerational wellbeing. Local government must play a significant role in promoting these local projects to central government. To show that these projects are ready to proceed it will be important to have business cases to support investment. Local political support along with completion of initial design work would assist in the case to central government.

Finally, local government should consider who is in the room, or at the table when decisions about the community are made. Are all voices being heard in an effective way? Part of the next ten year plan for local governments should include planning for community engagement and new ways of ensuring all sectors of the community are represented in council decisions.

5.4 The Māori economy

Māori have been adversely impacted by every previous economic shock, the containment measures of COVID-19 will also disproportionately impact upon Māori. However, a successful response to COVID-19 could insulate against being adversely impacted in future shocks.

Immediate consequences on the Māori economy will centre on the negative impact on several tourism operators, with employment loss in the accommodation and food services industry. In addition, Māori will be impacted by the large and ongoing shock to forestry caused by slower demand from China. This slowing demand was exacerbated in China by that country's containment measures of COVID-19. The shock to these sectors is summarised in Table 2.2.

Māori have historically been overrepresented in industries such as agriculture, forestry and tourism. However, a 2018 report for Greater Wellington Regional Council found Māori business thriving, with a strong presence in film, technology and business services.[5] Further, Māori owned entities play a key role in commercial property, housing and social developments. However, Māori did earn significantly less than the regional average. Notably lower home ownership rates constrained their ability to enter into self-employed or SME business enterprise. This regional study serves as a case study in the Māori economy in New Zealand generally. The Māori economy is diversifying and expanding into areas beyond extraction through agriculture and tourism.

Longer term the impact on Māori will be acutely felt by their currently young population. In particular, decisions to defer infrastructure spending (whether on social networks, community facilities, or physical and natural capital) will impact disproportionately more on Māori. Especially Māori rangatahi who will bear more of the load of restoring infrastructure in the future, should it be neglected now.

5.5 The future of life

In this section we highlight some high level changes to the structure of the New Zealand economy. These observations should guide councils in understanding where to prioritise spending.

Leisure

Local outdoor recreation facilities are likely to see increased demand from residents. Regional and national parks are likely to see higher demand as international tourism is reduced. An increase in patronage at these locations could require additional investment from councils to ensure natural capital is maintained and kept safe.

Our (BERL) scenarios as well as RBNZ and the Treasury note that the tourism industry in New Zealand will likely never be the same, the business model has to change. Ten year plans for revitalisation or an overreliance on this industry in the local economy should be critically evaluated.

A key lesson many people learned during the containment measures of COVID-19 is the value of green spaces and natural local areas. These areas promote wellbeing by offering a place to exercise as well as an opportunity to be closer to nature. The latter has been shown to reduce anxiety.

Local governments to date have by and large been successful in providing quality green spaces for recreation. Our advice is to continue to build these areas into plans over the next ten years.

[5] Māori economy in the Greater Wellington Region, BERL report #5885, March 2018

Including, where possible, making flood protection infrastructure such as levees into walk or cycle trails.

Work

During alert levels 3 and 4 most knowledge workers in New Zealand were able to complete their work tasks from the comfort of their own home. The infrastructure that makes this possible (the internet, as well as ubiquitous computer ownership, and the existence of knowledge work in general) has been in place for some time. However, the containment measures of COVID-19 forced the social infrastructure (attitudes and norms) to change.

We expect employers in New Zealand to increasingly use remote work options to attract and retain staff. For local government this implies a shift in the way people use services. More people might move out of city centres. Plans going forward should account for the changing way in which people can work.

Ways of living

At the nexus of work and leisure, the way we live has changed due to the upheaval caused by the containment measures of COVID-19. Connectedness will continue to be important for communities across Aotearoa. This includes digital connectedness of communities with health service providers. During alert levels 3 and 4 health centres across the country delivered services by phone or online only to reduce the spread of COVID-19. The disparity in access to isolated communities became clearer. Local governments with significant isolated communities should consider what their role is in getting these communities connected digitally. This includes advocacy to central government about the importance of digital literacy.

We reiterate the importance of “third places”. If work and home are first and second places then communal areas such as parks, libraries, cafes can be thought of as third places. These are areas people gather informally to connect to the local community.

If more people are working from home then the importance of third places increases as the old first place (the office) might no longer be physical. People will seek community connections. Local governments can provide third places themselves by building covered areas. They can also work with local businesses to understand how spaces are being used as third places. Anecdotally, McDonald’s restaurants are a common third place people go to gather informally.

After setting the scene and describing some future challenges we now turn to publishing our cost adjustors and proving guidance on which scenario councils should apply based on general facts of their local area.

6 Cost adjustor forecasts methodology

In this section we briefly describe our methodology with the intent of giving councils some confidence in our adjustor forecasts. The description is targeted at non-technical audiences. Any technical questions are best forwarded to BERL.

Data

Statistics New Zealand publishes eight price indices that BERL considers to comprise the costs of local governments. These are:

- Producer price index input prices – local government administration
- Producer price index input prices – arts and recreation
- Producer price index input prices - water, sewer, drainage, and waste services
- Capital Goods price Index - earthmoving and site work
- Capital Goods price Index - pipelines
- Capital Goods price Index - reclamation and River Control
- Labour Cost index All salary and wage rates - local government sector
- Labour Cost Index All Salary and Wage Rates - private Sector.

We conducted repeated trials using a number of macroeconomic series to figure out which ones drove the movement of these eight indices. The relevant variables we found are:

- Non-residential investment – from the expenditure GDP account
- Residential building consents – number
- The price of oil - WTI crude
- Consumer Price index
- GDP
- Employment.

Models

Each of the price indices was subjected to a regime of experimentation to determine which of the variables could "explain" movement over time. This was done using a standard econometric model which looks at the variable in the current period and also at the variable in a previous period. We then used a standard statistical test to determine which variables were "statistically significant" and so would be retained.

We then used repeated trials to build models of the eight indices as functions of the relevant variables over time. These models were required to decrease the difference between the calculated value and the actual value of the indices.

In order to forecast these indices out to 2031 we needed forecasts of the relevant variables. Briefly:

- Non-residential investment – model that evolves over time depending on historic levels (technical name is Autoregressive Integrated Moving Average)

- Residential consents – model that evolves over time depending on historic levels (technical name is Autoregressive Integrated Moving Average)
- The price of oil – due to recent and historical oil price shocks this data was modelled as a recovery toward historic average values followed by a fluctuation around historic average values
- Consumer price index – we modelled this as a trend over time that resulted in an average of two percent growth. This is consistent with the Reserve Bank Act
- GDP – we modelled this as a trend over time which included a random component drawn from a distribution skewed either up or down depending which scenario was required
- Employment - we modelled this as a trend over time which included a random component drawn from a distribution skewed either up or down depending which scenario was required

Each price index was then forecast out to June 2031 using a combination of these variables.

Weighting the price indices

Previous BERL research conducted in 2015 used a sample of financial statements from local governments around New Zealand to calculate how the eight price indices could be aggregated into five cost adjustors. And three Local Government Cost Indices.

We have used the same weightings as this research in the current model.

Outputs

This process has resulted in forecasts for five cost adjustors and three Local Government Cost Indices. These are calculated under three scenarios depending on the settings for GDP and employment.

7 Conclusions

This report provides councils with the economic backdrop of the immediate impacts of the containment measures of COVID-19. These are felt most severely in the tourism sector. We then provide councils with a summary of how quickly RBNZ, the Treasury, and BERL believe the recovery will unfold. These scenarios inform our forecasts of the cost adjustors which are the ultimate subject of this report.

We provide councils with further economic and social backdrop on what opportunities and risks there are over the next decade. This narrative should assist councils in thinking about how best to invest and spend in accordance with the four wellbeings.

We have reproduced a forecast of New Zealand's population used in our analysis. This shows a growing population out to 2031. It also shows a shrinking proportion of the population accounted for by those of working age. This implies local governments should start to consider how to plan to keep recently retired older people and young families engaged with the community.

Māori have already been disproportionately affected by the economic crisis brought about by the containment measures of COVID-19. We expect this to continue to play out over the ten year recovery period. However, plans and strategies that take this into account now have the opportunity to ensure that in the next crisis, Māori are not disproportionately affected.

The crisis brought about by the containment measures of COVID-19 highlighted the role of local government. This role is to prop up both the demand and supply side of the local economy through OPEX and community infrastructure projects. To this end local government should reconsider entrenched beliefs about zero rates increases as well as look for alternative funding sources. We note that the RBNZ is now open to purchasing local government bonds.

Connection is an ongoing theme highlighted by the crisis brought about by the containment measures of COVID-19. Connection here refers to physical connections through the three waters, social connections through recreation areas and third places, and digital connections through the internet and digital literacy. Local government has a role in ensuring this important aspect of wellbeing is available to all.

The cost adjustors are forecast under three scenarios informed by RBNZ, the Treasury, and BERL forecasts. Each scenario might be more or less likely for different councils around New Zealand. We provide some guidance on which scenario is appropriate based on the nature and structure of the economy in the local area.

Broadly we argue that areas with a higher reliance on tourism and retail or shrinking, aged, population might use the *Stalled rebuild scenario*. Areas with a higher public sector employment and a growing young population might use the *BERL mid-scenario*. Finally, areas with a higher proportion of knowledge and agricultural employment would likely use the *Faster rebuild scenario*.

We finish this report with a brief and non-technical description of our methodology to give councils confidence in our cost adjustors forecasts.

Appendix A Price indices fitted, actual and forecast values

In this appendix we produce charts showing how our model fits and predicts the eight price indices that go into making the five cost adjustors and three local government cost indices. Some of the forecast indices have a noticeable dip after 2020. This reflects the severity of the current economic conditions and our estimates of the immediate effects of the containment response to COVID-19.

