

Annex A – Situational Analysis: Political and Regional Context

Trends and influences

In the first half of their term the Government focussed attention and allocated resources to areas of under-investment or under-performance. Some were pre-determined within the coalition agreement, but they have also supported matters important to their traditional support base, such as those promoted by trade unions, where wage growth is at a ten year high. Government has made strong use of expert panels, commissions and committees to inform direction and policy in multiple areas of their work – particularly on social, health, and environmental issues.

In this, the second half of the government's 3-year term, we are now facing a stream of policy changes as they drive to achieve outcomes. The pace and scale of reform is at the expense of clarity or completeness of policy, with little deviation from their plotted course, unless political pressure has been applied (for example, capital gains tax).

The return of the wellbeing in the Local Government Act is a nod to the leadership role that government expects councils to take in promoting the social, economic, environmental and cultural wellbeing of their people and communities. It also characterises the shift from the previous administration's business growth agenda to enhancing community wellbeing, which is now legislated for in both central and local government functions.

The government have also taken a risk adverse, hands on approach to matters where they believe that councils have failed to act. This is the case with drinking water, where a Crown Agent will become the regulator, to focus on compliance, monitoring and enforcement. The cost to deliver the role and services will be carried by the Crown, but with mechanisms to recover costs through fees and charges. At present Regional Councils will retain their current regulatory functions and are likely to receive a number of additional functions as reforms are progressively implemented, but associated resourcing is unlikely to follow. There is acknowledgement that a relationship reset needs to occur between central and local government, with local government needing to be valued in their own right, rather than being treated as a delivery arm of the Crown.

Collective leadership and collaboration

The government is moving to make significant and long-term changes within the Public Service to improve internal culture, collaboration, and leadership. The proposal is the formation of a Chief Executive-level Public Service Leadership Team, led by the Public Service Commissioner, to drive the shift towards the desired outcomes. Provision in the bill has also been made for interdepartmental executive boards that deliver joined-up approaches, support agile service delivery and enable joint management of assets and staff expertise.

There is also work to improve how government agencies organise themselves in the regions with boundaries based on communities of interest, reflecting territorial or regional (for environmental matters) authority boundaries. The step change required in the leadership may be quite challenging to achieve in the short term, and councils may have to rethink their relationships. However, councils may have an indirect influence on central government executive leadership style and thinking.

Economic wellbeing

The Productivity Commission proposed in their draft report on Local Government Funding and Financing that central government should more effectively fund the implementation of their legislative programmes. Their draft report suggested that the New Zealand Transport Agency co-funding model be extended to support resilience of roading infrastructure to climate impacts, and that an agency should be created for three-waters infrastructure. They also commented positively on an alternative method of funding fast growth projects, where the cost is borne by property owners over a long-term period. Alongside the recent assertion by key

Ministers that regional councils need to be getting on with it, there are a number of mixed messages, and as yet, no clear pattern regarding funding.

The region is ranked 2nd for economic growth; this comes on the back of infrastructure projects (including Te Ahu a Turanga), strong sheep and beef commodity prices and a surge in house prices. Recently, an independent economist commented that in these times of low interest rates and slow private industry activity that councils should be spending or borrowing to stabilise or develop their regions. However, there will be a continuing need for Councils to work closely together, as they will inevitably face similar challenges in terms of balancing the reform agenda from Government with the economic realities of their communities.

The recent surge in house prices throughout the region has extended the affordability divide, increasing the difficulty for first homebuyers, and pressure on rental accommodation (although as a region it is below the national average -\$299 versus \$428 per week) with rents having markedly increased. The increased asset wealth of the baby boomer population is likely to be tempered by an increase in rates; at a time when many will be close to, or are already superannuiants. When compared nationally, the region is at the lower end of the scale for median income levels for those over 65. This generational cohort are strong at expressing themselves and may express a reaction to a significant upwards movement in rates.