Figure 7.1 Local Government Administration

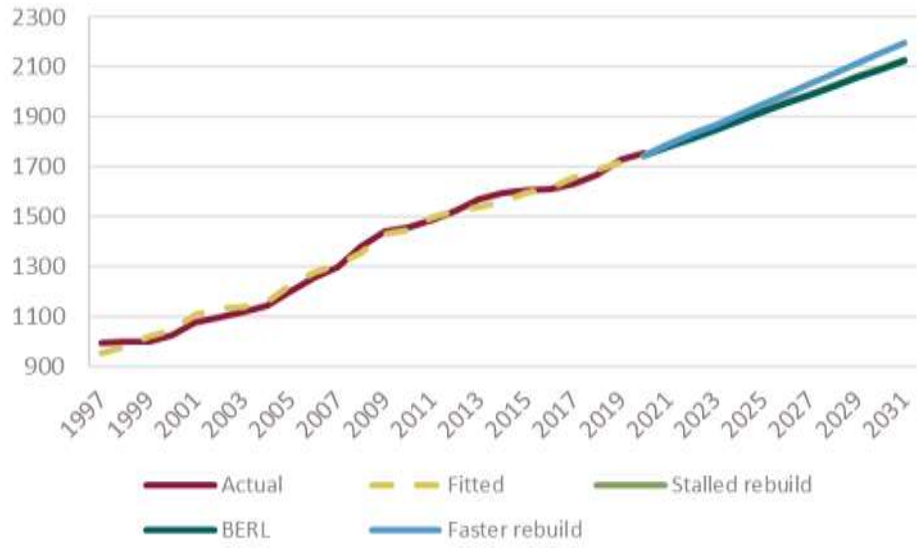


Figure 7.2 Arts and Recreation

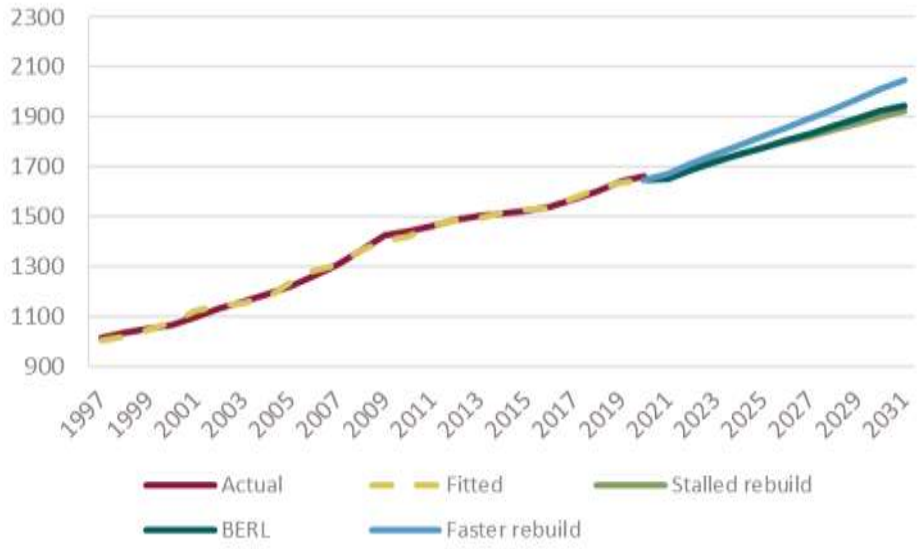


Figure 7.3 Water, sewer, drainage, and waste services

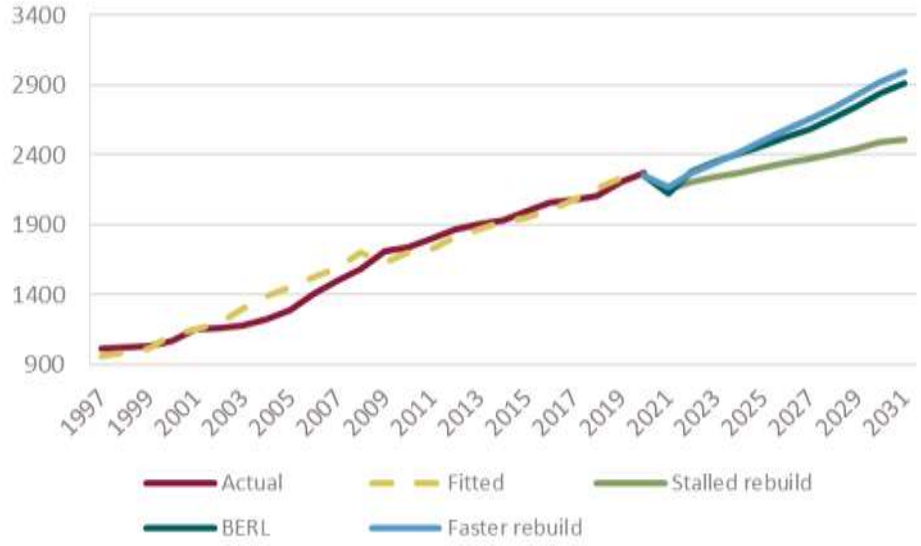


Figure 7.4 Earthmoving and site work

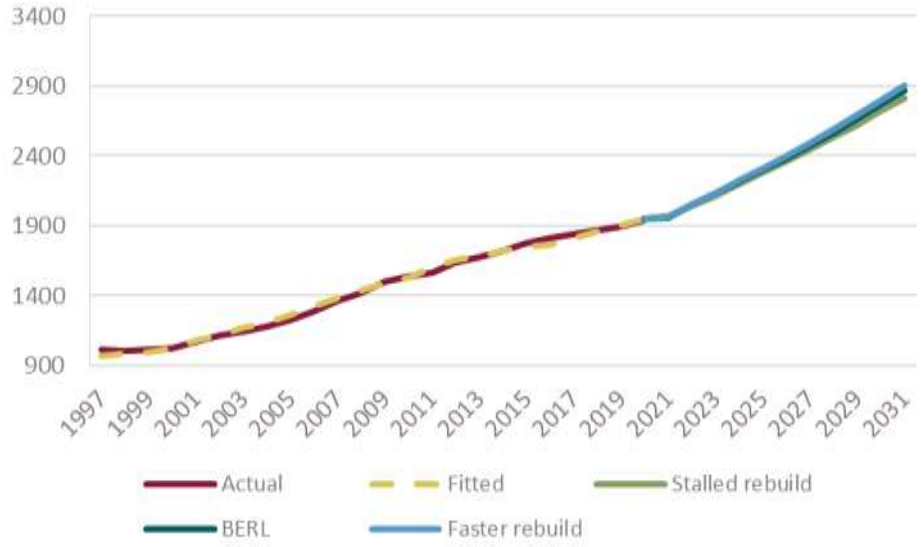


Figure 7.5 Pipelines

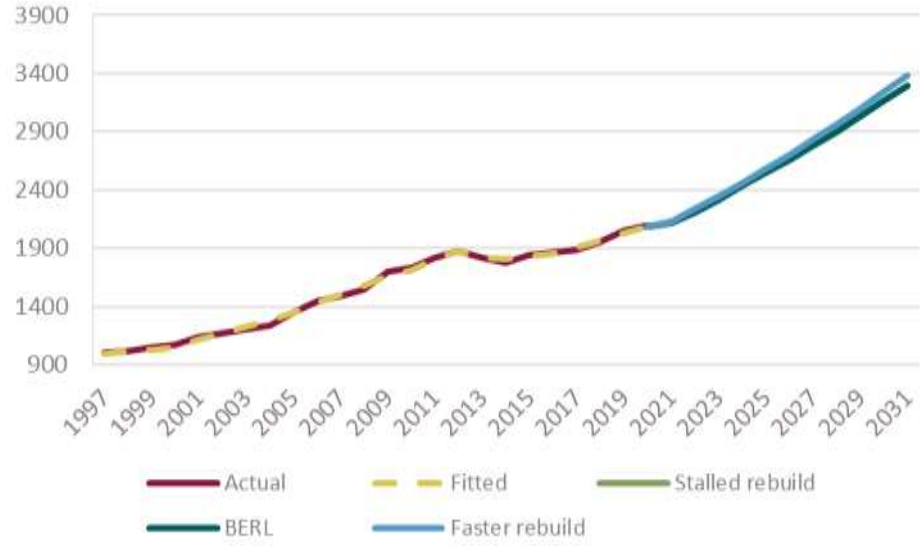


Figure 7.6 Reclamation and River Control

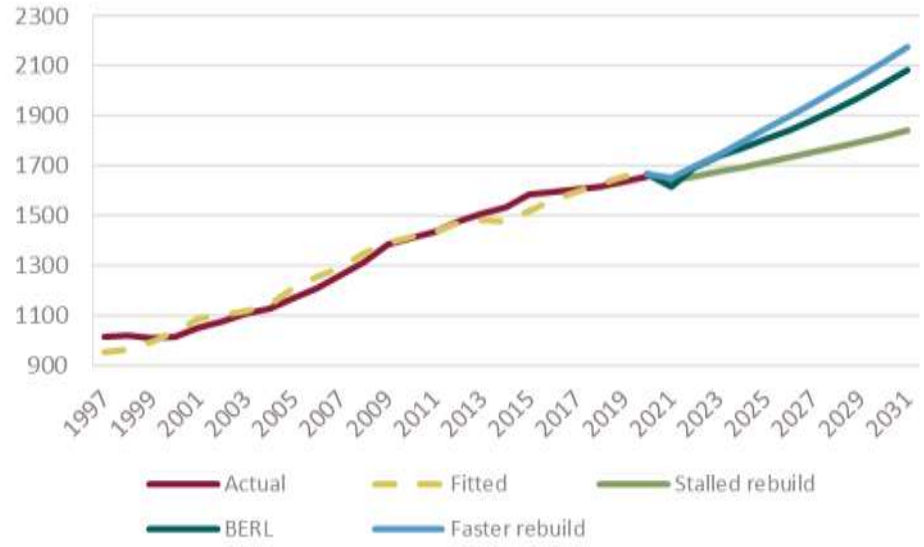


Figure 7.7 Local Government Salary

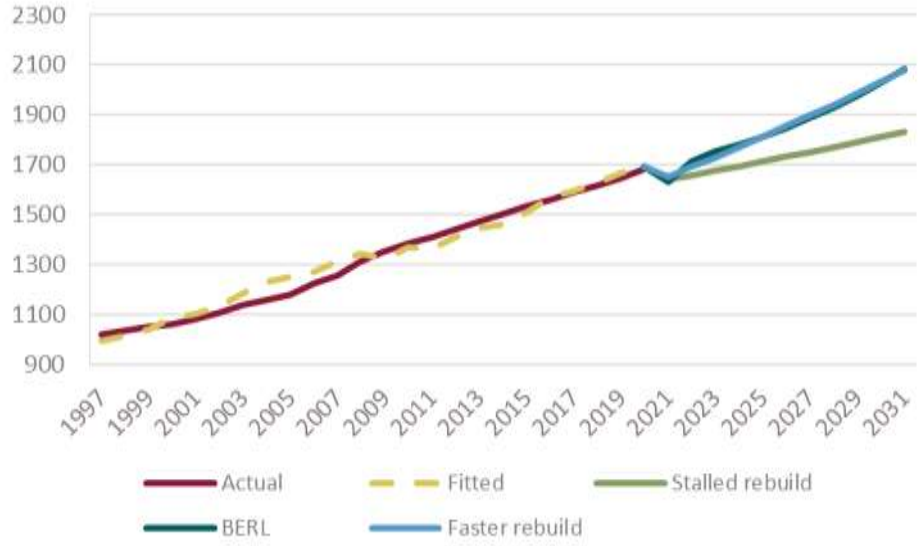
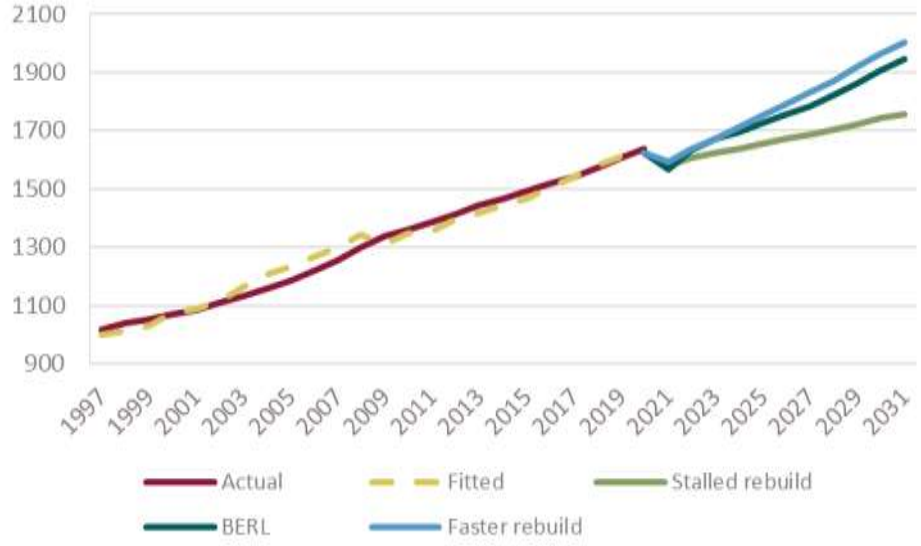


Figure 7.8 Private Sector Salary



Appendix B Individual price index forecasts

In this appendix we provide tables showing our forecasts for the eight price indices which make up our five cost adjustors and three local government cost indices. These have been rebased to June 2020, consequently, the numbers will not exactly match those shown in the charts in Appendix A.

BERL mid-scenario

Table 7.1 Local Government price Indices (June 2020 = 1000) BERL mid-scenario

	BERl mid-scenario (June 2020 = 1000)							
	PPI inputs - Local government administration	PPI inputs - Arts and recreation services	PPI inputs - Water, sewer, drainage, and waste services	CGI - Earthmoving and site work	CGI - Pipelines	CGI-Reclamation and River Control	All salary and wage rates - Local govt sector	All Salary and Wage Rates - Private Sector
2009	822	858	753	773	812	836	805	817
2010	832	868	764	792	827	850	823	830
2011	848	881	791	809	867	864	839	845
2012	868	897	820	846	893	889	858	863
2013	894	904	837	864	869	908	876	879
2014	910	911	851	888	847	923	893	894
2015	914	916	876	917	881	955	911	911
2016	918	928	905	934	887	961	927	926
2017	931	944	915	951	899	968	944	941
2018	950	965	926	965	934	973	961	959
2019	985	987	971	979	978	987	978	979
2020	1000	1000	1000	1000	1000	1000	1000	1000
2021	1021	1004	946	1007	1015	970	966	965
2022	1038	1026	1014	1051	1062	1015	1012	1007
2023	1059	1045	1048	1094	1115	1042	1037	1030
2024	1080	1063	1070	1136	1169	1061	1053	1045
2025	1101	1080	1095	1179	1223	1081	1071	1062
2026	1121	1098	1123	1223	1279	1104	1092	1081
2027	1141	1114	1149	1270	1336	1129	1115	1099
2028	1161	1131	1184	1317	1395	1156	1141	1122
2029	1180	1150	1222	1367	1456	1184	1169	1147
2030	1200	1169	1263	1419	1519	1216	1199	1174
2031	1219	1183	1297	1473	1584	1249	1232	1198

Table 7.2 Local Government price Indices average annual growth rates BERL mid-scenario

	BERl mid-scenario							
	PPI inputs - Local government administration	PPI inputs - Arts and recreation services	PPI inputs - Water, sewer, drainage, and waste services	CGI - Earthmoving and site work	CGI - Pipelines	CGI-Reclamation and River Control	All salary and wage rates - Local govt sector	All Salary and Wage Rates - Private Sector
2019	3.6	2.3	4.9	1.5	4.7	1.4	1.8	2.0
2020	1.6	1.3	2.9	2.1	2.2	1.3	2.2	2.2
2021	2.1	0.4	-5.4	0.7	1.5	-3.0	-3.4	-3.5
2022	1.7	2.2	7.2	4.4	4.7	4.6	4.8	4.3
2023	2.0	1.9	3.4	4.1	5.0	2.7	2.4	2.3
2024	2.0	1.7	2.1	3.8	4.9	1.8	1.5	1.5
2025	1.9	1.6	2.3	3.8	4.7	1.9	1.7	1.6
2026	1.8	1.6	2.6	3.8	4.6	2.1	2.0	1.8
2027	1.8	1.4	2.3	3.8	4.5	2.3	2.2	1.7
2028	1.7	1.6	3.0	3.8	4.4	2.4	2.3	2.1
2029	1.7	1.7	3.3	3.8	4.4	2.5	2.4	2.2
2030	1.7	1.6	3.3	3.8	4.3	2.6	2.6	2.3
2031	1.6	1.3	2.7	3.8	4.3	2.7	2.7	2.0
20 year average %pa	1.8	1.5	2.5	3.0	3.1	1.9	1.9	1.8

Table 7.3 Local Government price Indices cumulative growth rates BERL mid-scenario

	Stalled rebuild scenario							
	PPI inputs - Local government administration	PPI inputs - Arts and recreation services	PPI inputs - Water, sewer, drainage, and waste services	CGI - Earthmoving and site work	CGI - Pipelines	CGI-Reclamation and River Control	All salary and wage rates - Local govt sector	All Salary and Wage Rates - Private Sector
2021	2.1	0.4	-5.4	0.7	1.5	-3.0	-3.4	-3.5
2022	3.8	2.6	1.4	5.1	6.2	1.5	1.2	0.7
2023	5.9	4.5	4.8	9.4	11.5	4.2	3.7	3.0
2024	8.0	6.3	7.0	13.6	16.9	6.1	5.3	4.5
2025	10.1	8.0	9.5	17.9	22.3	8.1	7.1	6.2
2026	12.1	9.8	12.3	22.3	27.9	10.4	9.2	8.1
2027	14.1	11.4	14.9	27.0	33.6	12.9	11.5	9.9
2028	16.1	13.1	18.4	31.7	39.5	15.6	14.1	12.2
2029	18.0	15.0	22.2	36.7	45.6	18.4	16.9	14.7
2030	20.0	16.9	26.3	41.9	51.9	21.6	19.9	17.4
2031	21.9	18.3	29.7	47.3	58.4	24.9	23.2	19.8

Stalled rebuild scenario

Table 7.4 Local Government price Indices (June 2020 = 1000) Stalled rebuild scenario

	Stalled rebuild scenario (June 2020 = 1000)							
	PPI inputs - Local government administration	PPI inputs - Arts and recreation services	PPI inputs - Water, sewer, drainage, and waste services	CGI - Earthmoving and site work	CGI - Pipelines	CGI-Reclamation and River Control	All salary and wage rates - Local govt sector	All Salary and Wage Rates - Private Sector
2009	822	858	753	773	812	836	805	817
2010	832	868	764	792	827	850	823	830
2011	848	881	791	809	867	864	839	845
2012	868	897	820	846	893	889	858	863
2013	894	904	837	864	869	908	876	879
2014	910	911	851	888	847	923	893	894
2015	914	916	876	917	881	955	911	911
2016	918	928	905	934	887	961	927	926
2017	931	944	915	951	899	968	944	941
2018	950	965	926	965	934	973	961	959
2019	985	987	971	979	978	987	978	979
2020	1000	1000	1000	1000	1000	1000	1000	1000
2021	1027	1014	958	1010	1021	983	971	975
2022	1047	1033	982	1048	1070	994	981	989
2023	1066	1048	999	1087	1121	1006	993	1000
2024	1085	1063	1012	1128	1173	1016	1002	1009
2025	1105	1078	1026	1169	1226	1027	1013	1018
2026	1124	1094	1043	1212	1282	1040	1025	1030
2027	1144	1107	1053	1255	1338	1052	1036	1038
2028	1164	1123	1069	1300	1397	1063	1047	1049
2029	1183	1139	1087	1347	1457	1075	1058	1060
2030	1203	1155	1107	1395	1520	1089	1071	1073
2031	1222	1168	1118	1446	1586	1103	1084	1082

Table 7.5 Local Government price Indices average annual growth rates Stalled rebuild scenario

	Stalled rebuild scenario							
	PPI inputs - Local government administration	PPI inputs - Arts and recreation services	PPI inputs - Water, sewer, drainage, and waste services	CGI - Earthmoving and site work	CGI - Pipelines	CGI-Reclamation and River Control	All salary and wage rates - Local govt sector	All Salary and Wage Rates - Private Sector
2019	3.6	2.3	4.9	1.5	4.7	1.4	1.8	2.0
2020	1.6	1.3	2.9	2.1	2.2	1.3	2.2	2.2
2021	2.7	1.4	-4.2	1.0	2.1	-1.7	-2.9	-2.5
2022	1.9	1.9	2.5	3.7	4.8	1.1	1.0	1.5
2023	1.8	1.5	1.7	3.8	4.8	1.2	1.2	1.1
2024	1.8	1.4	1.3	3.7	4.7	1.0	1.0	0.9
2025	1.8	1.4	1.4	3.7	4.6	1.1	1.1	1.0
2026	1.8	1.4	1.6	3.7	4.5	1.2	1.2	1.1
2027	1.7	1.2	1.0	3.6	4.4	1.1	1.1	0.8
2028	1.7	1.4	1.5	3.6	4.4	1.1	1.1	1.0
2029	1.7	1.5	1.7	3.6	4.3	1.1	1.1	1.1
2030	1.6	1.4	1.8	3.6	4.3	1.3	1.3	1.2
2031	1.6	1.1	1.0	3.6	4.3	1.3	1.2	0.8
20 year average %pa	1.8	1.4	1.7	2.9	3.1	1.2	1.3	1.2

Table 7.6 Local Government price Indices cumulative growth rates Stalled rebuild scenario

	Stalled rebuild scenario							
	PPI inputs - Local government administration	PPI inputs - Arts and recreation services	PPI inputs - Water, sewer, drainage, and waste services	CGI - Earthmoving and site work	CGI - Pipelines	CGI-Reclamation and River Control	All salary and wage rates - Local govt sector	All Salary and Wage Rates - Private Sector
2021	2.7	1.4	-4.2	1.0	2.1	-1.7	-2.9	-2.5
2022	4.7	3.3	-1.8	4.8	7.0	-0.6	-1.9	-1.1
2023	6.6	4.8	-0.1	8.7	12.1	0.6	-0.7	0.0
2024	8.5	6.3	1.2	12.8	17.3	1.6	0.2	0.9
2025	10.5	7.8	2.6	16.9	22.6	2.7	1.3	1.8
2026	12.4	9.4	4.3	21.2	28.2	4.0	2.5	3.0
2027	14.4	10.7	5.3	25.5	33.8	5.2	3.6	3.8
2028	16.4	12.3	6.9	30.0	39.7	6.3	4.7	4.9
2029	18.3	13.9	8.7	34.7	45.7	7.5	5.8	6.0
2030	20.3	15.5	10.7	39.5	52.0	8.9	7.1	7.3
2031	22.2	16.8	11.8	44.6	58.6	10.3	8.4	8.2

Faster rebuild scenario

Table 7.7 Local Government price Indices (June 2020 = 1000) Faster rebuild scenario

	Faster rebuild scenario (June 2020 = 1000)							
	PPI inputs - Local government administration	PPI inputs - Arts and recreation services	PPI inputs - Water, sewer, drainage, and waste services	CGI - Earthmoving and site work	CGI - Pipelines	CGI-Reclamation and River Control	All salary and wage rates - Local govt sector	All Salary and Wage Rates - Private Sector
2009	822	858	753	773	812	836	805	817
2010	832	868	764	792	827	850	823	830
2011	848	881	791	809	867	864	839	845
2012	868	897	820	846	893	889	858	863
2013	894	904	837	864	869	908	876	879
2014	910	911	851	888	847	923	893	894
2015	914	916	876	917	881	955	911	911
2016	918	928	905	934	887	961	927	926
2017	931	944	915	951	899	968	944	941
2018	950	965	926	965	934	973	961	959
2019	985	987	971	979	978	987	978	979
2020	1000	1000	1000	1000	1000	1000	1000	1000
2021	1028	1016	967	1012	1022	991	977	981
2022	1050	1041	1011	1053	1074	1019	1001	1008
2023	1073	1063	1043	1096	1128	1046	1022	1031
2024	1096	1084	1077	1141	1184	1075	1047	1054
2025	1119	1106	1112	1186	1241	1106	1072	1079
2026	1142	1129	1150	1233	1300	1138	1098	1105
2027	1165	1150	1180	1281	1361	1168	1122	1127
2028	1189	1173	1219	1330	1423	1201	1149	1154
2029	1213	1198	1258	1381	1488	1234	1174	1181
2030	1237	1222	1299	1434	1556	1267	1201	1209
2031	1261	1244	1333	1489	1626	1303	1230	1234

Table 7.8 Local Government price Indices average annual growth rates Faster rebuild scenario

	Faster rebuild scenario							
	PPI inputs - Local government administration	PPI inputs - Arts and recreation services	PPI inputs - Water, sewer, drainage, and waste services	CGI - Earthmoving and site work	CGI - Pipelines	CGI-Reclamation and River Control	All salary and wage rates - Local govt sector	All Salary and Wage Rates - Private Sector
2019	3.6	2.3	4.9	1.5	4.7	1.4	1.8	2.0
2020	1.6	1.3	2.9	2.1	2.2	1.3	2.2	2.2
2021	2.8	1.6	-3.3	1.2	2.2	-0.9	-2.3	-1.9
2022	2.2	2.5	4.5	4.1	5.1	2.8	2.4	2.8
2023	2.2	2.1	3.2	4.1	5.1	2.6	2.2	2.2
2024	2.1	2.0	3.2	4.0	4.9	2.8	2.4	2.3
2025	2.1	2.0	3.3	4.0	4.8	2.9	2.4	2.3
2026	2.1	2.0	3.4	4.0	4.7	2.9	2.4	2.4
2027	2.1	1.9	2.6	3.9	4.7	2.7	2.2	2.0
2028	2.0	2.1	3.3	3.9	4.6	2.8	2.3	2.4
2029	2.0	2.1	3.3	3.8	4.6	2.7	2.2	2.4
2030	2.0	2.0	3.3	3.8	4.5	2.7	2.3	2.4
2031	1.9	1.7	2.6	3.8	4.5	2.8	2.4	2.1
20 year average %pa	2.0	1.7	2.6	3.1	3.2	2.1	1.9	1.9

Table 7.9 Local Government price Indices cumulative growth rates Faster rebuild scenario

	Stalled rebuild scenario							
	PPI inputs - Local government administration	PPI inputs - Arts and recreation services	PPI inputs - Water, sewer, drainage, and waste services	CGI - Earthmoving and site work	CGI - Pipelines	CGI-Reclamation and River Control	All salary and wage rates - Local govt sector	All Salary and Wage Rates - Private Sector
2021	2.8	1.6	-3.3	1.2	2.2	-0.9	-2.3	-1.9
2022	5.0	4.1	1.1	5.3	7.4	1.9	0.1	0.8
2023	7.3	6.3	4.3	9.6	12.8	4.6	2.2	3.1
2024	9.6	8.4	7.7	14.1	18.4	7.5	4.7	5.4
2025	11.9	10.6	11.2	18.6	24.1	10.6	7.2	7.9
2026	14.2	12.9	15.0	23.3	30.0	13.8	9.8	10.5
2027	16.5	15.0	18.0	28.1	36.1	16.8	12.2	12.7
2028	18.9	17.3	21.9	33.0	42.3	20.1	14.9	15.4
2029	21.3	19.8	25.8	38.1	48.8	23.4	17.4	18.1
2030	23.7	22.2	29.9	43.4	55.6	26.7	20.1	20.9
2031	26.1	24.4	33.3	48.9	62.6	30.3	23.0	23.4

Appendix C Macroeconomic variables assumption

This appendix contains forecasts of the macroeconomic variables: Real GDP, unemployment, and the Consumer price Index (CPI) which measures economy-wide inflation. These data were fed into our models to calculate our cost adjustor and LGCI forecasts.

Table 7.10 Real GDP scenario assumptions

	Real GDP ($m 2010 prices)			Real GDP growth (% per annum change)		
Year to June	BERL mid-scenario	Stalled rebuild	Faster rebuild	BERL mid-scenario	Stalled rebuild	Faster rebuild
2019						
2020	244,407	244,407	244,407			
2021	245,792	242,760	246,520	0.6	-0.7	0.9
2022	253,717	247,789	256,252	3.2	2.1	3.9
2023	259,683	252,227	263,740	2.4	1.8	2.9
2024	264,666	256,213	269,775	1.9	1.6	2.3
2025	270,166	260,598	276,461	2.1	1.7	2.5
2026	276,137	265,343	283,748	2.2	1.8	2.6
2027	282,559	270,426	291,618	2.3	1.9	2.8
2028	289,403	275,822	300,041	2.4	2.0	2.9
2029	296,689	281,542	309,050	2.5	2.1	3.0
2030	304,464	287,620	318,709	2.6	2.2	3.1
2031	312,785	294,095	329,097	2.7	2.3	3.3

Table 7.11 Unemployment scenario assumptions

	Unemployment (% of labour force)		
June quarter	BERL mid-scenario	Stalled rebuild	Faster rebuild
2019	4.0	4.0	4.0
2020	4.0	4.0	4.0
2021	8.5	9.5	7.7
2022	8.0	8.8	6.3
2023	7.1	7.8	5.9
2024	6.4	7.0	5.4
2025	6.0	6.6	5.0
2026	5.7	6.2	4.7
2027	5.4	5.9	4.5
2028	5.2	5.7	4.4
2029	5.0	5.5	4.2
2030	4.8	5.3	4.1
2031	4.6	5.1	4.0

Table 7.12 CPI assumptions – all scenarios

Consumer Price Index (CPI)		
Year to June	Index (June 2017=1000)	% per annum change
2019	1027	
2020	1046	1.8
2021	1063	1.6
2022	1081	1.7
2023	1099	1.7
2024	1117	1.7
2025	1135	1.6
2026	1156	1.9
2027	1179	2.0
2028	1204	2.2
2029	1231	2.3
2030	1259	2.3
2031	1287	2.3

We provide tables for each scenario for convenience.

Table 7.13 BERL mid-scenario assumptions

BERL mid-scenario					
Year to June	Real GDP ($m, 2010 prices)	Real GDP (% per annum change)	Unemployment (June qarter, %)	CPI (June 2017=1000)	CPI (% per annum change)
2019	252,246		4.0	1027	
2020	244,407	-3.1	4.0	1046	1.8
2021	245,792	0.6	8.5	1063	1.6
2022	253,717	3.2	8.0	1081	1.7
2023	259,683	2.4	7.1	1099	1.7
2024	264,666	1.9	6.4	1117	1.7
2025	270,166	2.1	6.0	1135	1.6
2026	276,137	2.2	5.7	1156	1.9
2027	282,559	2.3	5.4	1179	2.0
2028	289,403	2.4	5.2	1204	2.2
2029	296,689	2.5	5.0	1231	2.3
2030	304,464	2.6	4.8	1259	2.3
2031	312,785	2.7	4.6	1287	2.3

Table 7.14 Stalled rebuild scenario assumptions

	Stalled rebuild				
Year to June	Real GDP ($m, 2010 prices)	Real GDP (% per annum change)	Unemployment (June qarter, %)	CPI (June 2017=1000)	CPI (% per annum change)
2019	252,246		4.0	1027	
2020	244,407	-3.1	4.0	1046	1.8
2021	242,760	-0.7	9.5	1063	1.6
2022	247,789	2.1	8.8	1081	1.7
2023	252,227	1.8	7.8	1099	1.7
2024	256,213	1.6	7.0	1117	1.7
2025	260,598	1.7	6.6	1135	1.6
2026	265,343	1.8	6.2	1156	1.9
2027	270,426	1.9	5.9	1179	2.0
2028	275,822	2.0	5.7	1204	2.2
2029	281,542	2.1	5.5	1231	2.3
2030	287,620	2.2	5.3	1259	2.3
2031	294,095	2.3	5.1	1287	2.3

Table 7.15 Faster rebuild scenario assumptions

	Faster rebuild				
Year to June	Real GDP ($m, 2010 prices)	Real GDP (% per annum change)	Unemployment (June qarter, %)	CPI (June 2017=1000)	CPI (% per annum change)
2019	252,246		4.0	1027	
2020	244,407	-3.1	4.0	1046	1.8
2021	246,520	0.9	7.7	1063	1.6
2022	256,252	3.9	6.3	1081	1.7
2023	263,740	2.9	5.9	1099	1.7
2024	269,775	2.3	5.4	1117	1.7
2025	276,461	2.5	5.0	1135	1.6
2026	283,748	2.6	4.7	1156	1.9
2027	291,618	2.8	4.5	1179	2.0
2028	300,041	2.9	4.4	1204	2.2
2029	309,050	3.0	4.2	1231	2.3
2030	318,709	3.1	4.1	1259	2.3
2031	329,097	3.3	4.0	1287	2.3

Kāpiti Coast District Council 2021- 41 Long Term Plan Workshop 4

16 February 2021

Kāpiti Coast DISTRICT COUNCIL
Me Huri Whakamuri, Ka Titiro Whakamua

Agenda

- Rating System Review
  - Districtwide Revaluation
  - Affordability Study
  - Review of the Rating System
- Policy Update
  - Rates Remission
- Waikanae Recycling and Greenwaste Centre
- KPI Update

Rating System Review

Kāpiti Coast
DISTRICT COUNCIL
Me Huri Whakamuri, Ka Titiro Whakamua

Overview

- Recap – Districtwide Revaluation Results
- Rates Affordability across the District
- Review of the Rating System

2020 Districtwide Property Revaluation Process

- Effective date of 15 August 2020.
- Rating units CV's and LV's assessed in accordance with legislation.
- Property data updates – constant process over 3 years.
- Rating unit is determined by the Valuer General. It is generally a property which has one record of title.
- Rates are set 1 July each year based on the rating unit as it is at 1 July.
- Changes in rating value, or sections receiving title after 1 July become rateable from the following 1 July.

2020 Districtwide Revaluation Auditing and Objection Process

- Objection close date was 4th December 2020
- 376 objections received by closing date (1.45%)
- 526 objections in 2017 (2.05%)
- Objections reviewed between January – April 2021

Residential Dwelling Movements

Rates impacts are not consistent across the District (i.e. Otaki Beach vs Waikanae East, Paekākāriki)

Sales Group	Average 2020 CV	Average 2020 LV	CV% Change	LV% Change
Otaki Central	$521,193	$249,229	39.2%	75.8%
Otaki Beach	$528,689	$273,372	42.7%	66.5%
Otaki Rural	$634,913	$335,213	42.8%	80.6%
Hautere/Waikanae Rural	$898,080	$425,413	27.7%	54.0%
Waikanae Beach	$801,776	$491,115	25.8%	44.5%
Waikanae Garden Area	$766,254	$400,617	27.2%	38.2%
Waikanae East, Hemi, Matenga	$739,839	$331,588	31.4%	35.2%
Otaihanga, Paraparaumu Rural	$730,317	$400,804	24.5%	65.8%
Paraparaumu Central	$640,473	$340,854	29.8%	57.3%
Paraparaumu Beach	$751,075	$420,408	27.2%	50.2%
Raumati Beach	$788,733	$453,115	24.6%	44.8%
Raumati South	$747,271	$435,911	27.5%	50.1%
Paekakariki	$803,534	$477,200	35.5%	41.7%
Overall	$711,465	$389,708	29.1%	50.0%

Sector Valuations: Rates Impacts

Using the status quo rating system, recovering the 2020/21 rates requirement using the 2020 revaluations would result in residential ratepayers paying an additional $450,000 in total.

	2020/21 Total Rates Current Valuations	2020/21 Total Rates New Valuations	Rates Share (Current Values)	Rates Share (New Values)	Change $m
Commercial	7.84	7.59	9.14%	8.85%	(0.25)
Lifestyle	6.55	6.51	7.62%	7.58%	(0.04)
Other	1.00	0.98	1.16%	1.14%	(0.01)
Residential	68.24	68.70	79.49%	80.02%	0.45
Rural	1.29	1.21	1.50%	1.41%	(0.08)
Utility	0.93	0.86	1.08%	1.00%	(0.07)
Grand Total	85.85	85.85	100.00%	100.00%	(0.00)

2020/21 Rates include GWRC rates

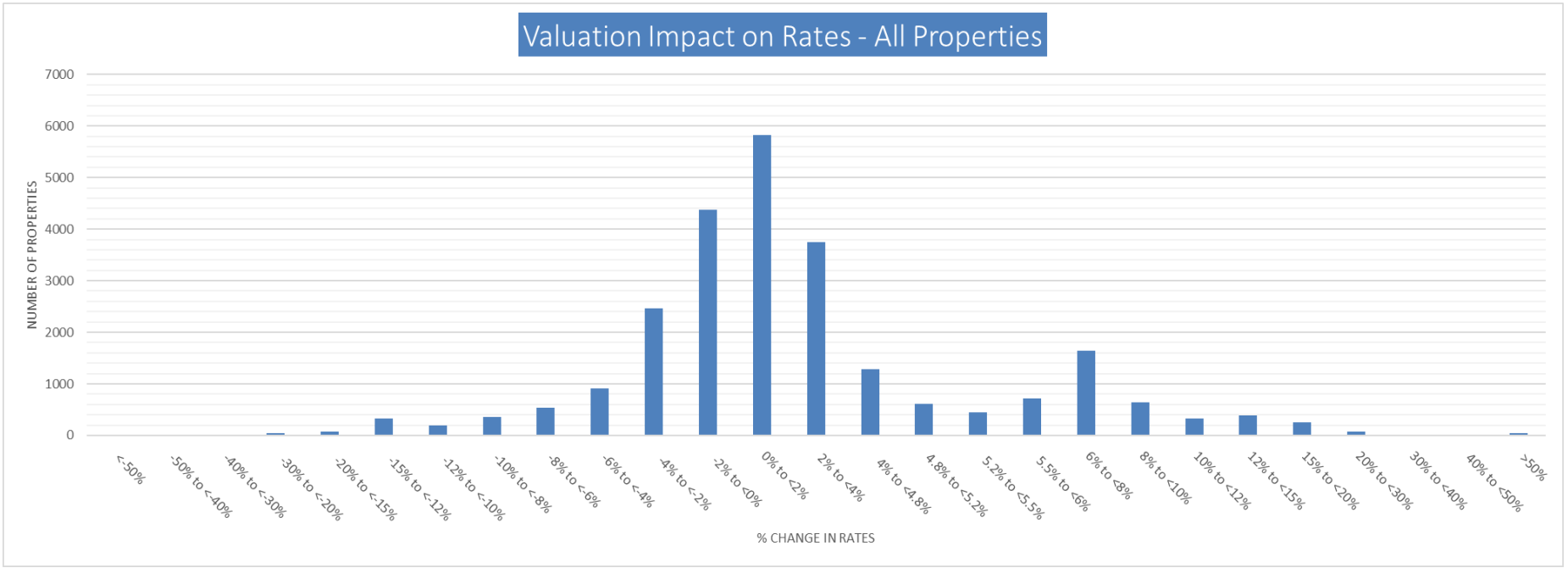
Residential Sector - Key Points

- Significant increases in both CV and LV throughout the District
- Similar trend to what was observed in 2014-2017
- Affordable locations continue to show the biggest increases
- Housing sale price movement shows 5.1% increase since Covid-19 lockdown
- Demand for development land continues

Average Capital Value: $711,465 (+29.1%)

Average Land Value: $389,708 (+50%)

Impact of Revaluation – All Properties



Kāpiti Coast DISTRICT COUNCIL
Me Huri Whakamuri, Ka Titiro Whakamua

An example showing how our rates apply based on status quo rating system:

	2017 Valuation						2020 Valuation					
	Land	**improve**	**RV**	**KCDC 2020/21 rates**	**GWRC 2020/21 rates**	**Total**	**Land**	**improve**	**RV**	**KCDC (based on 2020/21 rates requirement and new valuation)**	**GWRC (based on 2020/21 rates requirement and new valuation)**	**Total**
Property #1 Otaki	300,000	250,000	550,000	2,164	358	2,522	450,000	280,000	730,000	2,192	369	2,561
Property #2 Paraparaumu	141,000	164,000	305,000	2,391	288	2,679	240,000	200,000	440,000	2,520	322	2,842

Rates affordability across the District

Kāpiti Coast DISTRICT COUNCIL
Me Huri Whakamuri, Ka Titiro Whakamua

Quantitative

We commissioned Infometrics to provide:

- Rates/household income broken down to area unit and meshblock level
- Meshblocks have varying populations, and are the lowest level that we can obtain income data from Statisticts NZ.
- Area units are sorted from least affordable to most affordable based on median rates as a % of median household income.

Note:

- Rates include KCDC and GWRC and water rates
- Rates include GST
- The Infometrics rates data is for 2020/21 (2019/20 water rates data)
- The rates are before any rebates or remissions
- Income is from the 2018 census, and is not adjusted

Results – by area unit

SA2 ID	SA2 Name	Total rates	Total properties	Median rates	Median Household income (2018)	Rates as % of median income
237600	Waikanae West	$6,675,188	1,915	$3,388	$50,400	6.7%
237800	Paraparaumu Central	$5,051,499	1,420	$2,959	$49,600	6.0%
236500	Otaki	$3,871,684	1,490	$2,438	$41,400	5.9%
237300	Paraparaumu Beach East	$3,487,688	984	$3,337	$57,600	5.8%
236300	Otaki Beach	$2,941,117	1,079	$2,540	$45,200	5.6%
238300	Raumati Beach East	$3,084,953	818	$3,266	$58,500	5.6%
237200	Waikanae Park	$3,321,429	880	$3,350	$60,300	5.6%
237100	Paraparaumu Beach West	$4,212,615	1,123	$3,448	$62,400	5.5%
237500	Paraparaumu North	$4,862,247	1,374	$3,325	$67,300	4.9%
236800	Waikanae Beach	$7,894,013	1,986	$3,615	$75,700	4.8%
238400	Paraparaumu East	$2,400,156	785	$2,874	$60,600	4.7%
238100	Waikanae East	$3,170,466	970	$3,249	$69,100	4.7%
238000	Raumati Beach West	$4,980,605	1,273	$3,539	$80,500	4.4%
236700	Waitohu	$1,205,571	443	$2,665	$60,900	4.4%
237000	Paraparaumu Beach North	$5,245,937	1,536	$3,271	$75,900	4.3%
238600	Paekakariki	$2,579,385	722	$3,258	$77,500	4.2%
238500	Raumati South	$5,484,911	1,498	$3,387	$85,600	4.0%
236400	Forest Lakes (Kapiti Coast District)	$658,033	249	$2,676	$74,200	3.6%
237400	Otaihanga	$1,153,618	313	$3,372	$96,200	3.5%
237700	Otaki Forks	$807,981	289	$2,631	$89,200	2.9%
237900	Maungakotukutuku	$1,325,868	427	$3,006	$111,400	2.7%
236600	Te Horo	$1,539,075	676	$2,165	$81,400	2.7%
236900	Peka Peka	$881,745	310	$2,598	$100,000	2.6%
	Kāpiti Coast District	$76,849,232	22,567	$3,206	$64,100	5.0%

5% of household income afordability threshold

Kāpiti Coast DISTRICT COUNCIL
Me Huri Whakamuri, Ka Titiro Whakamua

The results

Based on 2020/21 Rates including GWRC and 2019/20 water rates, the median rates to household income for the district is 5.0%