Social Wellbeing

After a previous decline in population, the region grew by 13.8% between 2013 – 2018 and future growth is expected to be modest while most other regions show strong upwards trends. However, the 25 – 64 year old age group has shrunk by 2%. Māori are the second largest ethnic grouping; accounting for just over 20% of the total population.

In the median future, we are likely to experience significant changes to the commercial business district in most of our cities and towns as the fate of earthquake prone buildings are determined by their owners. The number of vacant buildings, including heritage, may grow as owners choose to walk away, rather than make the capital investment required to strengthen (effectively leading to demolition by neglect). Faced with shrinking choices for shopping and entertainment, those who can afford to move to larger centres may choose to do so. District councils will need to look hard at how to manage buildings, aging infrastructure, including wastewater treatment plants, the effects of climate change, and an aging population. All of these factors will increase the social pressure within rural communities.

Kāinga Ora, is the new Crown entity that combines the functions of the Housing Corporation and is also charged with addressing housing supply and issues of homelessness. This latter function is intended to be managed through working in partnership with communities, stakeholders and providers to enable, facilitate, and deliver housing and urban development projects. Time will tell as to whether they will actively seek councils as partners to assist in improving the current housing shortage, via development or social housing.

Environmental Wellbeing

A Climate Change Commission will be established to provide independent, expert advice on adapting to the effects of climate change and mitigating climate change, including reducing greenhouse gases emissions. The Government must establish a system of a series of emissions budgets, to act as stepping stones towards the long-term target. Emissions budgets must be met, as far as possible, through domestic emissions reductions. Currently councils are not tasked directly. However, judging by the questions that the Minister or Commission can direct at councils, there is an expectation that councils will have started planning for, and measuring the effects of climate change.

The New Zealand Emissions Trading Scheme (ETS) will be amended to support meeting the expected emission budgets. The amendments are intended to provide certainty, flexibility and incentives to participants in the ETS. With very limited options for offsetting, the push to plant trees is likely to continue. Regardless of the governing party, significant forestry initiatives will likely continue in one form or another.

In recent times, we have seen a few sheep and beef farms in the region being purchased for carbon farming. This will assist with emissions reduction targets, and probably water quality in those particular areas. However, the district councils and farmers are concerned about the future of their rural communities.

Government has set, and is proposing policies that will require a burgeoning work force, particularly in the Freshwater space, to administrate, develop plans, monitor and enforce. A skilled labour force, including Mātauranga Māori specialists, and increased legal requirements and will create pressure to secure, and train the required internal capacity. Even if some of the activities are conducted by private companies, or by central government moving to the regions, all will face challenges to attract and retain their workforce.

Cultural Wellbeing

A vibrant Taniwhā economy, as witnessed in other areas of Aotearoa, off the back of strong settlements, or economic opportunities, has yet to emerge in this region. Seven iwi and Te Awa Tupua claim have settled, with the first iwi, Ngaa Rauru Kītahi, completing theirs in 2005. There has been a steady trickle since, with circa 2030 looming as a realistic timeframe for settling all claims in the region. Iwi that received smaller financial and commercial redress will always struggle to generate significant returns for their people and we may see a number of them grouping together for economic benefit.

Te Awa Tupua and the Ngāti Rangi settlement contain co-governance structures for their respective awa. Both settlements will require significant people and financial resources, from all parties in order for them to succeed. Although they received an initial injection of Crown funds, experience has demonstrated that these processes are costly, and therefore these funds are likely to be used quickly, with funding then needing to be sought from Councils.

The retention of larger Māori land blocks appears to be primarily in the Ruapehu and Rangitīkei districts with smaller holdings elsewhere. There is a wide range of stewardship over lands; from large successful incorporations such as Te Tiroa E & Te Hape B and Te Ātīhau, land locked parcels, individuals farming their blocks, and others who are simply leasing out their blocks. There are a range of Government initiatives that are attempting to assist Māori land-owners generate increased production and, or returns from their land, with some councils also adding capacity into this area. This includes attempting to resolve long-standing issues around land-locked land, which is of particular interest and importance in some districts within the region.