Median rates for the Kapiti Coast District are $3,206 and

Median household income is $64,100 based on 2018 Census data

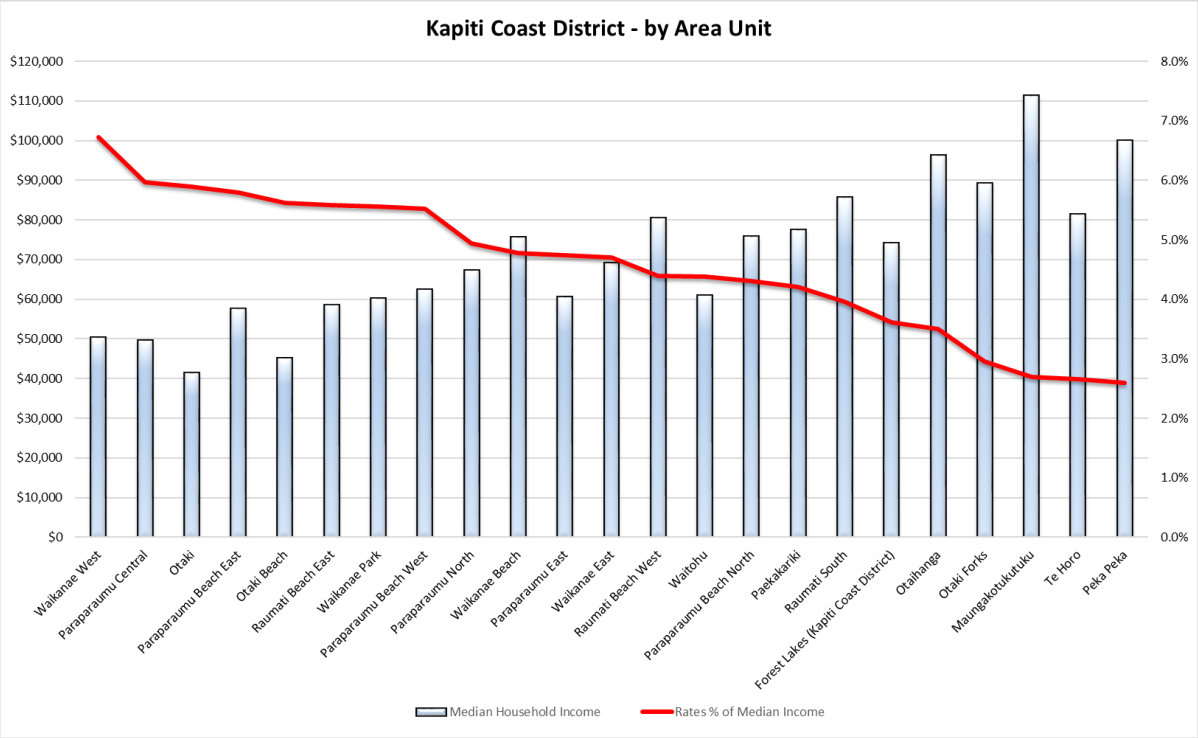
Affordability is driven by median household income *(more than by rates)*

Our most affected areas are

- Otaki
- Waikanae West
- Paraparaumu Central

These groups represent over 4,800 households, and have median household income below $50,000.

Kapiti District by area unit



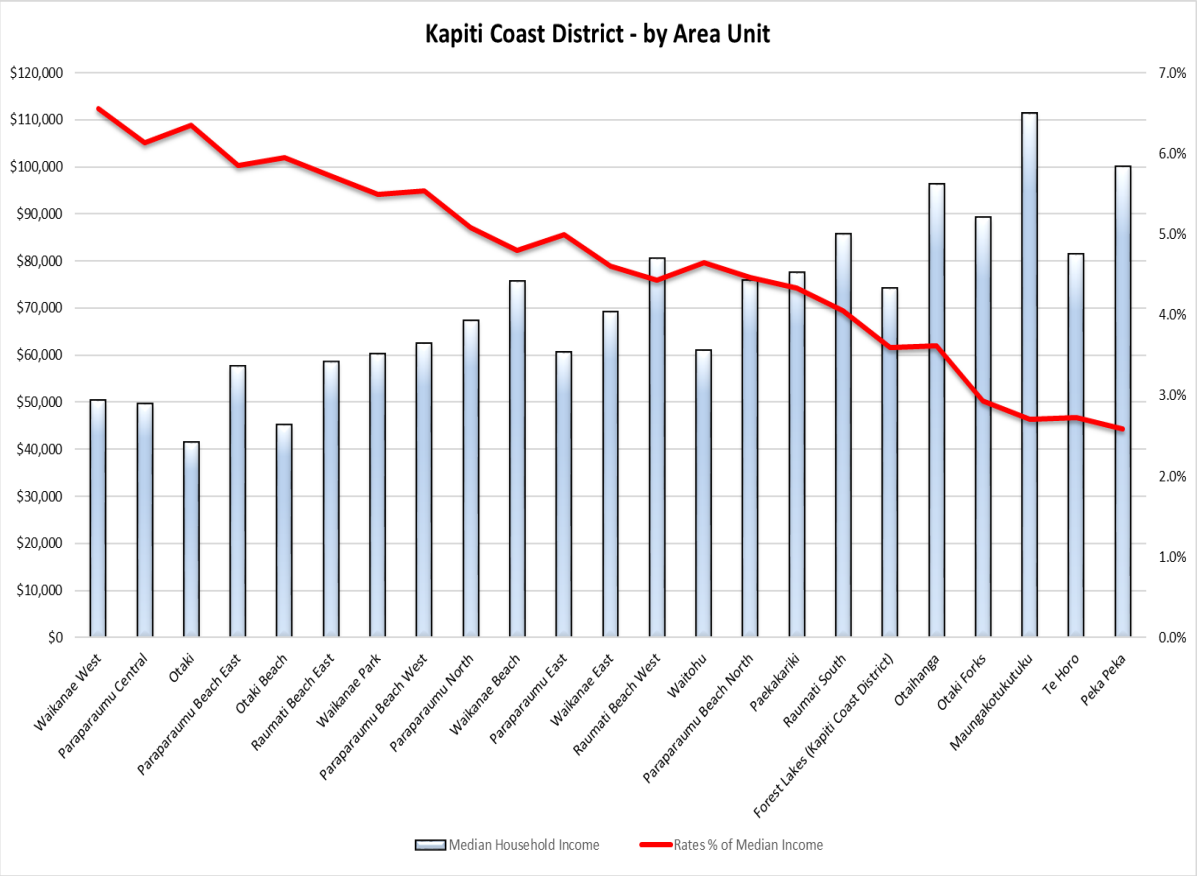
Kāpiti Coast DISTRICT COUNCIL
Me Huri Whakamuri, Ka Titiro Whakamua

Adjusting for new valuations

Using 2020/21 Rates requirement and new valuations, rates to 2018 median household income is very similar with our most affected areas still :

- Otaki
- Waikanae West
- Paraparaumu Central

Kapiti District by area unit using new valuations



Kāpiti Coast DISTRICT COUNCIL
Me Huri Whakamuri, Ka Titiro Whakamua

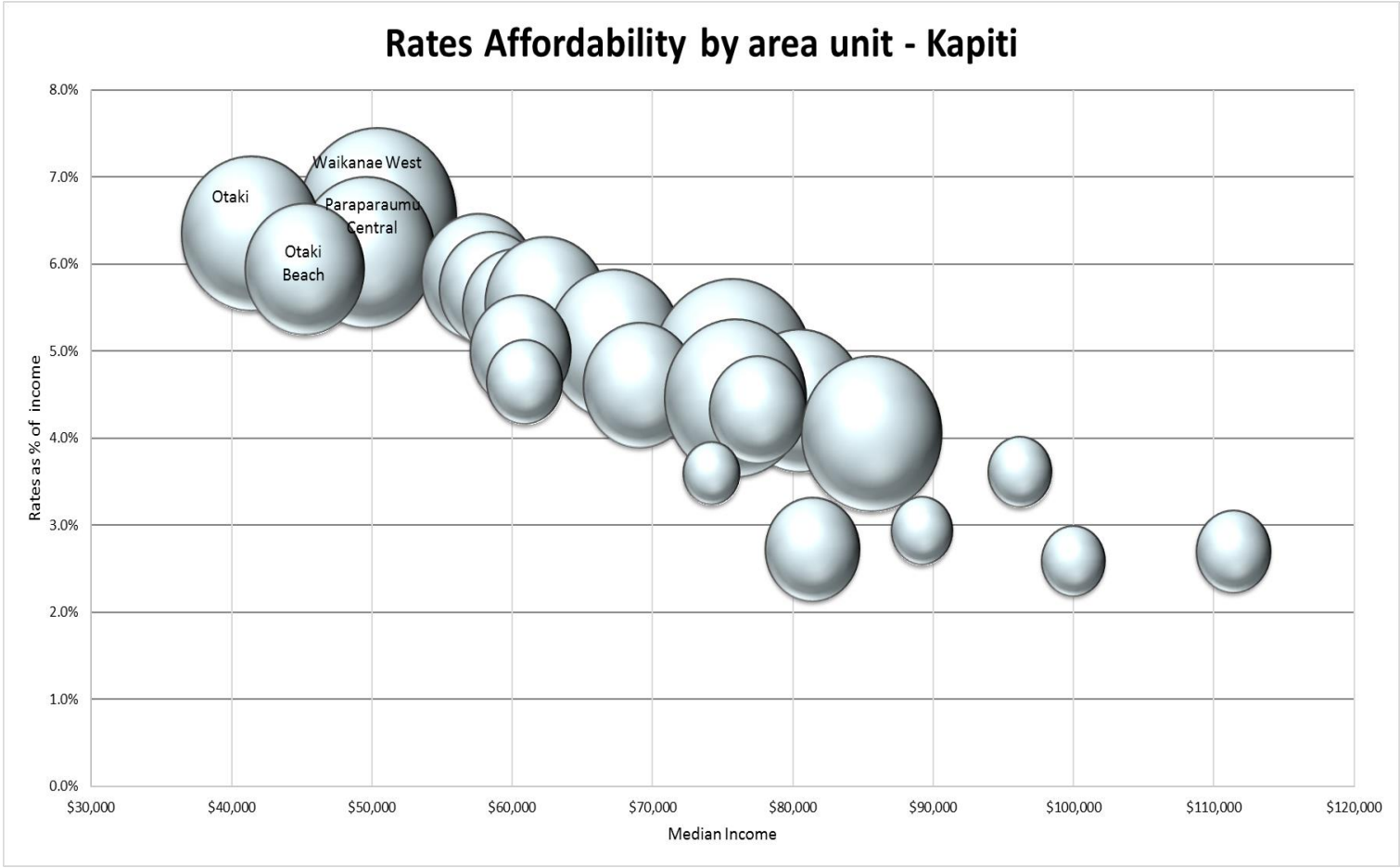
This is another way of representing the data.

These are the 23 area units, covering the entire district.

The axes are median household income and median rates as a % of that income.

The size of the bubble represents the number of households.

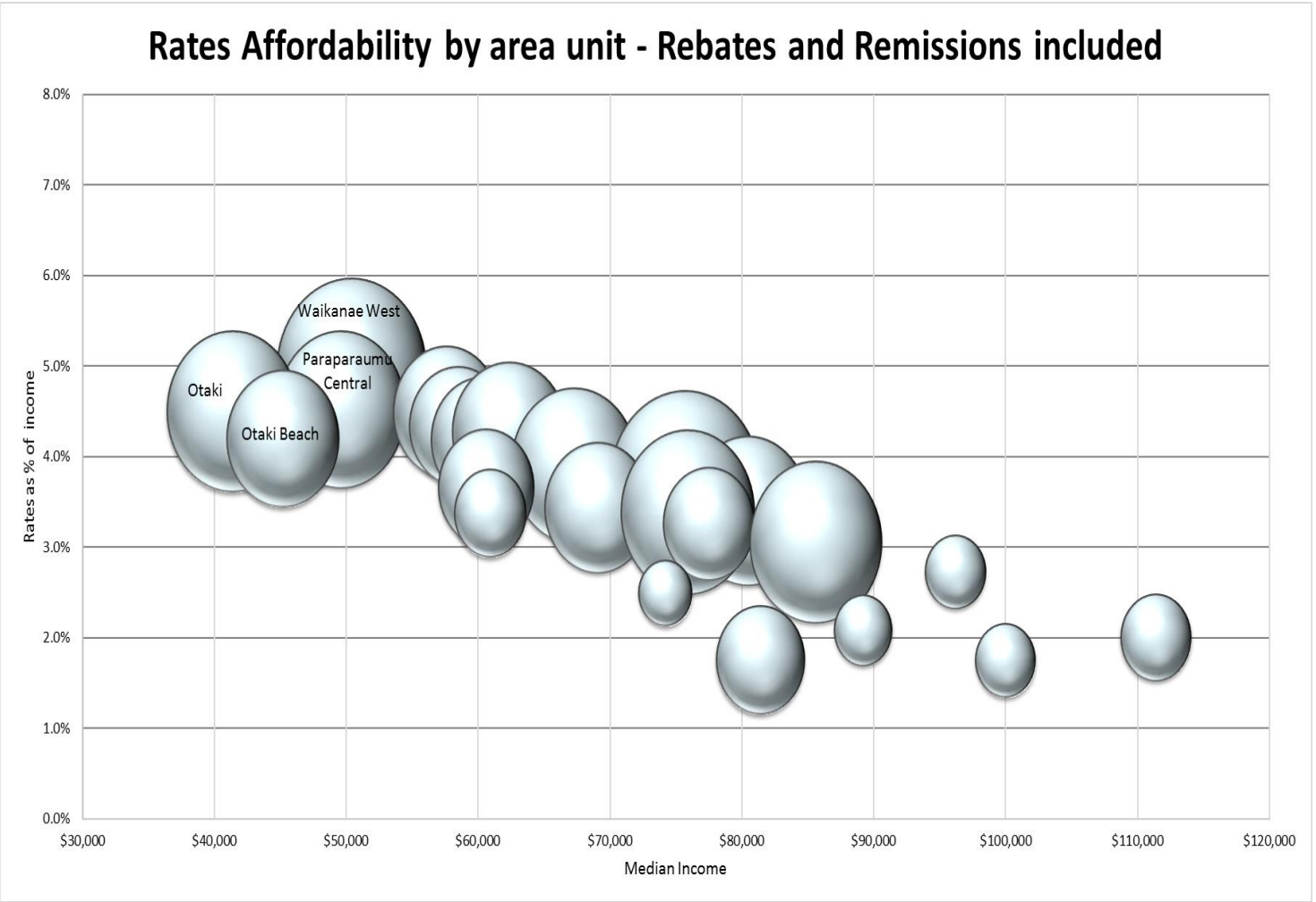
This uses 2018 census income data and new valuations.



Kāpiti Coast DISTRICT COUNCIL
Me Huri Whakamuri, Ka Titiro Whakamua

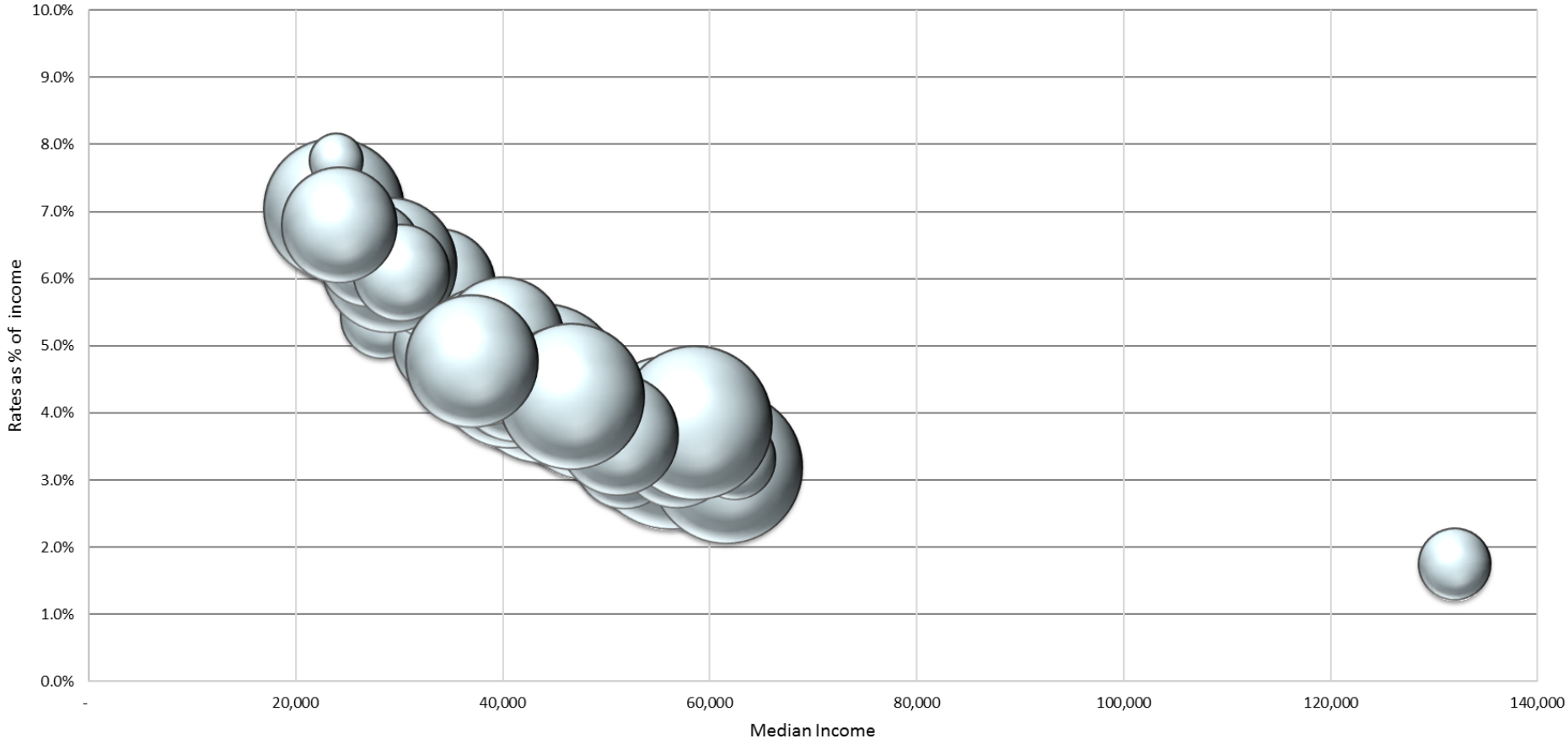
When we include rebates and remissions, the overall picture improves by around 1.6% for the lower income area units.

Because these are large groups, we can get a better view by looking at each area unit, broken down into meshblocks.



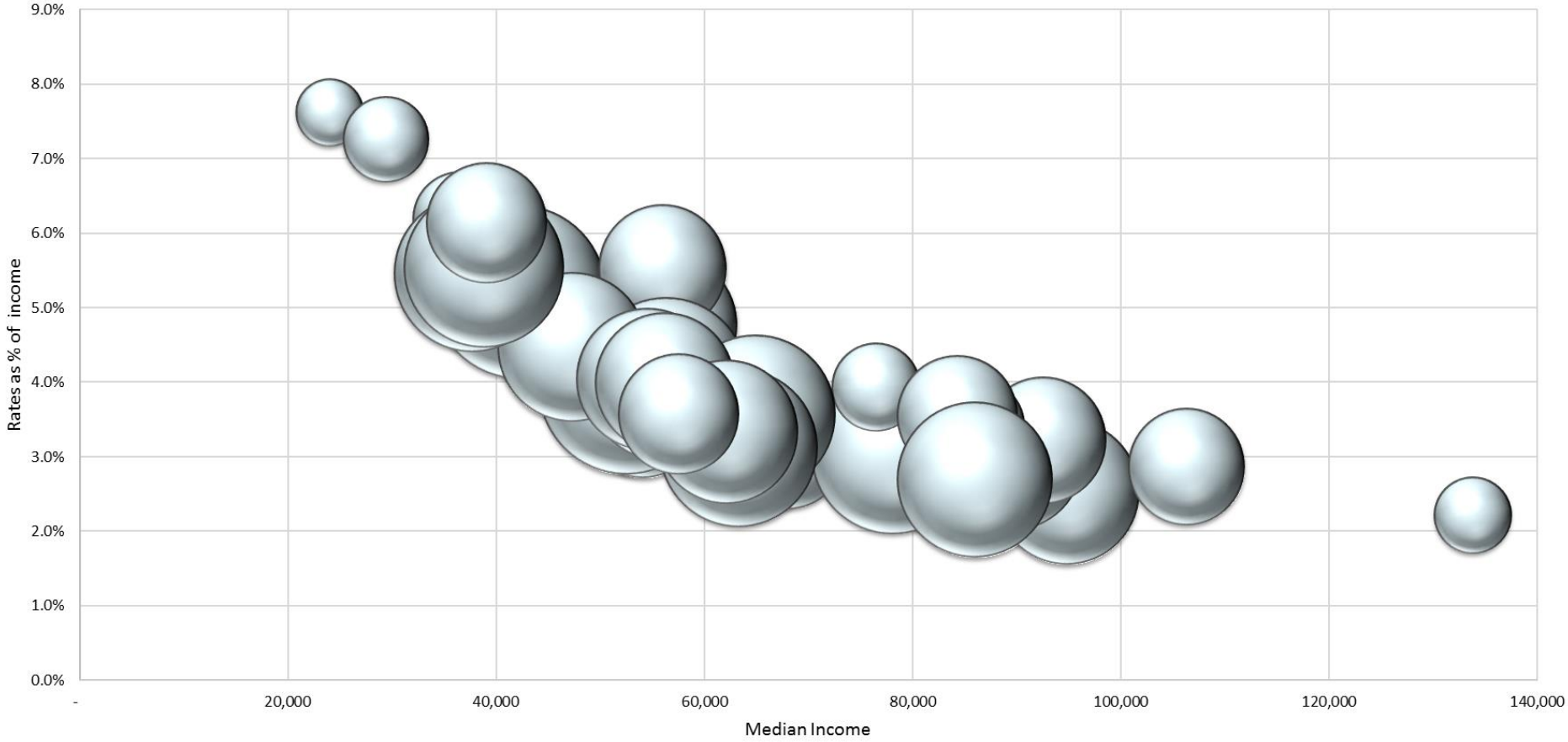
Kāpiti Coast DISTRICT COUNCIL
Me Huri Whakamuri, Ka Titiro Whakamua

Rates Affordability by Meshblock- Otaki - Rebates and Remissions included



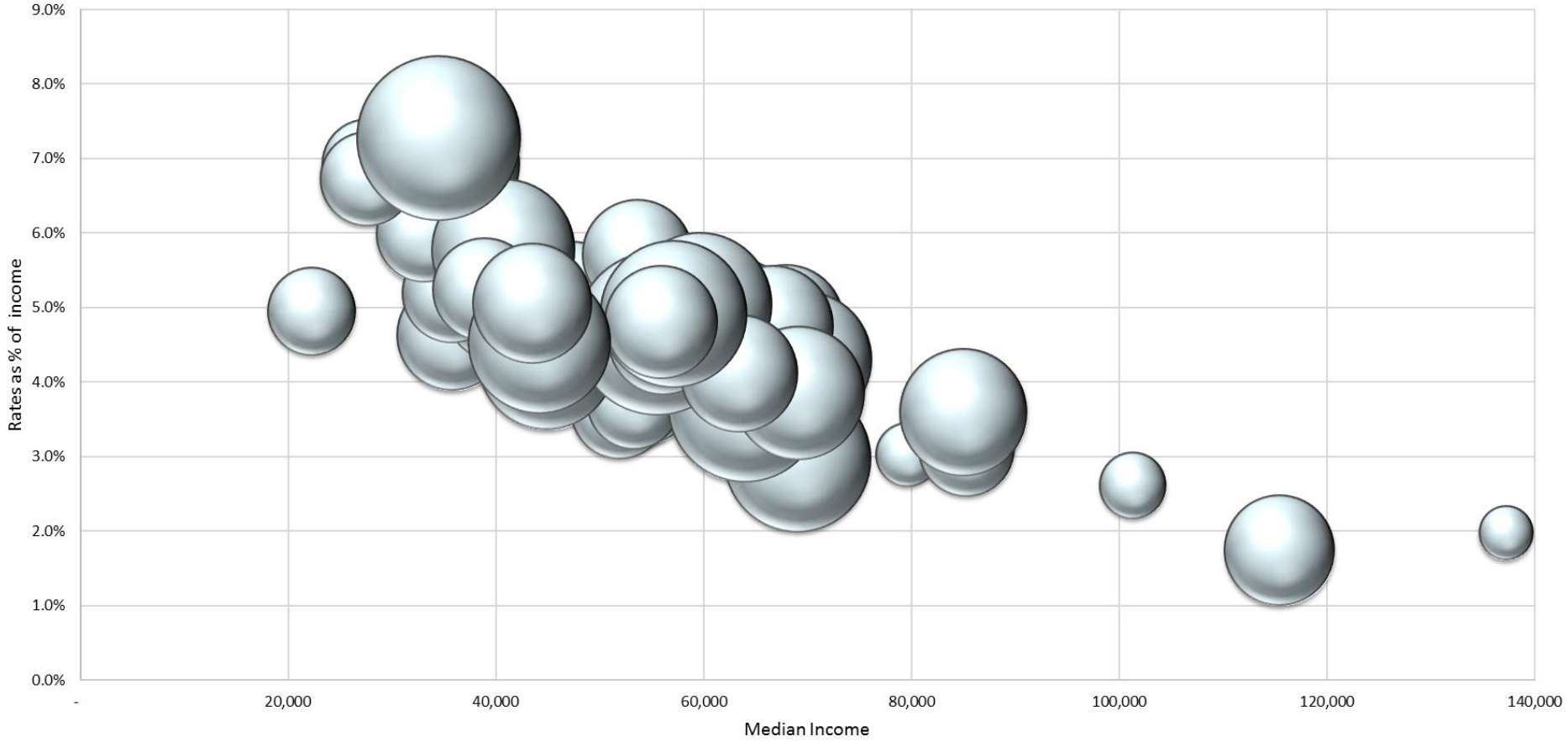
Kāpiti Coast DISTRICT COUNCIL
Me Huri Whakamuri, Ka Titiro Whakamua

Rates Affordability by Meshblock- Paraparaumu Central - Rebates and Remissions included



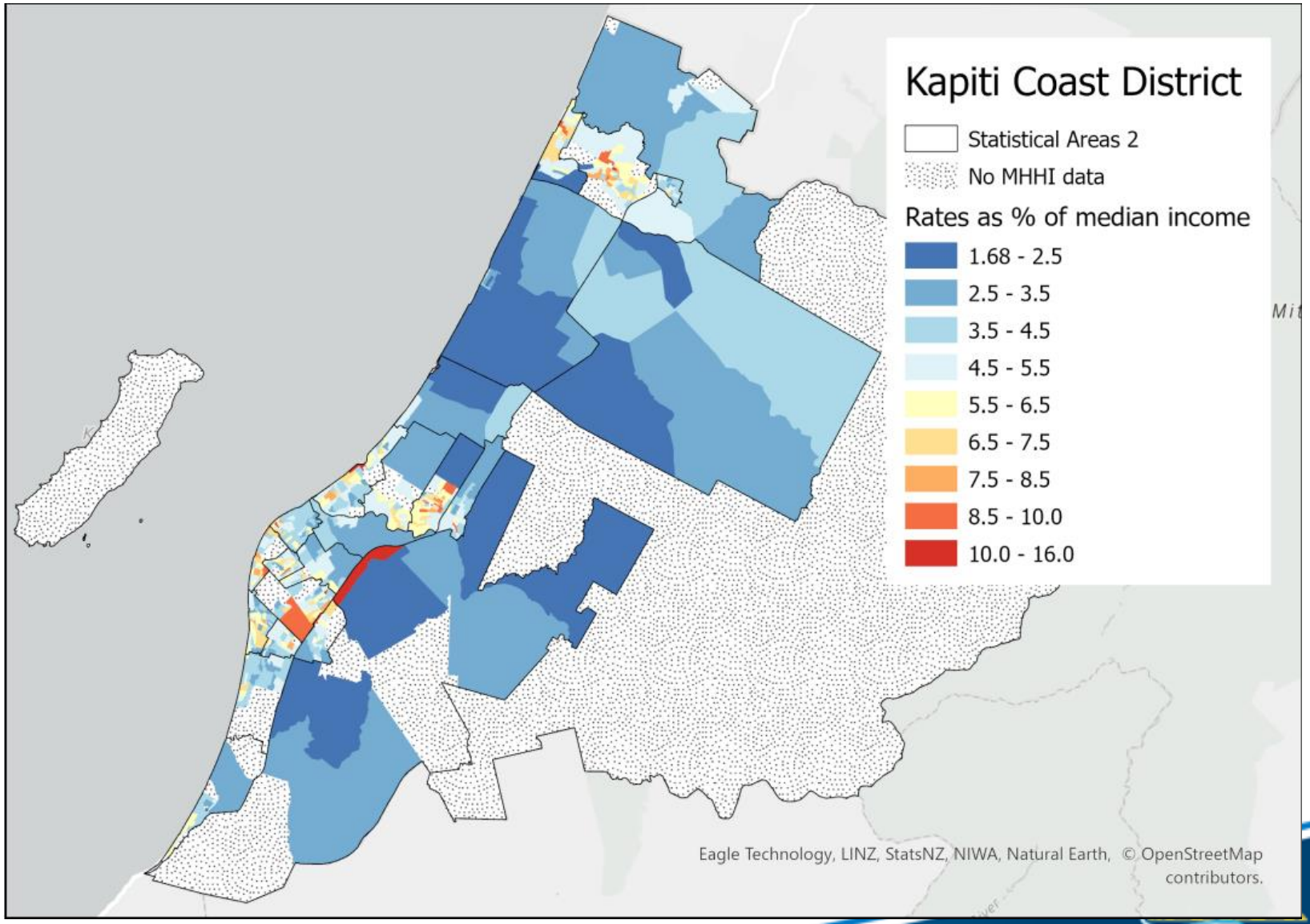
Kāpiti Coast DISTRICT COUNCIL
Me Huri Whakamuri, Ka Titiro Whakamua

Rates Affordability by Meshblock- Waikanae West - Rebates and Remissions included



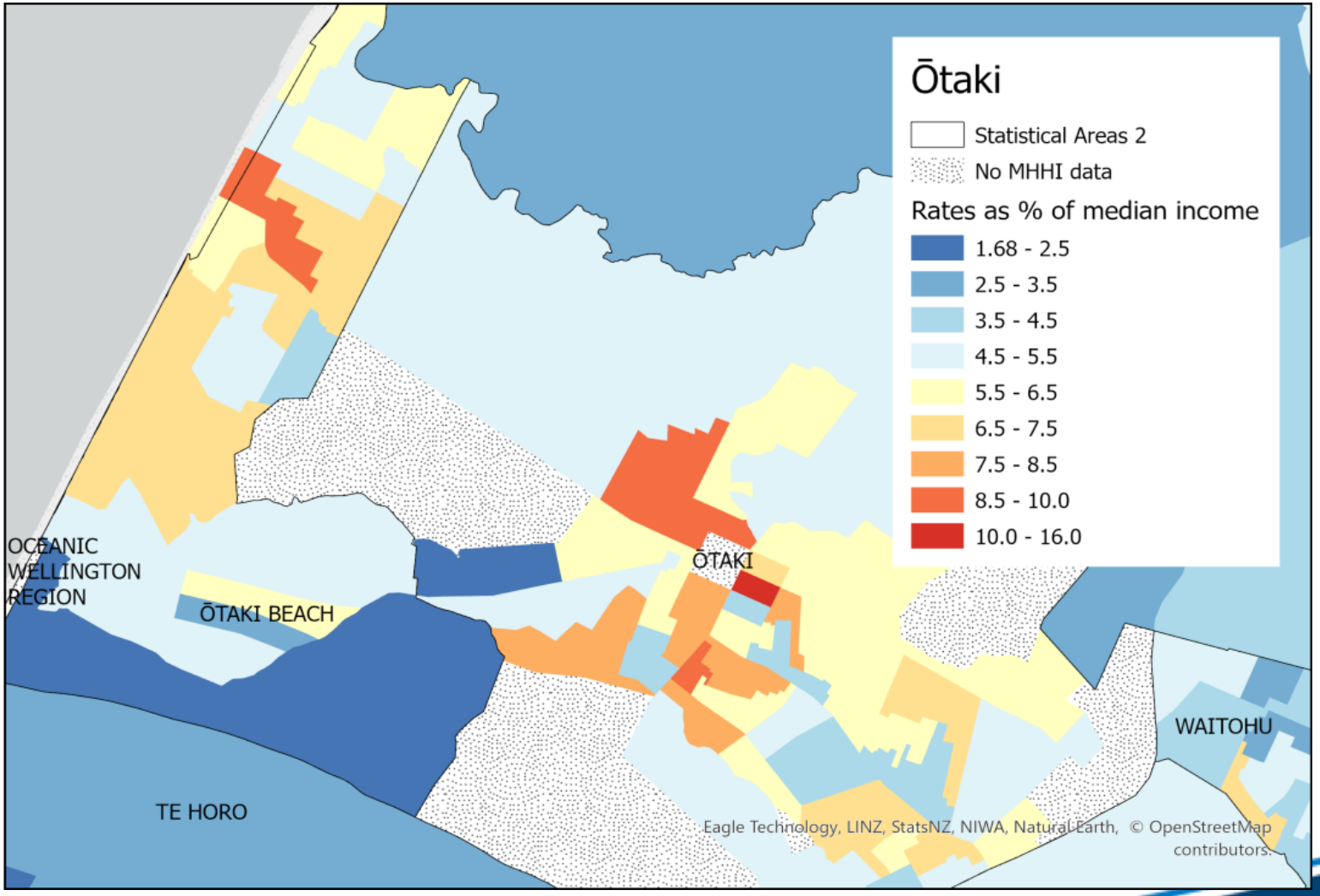
Kāpiti Coast DISTRICT COUNCIL
Me Huri Whakamuri, Ka Titiro Whakamua

Median rates as a % MHHI - District



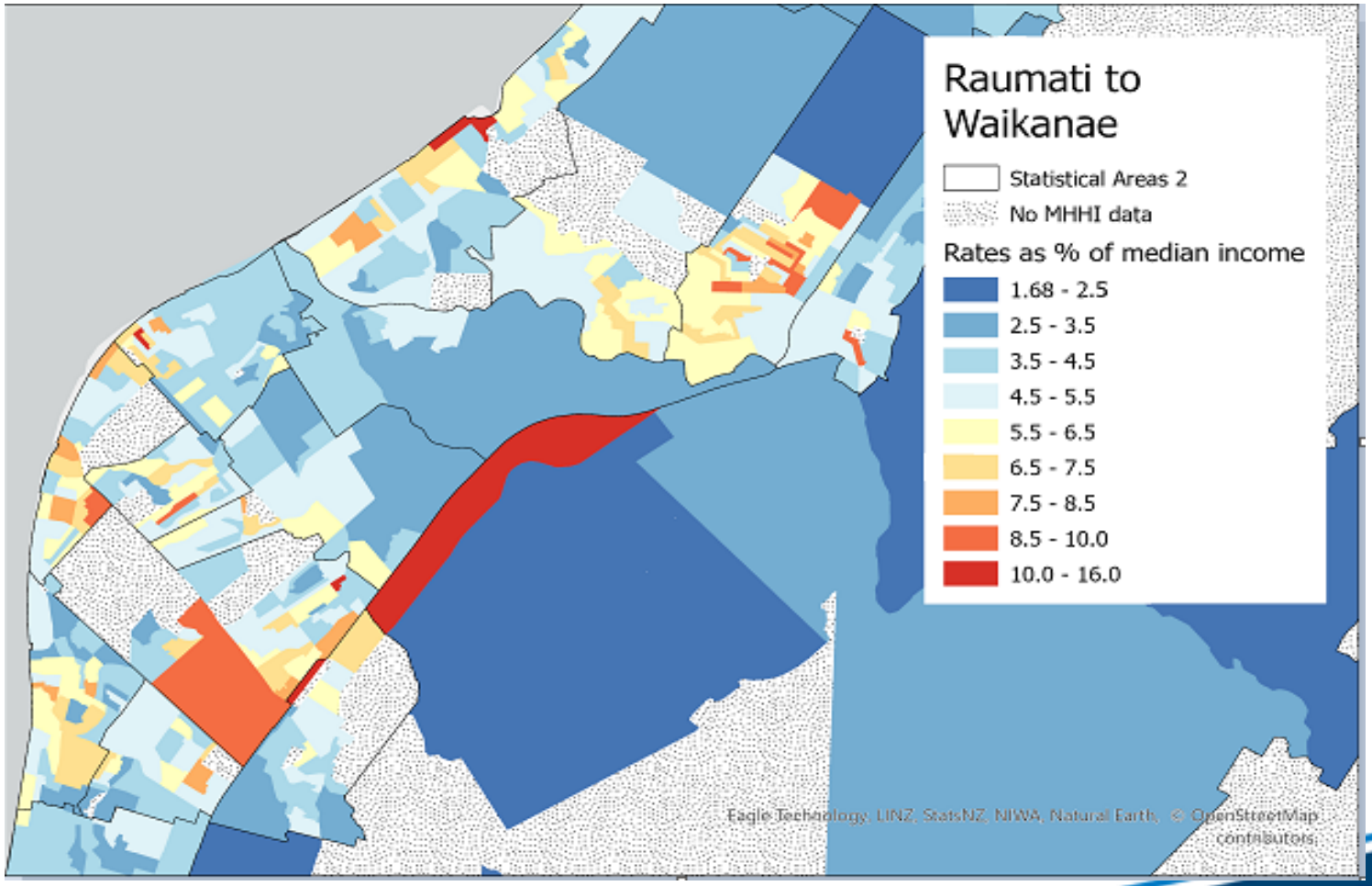
Kāpiti Coast DISTRICT COUNCIL
Me Huri Whakamuri, Ka Titiro Whakamua

Median rates as a % MHHI – Ōtaki



Kāpiti Coast DISTRICT COUNCIL
Me Huri Whakamuri, Ka Titiro Whakamua

Median rates as a % MHHI – Raumati to Waikanae



Kāpiti Coast DISTRICT COUNCIL
Me Huri Whakamuri, Ka Titiro Whakamua

Eligibility for rates rebates

Household Income	Level of Rates												Rates Rebate
	$1,200	$1,400	$1,600	$1,800	$2,000	$2,200	$2,400	$2,600	$2,800	$3,000	$3,200	$3,500	
$24,000	$655.00	$655.00	$655.00	$655.00	$655.00	$655.00	$655.00	$655.00	$655.00	$655.00	$655.00	$655.00	
$25,000	$655.00	$655.00	$655.00	$655.00	$655.00	$655.00	$655.00	$655.00	$655.00	$655.00	$655.00	$655.00	
$26,000	$655.00	$655.00	$655.00	$655.00	$655.00	$655.00	$655.00	$655.00	$655.00	$655.00	$655.00	$655.00	
$27,000	$587.33	$655.00	$655.00	$655.00	$655.00	$655.00	$655.00	$655.00	$655.00	$655.00	$655.00	$655.00	
$28,000	$462.33	$595.67	$655.00	$655.00	$655.00	$655.00	$655.00	$655.00	$655.00	$655.00	$655.00	$655.00	
$29,000	$337.33	$470.67	$604.00	$655.00	$655.00	$655.00	$655.00	$655.00	$655.00	$655.00	$655.00	$655.00	
$30,000	$212.33	$345.67	$479.00	$612.33	$655.00	$655.00	$655.00	$655.00	$655.00	$655.00	$655.00	$655.00	
$31,000	–	$220.67	$354.00	$487.33	$620.67	$655.00	$655.00	$655.00	$655.00	$655.00	$655.00	$655.00	
$32,000	–	–	$229.00	$362.33	$495.67	$629.00	$655.00	$655.00	$655.00	$655.00	$655.00	$655.00	
$33,000	–	–	–	$237.33	$370.67	$504.00	$637.33	$655.00	$655.00	$655.00	$655.00	$655.00	
$34,000	–	–	–	–	$245.67	$379.00	$512.33	$645.67	$655.00	$655.00	$655.00	$655.00	
$35,000	–	–	–	–	–	$254.00	$387.33	$520.67	$654.00	$655.00	$655.00	$655.00	
$36,000	–	–	–	–	–	–	$262.33	$395.67	$529.00	$655.00	$655.00	$655.00	
$37,000	–	–	–	–	–	–	–	$270.67	$404.00	$537.33	$655.00	$655.00	
$38,000	–	–	–	–	–	–	–	–	$279.00	$412.33	$545.67	$655.00	
$39,000	–	–	–	–	–	–	–	–	–	$287.33	$420.67	$620.67	
$40,000	–	–	–	–	–	–	–	–	–	–	$295.67	$495.67	
$41,000	–	–	–	–	–	–	–	–	–	–	–	$370.67	
$42,000	–	–	–	–	–	–	–	–	–	–	–	$245.67	
$43,000	–	–	–	–	–	–	–	–	–	–	–	$120.67	
$44,000	–	–	–	–	–	–	–	–	–	–	–	$0.00	
$45,000	–	–	–	–	–	–	–	–	–	–	–	$0.00	

Kāpiti Coast DISTRICT COUNCIL
Me Huri Whakamuri, Ka Titiro Whakamua

History: 2019/20 Rebates & Rates Assistance Remissions for owner occupied properties

Area Unit	2019/20 Rebate	# Households receiving rebate	2019/20 Rates Assistance Remission	# of Households receiving rates assistance
Forest Lakes (Kapiti Coast District)	$ 9,503	15	$ 920	7
Maungakotukutuku	$ 8,174	13	$ 600	5
Otaihanga	$ 10,240	16	$ 840	4
Otaki	$ 123,532	210	$ 20,805	118
Otaki Beach	$ 76,618	129	$ 14,540	76
Otaki Forks	$ 5,066	9	$ 250	2
Paekakariki	$ 28,284	46	$ 3,645	18
Paraparaumu Beach East	$ 78,777	132	$ 11,240	59
Paraparaumu Beach North	$ 73,469	119	$ 11,425	58
Paraparaumu Beach West	$ 50,603	85	$ 8,495	43
Paraparaumu Central	$ 114,326	187	$ 21,020	109
Paraparaumu East	$ 62,367	100	$ 11,090	60
Paraparaumu North	$ 87,579	143	$ 15,370	82
Peka Peka	$ 5,760	9	$ 1,200	6
Raumati Beach East	$ 63,381	103	$ 10,110	52
Raumati Beach West	$ 50,659	82	$ 10,165	49
Raumati South	$ 69,996	111	$ 14,515	67
Te Horo	$ 10,146	16	$ 625	7
Waikanae Beach	$ 75,427	124	$ 11,675	54
Waikanae East	$ 61,299	100	$ 10,735	55
Waikanae Park	$ 51,021	84	$ 7,730	42
Waikanae West	$ 168,323	275	$ 27,680	142
Waitohu	$ 28,168	48	$ 4,645	25
Grand Total	**$ 1,312,719**	**2156**	**$ 219,320**	**1140**

Effects of Rebates and Remissions on rates affordability

	Median income	Median rates	Rates % of income (new valuations)	Gov't rebate (based on average 2019/20 rebate	Council remission (based on average 2019/20 remission	Rates after reb/rem	New rates % of income
Ōtaki	41,400	2,629	6.30%	$588	$178	$1,863	4.5%
Waikanae West	50,400	3,304	6.60%	$607	$199	$2,498	5.0%
Paraparaumu Central	49,600	3,043	6.10%	$604	$197	$2,242	4.5%

Conclusions from Rates Affordability Information

- Rates affordability in the district is still a concern
- This is **before** any rebates or remissions have been applied
- We provide the government rates rebate to almost 2,200 households (excluding Licence to occupy residents)
  - This is up to $655 per household (2020/21)
- And we provide our own rates assistance remission to over 1100 households
  - This is up to $300 per household (average $197)
  - *This would generally be on top of the government rebate*
- After the rebates/remissions, rates are reduced to a more affordable level (as a % of household income)
- **We can improve the affordability issue for our** district but not eradicate it
- the tools work and we can use our research to continue to target communications to ensure all ratepayers are using the tools

Review of the Rating System

Kāpiti Coast DISTRICT COUNCIL
Me Huri Whakamuri, Ka Titiro Whakamua

Why review the rating system now?

- Legislative mandate (LGA sns 101A-103)
- Concern expressed by Council and the community re affordability and sustainability of rates
- Review to be done as part of the LTP process (community must have the chance to comment)

Key principles

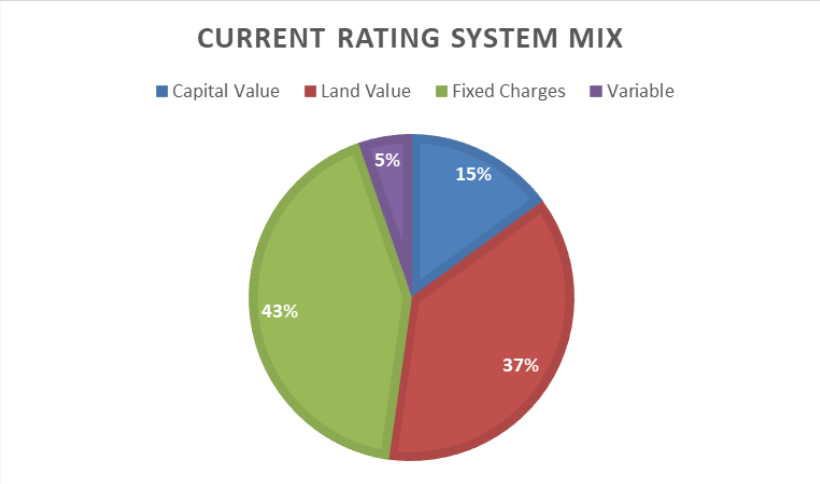
Council's rating system should be:

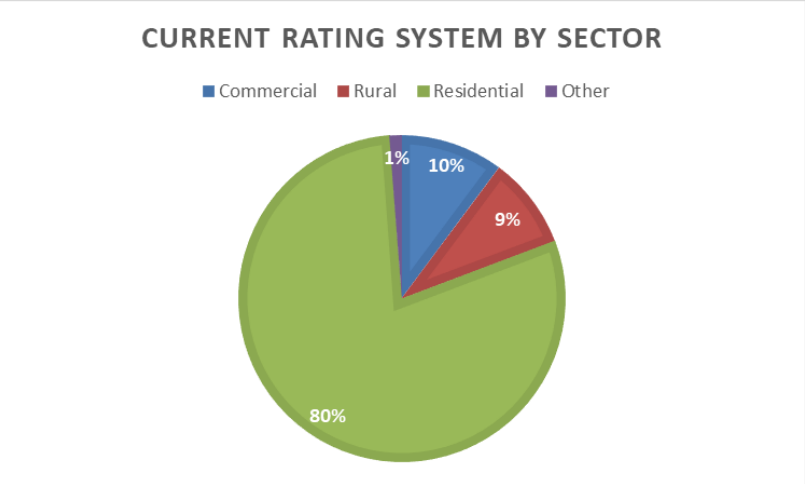
- Equitable and affordable to all ratepayers
- Sustainable to all ratepayers (now and in the future)
- Fully aligned with Council's strategic vision
- Simple to understand and easy to administer

In proposing any changes, the need for a transitional period should also be considered in order to smooth out the impacts

Current Rating System

- The Council currently has a Rating System comprised of 15 Rating Mechanisms and rates are levied via LV, CV, Fixed Charges and variable charges. The total rates revenue for 2020/21 (including GWRC rates) is $85.85m of which $68.24m is apportioned to the residential sector.
- Changes made as part of the last rating review in 2017/18 moved the Roading FC rate to a CV targeted rate and introduced a new commercial rate.





Kāpiti Coast DISTRICT COUNCIL
Me Huri Whakamuri, Ka Titiro Whakamua

Our Current Rating System

We have 15 Funding Mechanisms and rate on land value, capital value and fixed charges

Rate Type	Rating Basis	Differential
Districtwide General ($28.32m)	Rateable Land Value & Rating Areas	Urban - 100% / Rural less than 50 ha - 38% / Rural greater than 50 ha - 22% / Rural Village - 70%
(Districtwide Community Facilities ($19.54m)	Targeted Rate per seperately used or inhabited part of a Rating Unit	All rating units - 100% except / motels & camping grounds - 30% / Accommodation and Hospitality - 200%
Districtwide Roading Land Value ($2.17m)	Targeted Rate based on rateable land value	None
Districtwide Roading Capital Value ($8.66m)	Targeted Rate based on rateable capital value	None
Districtwide Stormwater ($2.78m)	Targeted Rate based on rateable capital value and stormwater rating area	None
Districtwide Water Supply Fixed ($5.50m)	Targeted Rate per seperately used or inhabited part of a Rating Unit connected to or capable of connecting to service	All rating units - 100% except / Accommodation and Hospitality - 200% / medium scale rating units (10 or more) - 90% / large scale rating units (20 or more) - 80%
Districtwide Water Supply Volumetric Rate ($4.30m)	Targeted fixed rate per cubic metre of water supplied or consumed	None
Hautere/ Te Horo Water Supply ($180k)	Targeted fixed rate per unit of allocation (1 unit = 1m3 per day)	None

Our Current Rating System (Cont.)

Rate Type	Rating Basis	Differential
Districtwide Wastewater ($9.46m)	Targeted Rate per water closet or urinal for rating units connected to service (a residence for one household shall be treated as having one water closet) and rating units capable of connecting to the districtwide service	All rating units - 100% per rating unit except / community 50% per water closet/urinal / educational - 45% per water closet /urinal / recreational - 25% per water closet/urinal / large scale - 50% per water closet/urinal / serviceable - 50% per rating unit
Paraparaumu/Raumati Community Rate ($88k)	Targeted Rate based on capital value and rating area	None
Waikanae Community Rate ($101k)	Targeted Rate based on capital value and rating area	None
Otaki Community Rate ($77k)	Targeted Rate based on capital value and rating area	None
Paekakariki Community Rate ($50k)	Targeted Rate based on capital value and rating area	None
Commercial Rate ($425k)	Targeted rate for all commercial rating units	None
Water Conservation Device Loan Rate ($58k)	Rating unit with device interest free loan	10% of original loan plus GST

Including GST, Kapiti Coast District Council's total rates revenue requirement for 2020/21 is $81.70m.

Previous consultation and decisions

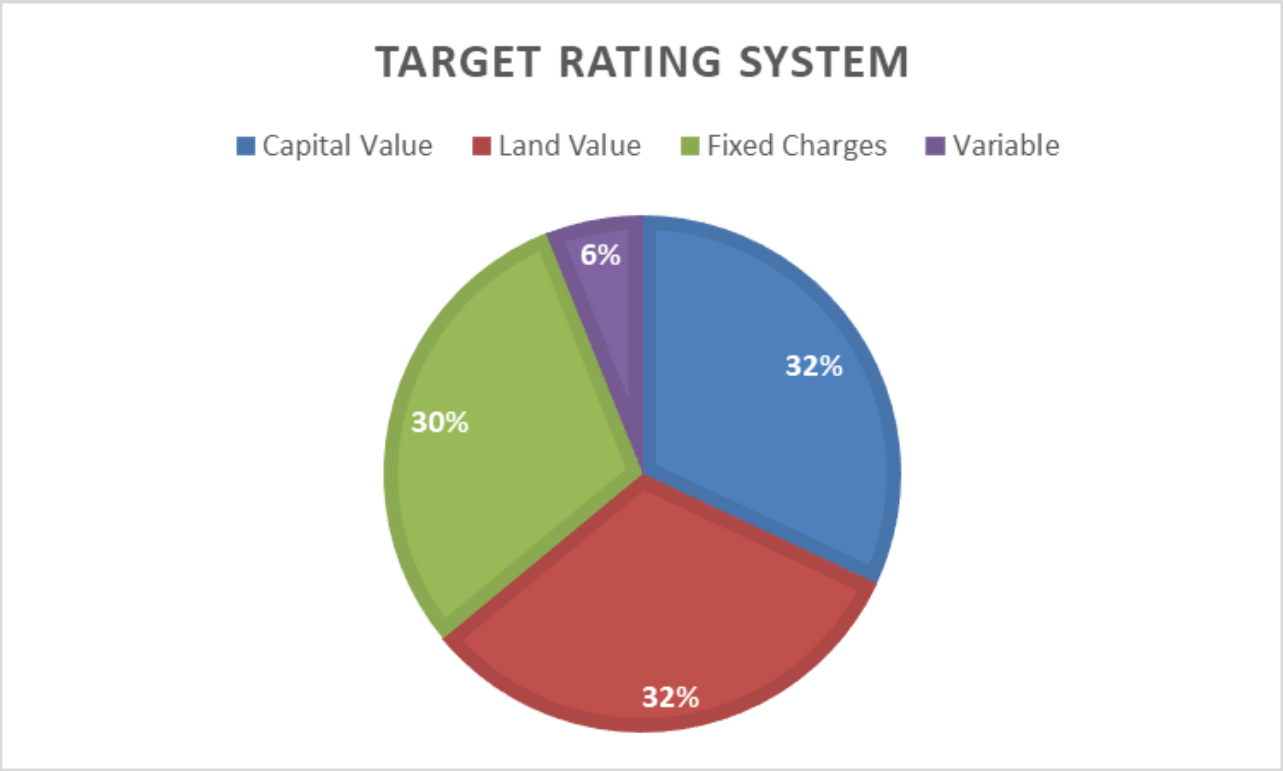
- Should the system be based on Land Value (LV) or Capital Value (CV)?
- Should services be rated on a Districtwide basis?
- Water charging
- Basis of levying fixed charges and the proportion of fixed charges
- Commercial rating
- Rating retirement villages
- Creating a rural village differential

Rating options – managing the variables

- Each rating system (CV or LV) has a different effect on different households – will vary according to characteristics of the area
- Flatness of rate is a trade-off between a concept of fairness (everyone pays the same) or social impact (vulnerable households are protected)
- Differentials used to temper the impacts of the main rating system in terms of fairness, social impact, strategic outcome, and to try and convey the cost to the user (eg commercial rate)
- Targeted rate used to convey costs to main beneficiaries (fairness) but trade-off with strategic goals
- Variables are very interdependent

Target Rating System

In 2017, a fair and equitable rating system for Kapiti was deemed to be as follows:



Kāpiti Coast DISTRICT COUNCIL
Me Huri Whakamuri, Ka Titiro Whakamua

Proposal

- We propose shifting 3% of our rates from LV to CV.
- LV has been in place as the primary mechanism for a long time. There is an argument that it has had an influence on the way this district has developed, incentivising smaller sections. (This would not be a strong factor.)
- Some parts of the district – notably Paekākāriki – have limits on section size which can be unfair on those ratepayers in rates terms.
- The Shand report identified a slightly stronger correlation between ability to pay (household income) and CV; but this was not overwhelmingly so.
- This will move us closer to the target rating system

Proposed changes - specifically:

1. Transition remaining 20% Land Value roading rate to capital value
2. Transition a further $225k from the Districtwide General rate to the Commercial targeted rate (total $650k)

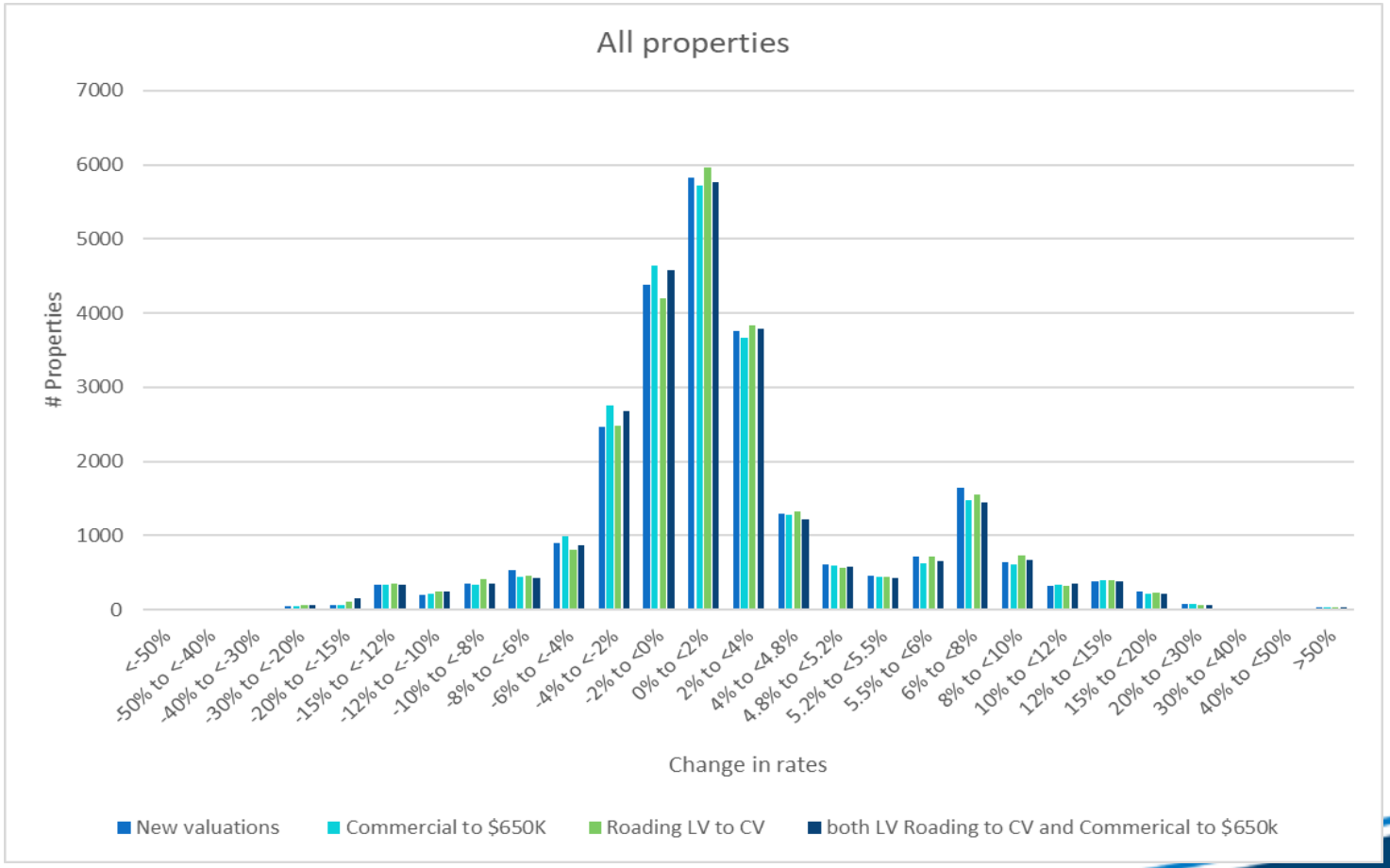
Sector Valuations: Rates Impacts after proposed changes

Including both proposed options, recovering the 2020/21 rates requirement using the 2020 revaluations would result in residential ratepayers paying an additional $250,000 in total, compared to $450,000 under the status quo rating system.

	2020/21 total rates current valuations ($m)	2020/21 Total Rates New Valuations (no change to rating system) ($m)	2020/21 Total Rates New valuations proposed increased commercial rate and LV Roading to CV ($m)	Rates Share (Current Values)	Rates Share New Values (current rating system)	Rates Share New Values - proposed rating system change	Change ($m) Current Values to New Values no change to rating system	Change ($m) Current Values to New Values with proposed rating system changes
Commercial	7.84	7.59	7.75	9.14%	8.84%	9.03%	(0.25)	(0.09)
Lifestyle	6.55	6.51	6.48	7.62%	7.58%	7.55%	(0.04)	(0.07)
Other	1.00	0.98	0.99	1.16%	1.14%	1.15%	(0.01)	(0.01)
Residential	68.24	68.70	68.49	79.49%	80.02%	79.77%	0.45	0.25
Rural	1.29	1.21	1.19	1.50%	1.41%	1.38%	(0.08)	(0.10)
Utility	0.93	0.86	0.96	1.08%	1.00%	1.12%	(0.07)	0.03
Grand Total	85.85	85.85	85.85	100.00%	100.00%	100.00%	- 0.00	(0.00)

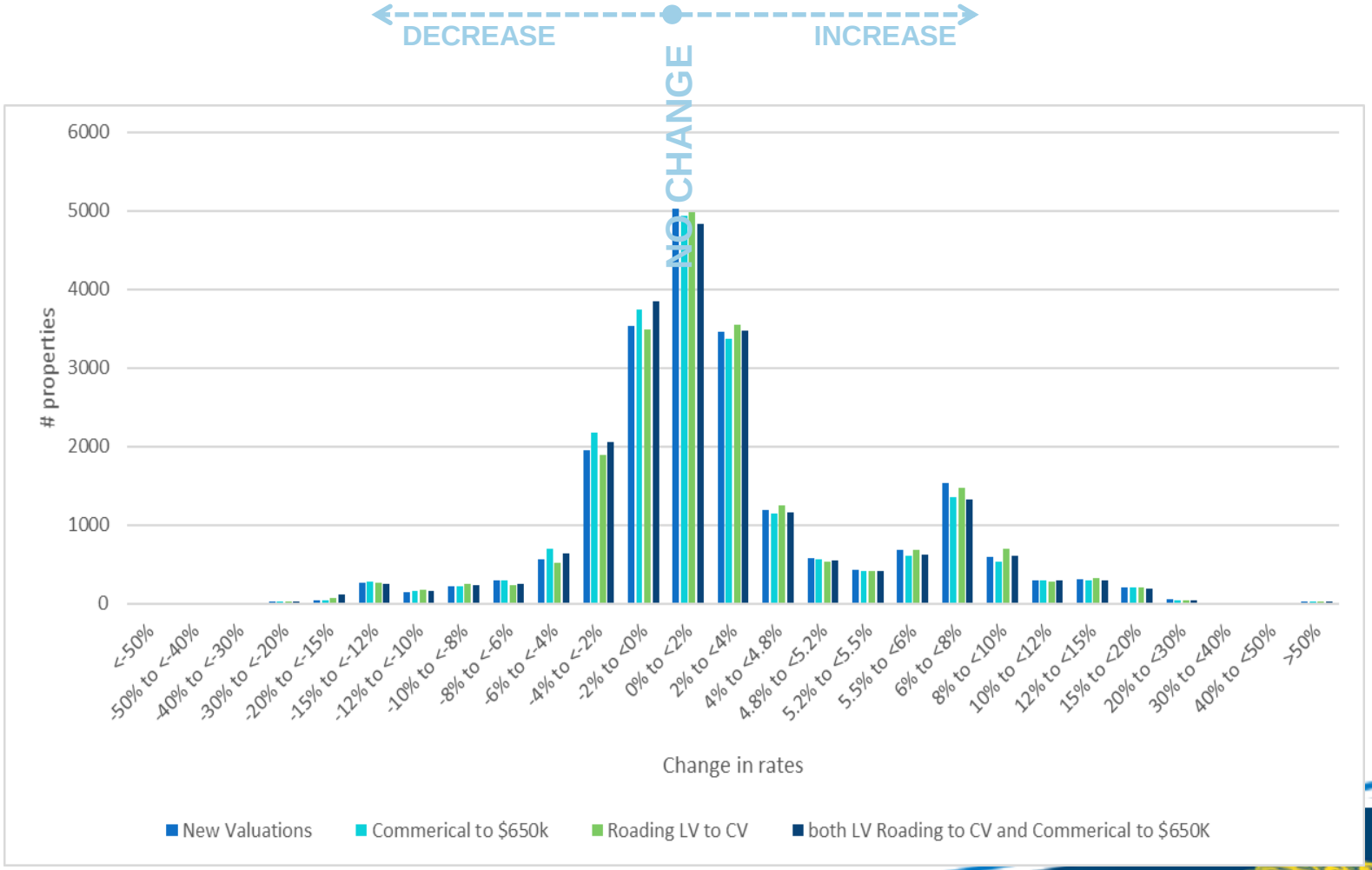
2020/21 Rates include GWRC rates

Impact of Revaluation vs. proposed changes – ALL properties



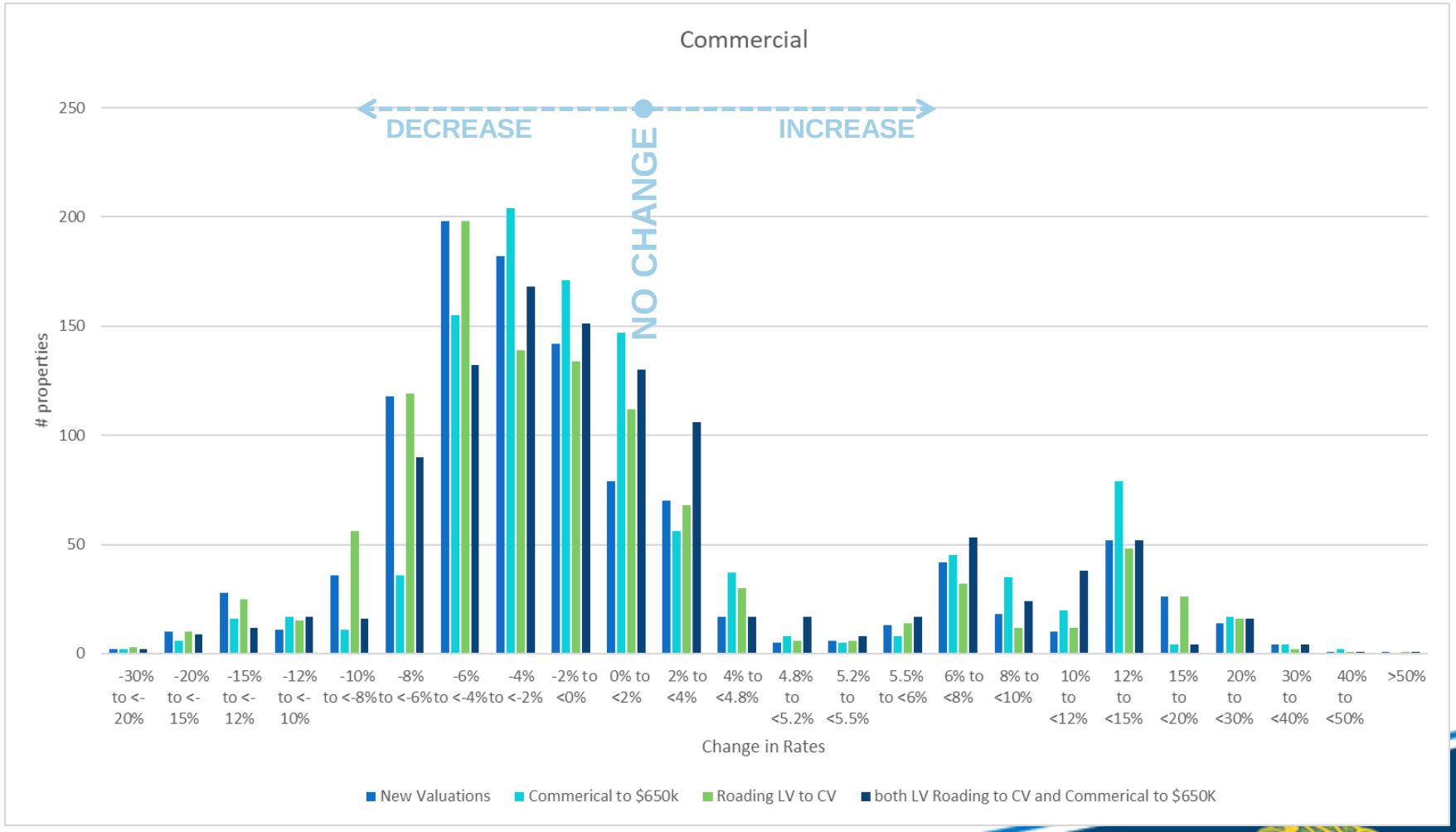
Kāpiti Coast DISTRICT COUNCIL
Me Huri Whakamuri, Ka Titiro Whakamua

Impact of Revaluation vs. proposed changes – Residential



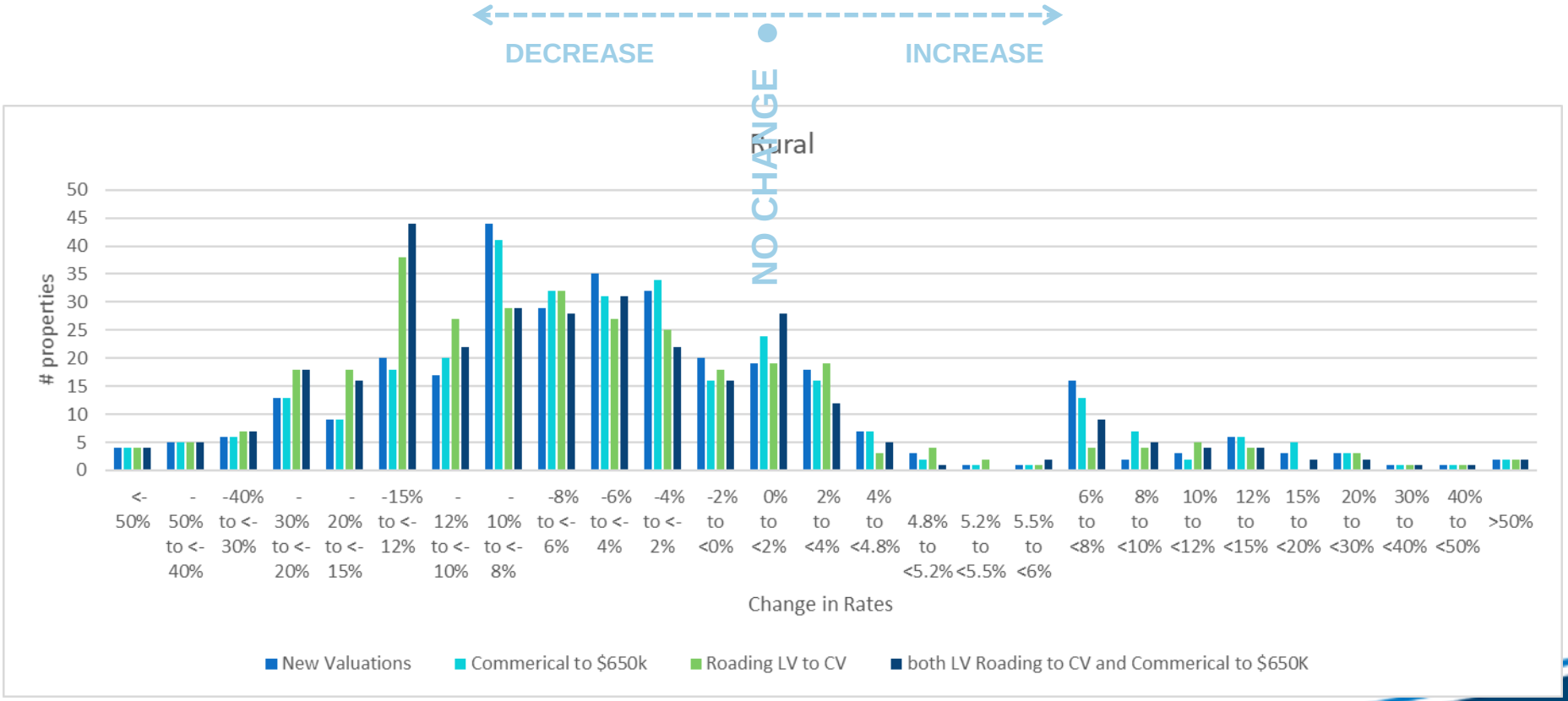
Kāpiti Coast DISTRICT COUNCIL
Me Huri Whakamuri, Ka Titiro Whakamua

Impact of Revaluation vs. proposed changes – Commercial



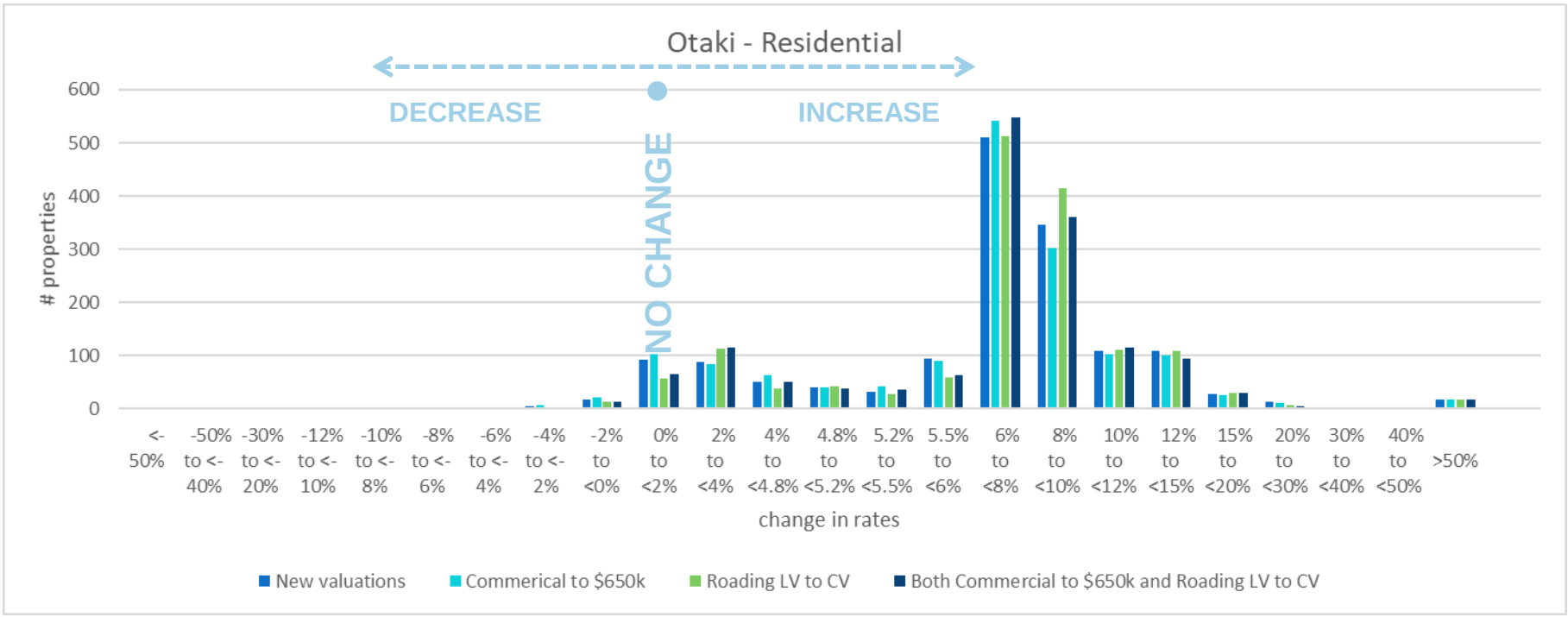
Kāpiti Coast DISTRICT COUNCIL
Me Huri Whakamuri, Ka Titiro Whakamua

Impact of Revaluation vs. proposed changes – Rural



Kāpiti Coast DISTRICT COUNCIL
Me Huri Whakamuri, Ka Titiro Whakamua

Impact of Revaluation vs. proposed changes – Ōtaki - Residential



Kāpiti Coast DISTRICT COUNCIL
Me Huri Whakamuri, Ka Titiro Whakamua

Conclusion

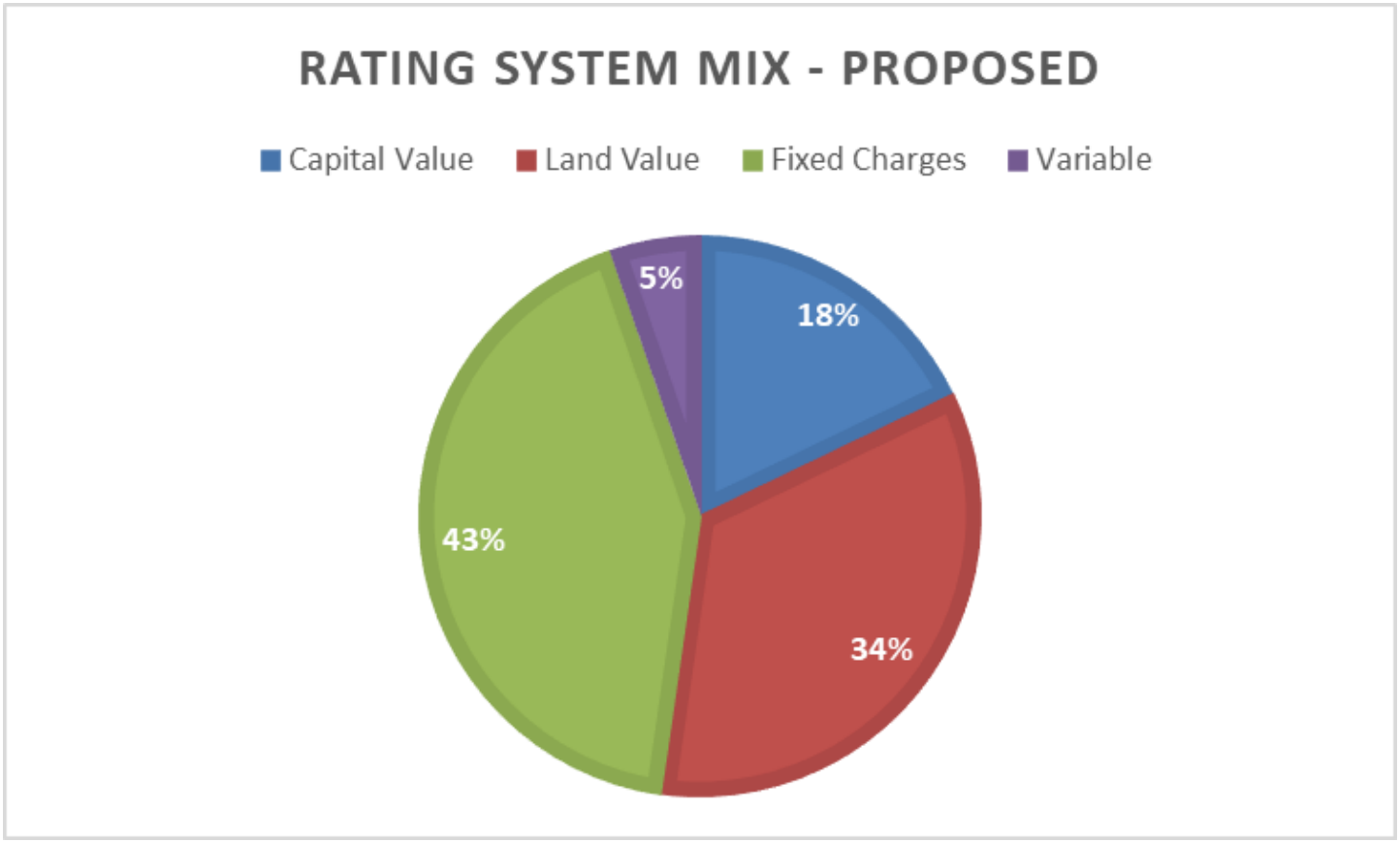
- This revaluation has undesirable consequences
  - $450k shift from commercial/rural/utility and lifestyle to residential
  - Relatively high impact on areas (eg Ōtaki) with biggest affordability issues

Conclusion (2)

Recommendation:

- Consult on transitioning the remaining 20% land value roading rate to capital value
- Consult on transitioning a further $225k from the Districtwide General Rate land value rate to the Commercial targeted capital value rate (total $650k, noting the commercial sectors share of rates would still be less than 20/21 rates due to the impact of the Districtwide revaluation).
- This should help mitigate the revaluation impact

Recommendation – effect on rating system mix



Kāpiti Coast DISTRICT COUNCIL
Me Huri Whakamuri, Ka Titiro Whakamua

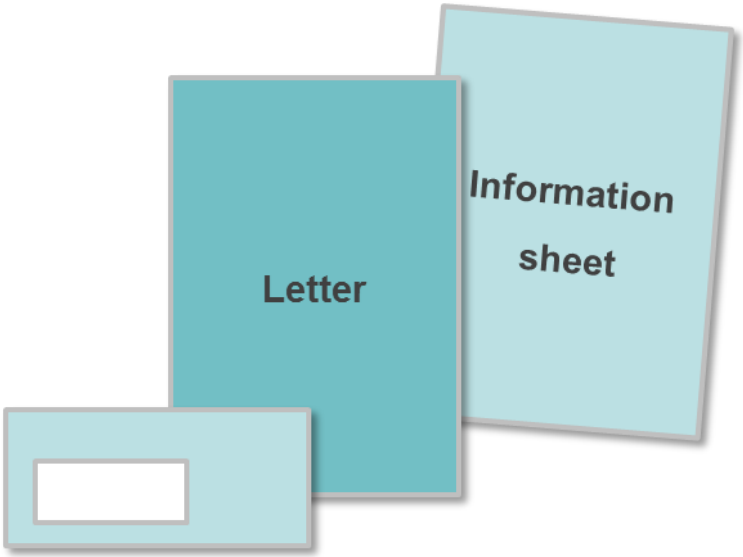
Final remarks

- We've focussed on how rates are distributed across the District
- There is an affordability issue for the District
  - The proposed change (move the remaining 20% roading rate to CV and shifting a further $225k from the DW General rate to the commercial rate) would help
  - Our remissions and rebates schemes go some way to address this, and provide necessary support beyond the proposed change
  - We will look at any further changes in future years

Keeping our communities informed and involved

- We want to let ratepayers know about the impacts for their own property rates, including the affects of
  - 2020 Revaluation (may be an increase or decrease)
  - Any proposed rating system change (may be an increase or decrease)
  - Overall 2021/22 budget change
- We propose doing this in two ways

1: Letter to ratepayers



- Includes property-specific information on rates impacts of revaluation and proposals
- Refers to consultation document and how to find out more

Kāpiti Coast
DISTRICT COUNCIL
Me Huri Whakamuri, Ka Titiro Whakamua

2: Online rates look-up tool

- Will be available on Council's website during consultation period
- Ratepayers will be able to enter their valuation number to see current and proposed property rates
- Totals will include KCDC and GWRC

Policy Update

Rates Remission

Kāpiti Coast DISTRICT COUNCIL
Me Huri Whakamuri, Ka Titiro Whakamua

Rates Remission Policy

- The Council has a 9-part rates remission policy to help people who have significant difficulty paying their rates.
- Rates remissions are funded by rates.
- This is in addition to the Government funded rates rebate scheme. (2,367 applications totaling $1.43m processed in 2019/20).

Key Parts Of The Current Rates Remission Policy

Māori freehold land

- Part 1 – Rates Remission and Rates Postponement on Māori freehold land

Rates Postponement

- Part 2 – Rates Postponement for farmland located in the urban rating areas of the Kāpiti Coast District
- Part 3 – Optional Rates Postponement

Rates Assistance ($412,000 budgeted for 2020/21)

- Part 9 – Rates Assistance
  - General Rates Assistance – available to Owners, Tenants and Landlords and Licence to Occupy Retirement Village residents
  - Temporary Rates Assistance
  - Water Rates Remission for Vulnerable Households relating to high water use

Rates Remission Policy - Proposed Changes

Council direction:

Propose the following key policy changes:

Rates Assistance remission – Ongoing and Temporary Assistance

- Increase the income threshold to align with NZ Superannuation, to cater for those in our community who are experiencing rates affordability concerns and have rates greater than 5% of income.

Rates Assistance – Licence to Occupy remission

- Remove from the Rates Assistance remission – Ongoing Assistance Rates remission policy.
- The Rates Rebate (Retirement Village Residents) Amendment Bill was enacted in 2018, allowing Licence to Occupy residents to apply for the Government Rates rebate.
- No Licence to Occupy remission applications were received in 2018/19 and 2019/20.

New Water Leak Rates Remission Policy

- To replace the current Water Supply Bylaw adjustment process

Waikanae Recycling and Greenwaste Centre

Kāpiti Coast DISTRICT COUNCIL
Me Huri Whakamuri, Ka Titiro Whakamua

Waikanae Recycling and Greenwaste Centre

Kāpiti Coast DISTRICT COUNCIL
Ma Huri Whakamuri, Ka Titiro Whakamua

LoS Waikanae area

- Recycling drop off (free)
- Green waste drop off (fees set by CNZ)
- **NO rubbish drop off**
- Rural households: no rubbish, recycling, greenwaste collections, need to use Otaihanga for rubbish drop off (and can use recycling drop off in Otaihanga at the same time for free)

Who uses Waikanae

Survey results 2021; 87+ respondents

FREE recycling drop off is used by:

- 64% Residents that have (and pay for) kerbside recycling but use it for large cardboard or overflow recycling (glass mostly)
- 36% Residents that have NO collections at all
- 14% Bach owners (often taking their rubbish home)

How often do these users visit the recycling drop off:

- 26% once a month
- 23% twice a month
- 23% weekly

Where do you live:

- Waikanae Beach 26%
- Waikanae 45%
- Rural Waikanae 2%
- Peka Peka 8%

Options

1) Preferred: Close Waikanae and make a $120k saving
Based on:

- $50k for staff member & operational contract CNZ
- $8k maintenance cost
- $62k transport cost recycling

2) Keeping Waikanae open 7 days 9 hours – increased annual opex LTP $120k to cover increased costs

(included in the LTP21 draft budget)

KPI Update

Performance Measures

Kāpiti Coast DISTRICT COUNCIL
Me Huri Whakamuri, Ka Titiro Whakamua

Resilience & Sustainability: Levels of Service & KPIs

Contribution to Outcomes	Level of Service (LoS)	Performance measure	Target	Proposed change	Mandate / Source of information
Assurance - Sustainability (waste minimisation) – (stakeholder value)	Waste minimisation education is delivered in the community	Council delivers waste minimisation education programme in schools	Minimum of 4 schools per year	**NEW**	Measured through booking system Also report on number of students taught Total schools in Kāpiti: 21 Total schools in Kāpiti: 21

Community Facilities: Levels of Service & KPIs

Contribution to Outcomes	Level of Service (LoS)	Performance measure	Target	Proposed change	Mandate / Source of information
We ensure that council-owned buildings are fit for purpose	Council Buildings – Council-owned buildings will be fit for purpose	Percentage of all public requests are dealt with within the allocated response time.	80%	**NEW**	Public Service Requests

Regulatory Services: Levels of Service & KPIs

Contribution to Outcomes	Level of Service (LoS)	Performance measure	Target	Proposed change	Mandate / Source of information
We provide efficient and effective regulatory services	Substantive compliance with statutory timeframes for resource consents issued.	Average working days to process non-notified resource consents will not exceed 17 days, excluding S37 extensions	Achieve	**NEW**	MagiQ
	Approval of subdivision survey plans is given promptly to enable development within the District.	Percentage of all section 223 completion certificates are processed within statutory timeframes	95%	**NEW**	MagiQ
We are responsive to customer feedback	Pre-application services are informative and helpful. Regulatory teams will actively seek opportunities to enhance the way they work and the experience of their customers	Ratio of compliments to upheld complaints greater than 3:1	Achieve	**Discontinue**	MagiQ

Economic Development: Levels of Service & KPIs

Contribution to Outcomes	Level of Service (LoS)	Performance measure	Target	Proposed change	Mandate / Source of information
PARTNERSHIPS: ECONOMIC DEVELOPMENT	We will deliver the 2015 economic development strategy (implementation plan) and we will involve partners and the business community at appropriate points in the decision making process. AMEND TO: We will work in partnership to deliver the 2020-23 Kapiti Coast Economic Development Strategy and Implementation Plan	The economic development strategy implementation plan deliverables are achieved AMEND TO: The actions in the Kapiti Coast Economic Development Strategy and Implementation Plan 2020-23 are delivered	Achieve	Updated from 2018 to relate to new ED Strategy	Annually from Economic Development Kotahitanga Board report
		Representatives of the business leadership forum who are satisfied that the economic development strategy implementation plan deliverables are being achieved.	85%	**Discontinue**	Survey
	Māori economic priorities will be articulated in a strategy for Council and iwi to implement	The Māori Economic Development Strategy implementation plan deliverables are achieved	Achieve	**Discontinue**	Māori Economic Development Strategy implementation plan

End