Newsletter of the

LOCAL GOVERNMENT BUSINESS FORUM

effective local government

Number 19 July 2020 Wellington

Welcome to the Forum

The Local Government Business Forum advocates policies that create a positive economic environment. Recognising the significant role of local government in private investment decisions, the Forum was established in 1994 to promote greater efficiency and effectiveness in the local government sector and to contribute to debate on policy issues affecting it.

The Forum comprises business organisations that have a vital interest in the activities of local government and regularly produces publications addressing crucial issues relating to the performance of local government and legislative developments in the sector. The Newsletter offers commentary on a range of issues affecting local government and is written and produced by Forum members.

In this edition:

- From the Chair:
- State of the gap.
- Funding and financing recommendations – necessary but not sufficient
- Ratepayers pay the price as local funding mix falls short
- Regulatory policy slip sliding away under COVID-19
- Rates decisions coming in
- Retirement villages contribution to the economy
- Hot of the press - big money for water upgrades

Participants in the Local Government Business Forum are:

- BusinessNZ
- Federated Farmers of NZ (Secretariat)
- Hospitality New Zealand
- NZ Chambers of Commerce
- NZ Electricity Networks Association
- NZ Initiative
- Property Council NZ
- Retirement Villages Association NZ

This Forum newsletter was edited by Nick Clark

Contact: nclark@fedfarm.org.nz

From the Chair: Is incrementalism enough?

Michael Barnett

Michael Barnett is Chair of the Local Government Business Forum

To say that 2020 has been an eventful year would be a huge understatement. COVID-19 and the response to it have massively disrupted both the economy and the policy and political landscape.

COVID-19 has brought into stark relief the problems with local government financing and funding. The Productivity Commission's Inquiry last year into local government funding and financing made useful recommendations that would improve the system, but a lack of urgency provides little incentive for central or local government to respond. I write about this in my article *Funding and financing recommendations – necessary but not sufficient*.

As we wait for action councils have been caught between king hits to their incomes from lock-down and pressure from their ratepayers to keep rates down. Federated Farmers' Nigel Billings investigates this in his article *Ratepayers pay the price as local funding mix falls short*.

This year's Annual Plan season has probably been the most disruptive ever with councils being forced mid-way through the season to recast their spending and rates increases. In his article *Rates decisions coming in*, Federated Farmers' Andrew Hoggard reviews the season and how councils responded.

CCOVID-19 has forced the Government to make huge decisions very quickly, often without the usual levels of scrutiny and deliberation, and many of these have impacted on local government. John Pask of Business New Zealand highlights these problems and what needs to be done to fix them in his article *Regulatory policy slip sliding away under COVID-19*.

continued on page 2

continued from page 1

The biggest and most significant regulatory area for local government is the Resource Management Act. In her article *Tweaks and workarounds show need for RMA reform*, the Property Council's Leonie Freeman looks at recent amendments to the Act which threaten to add yet more burden while highlighting the need for meaningful rather than piecemeal reform.

Although much has been written of the costs of COVID-19 from loss of international visitors, the New Zealand Initiative's Eric Crampton looks in his article *Borders and regions* at how opening up to longer-term visitors and migrants could be an economic lifeline to areas hit by the loss of tourists.

At a time when COVID-19 is disrupting the economy, Retirement Villages Association's John Collyns looks at a sector with good growth prospects but dependent on council planning rules, in *Retirement villages contribution to the economy*.

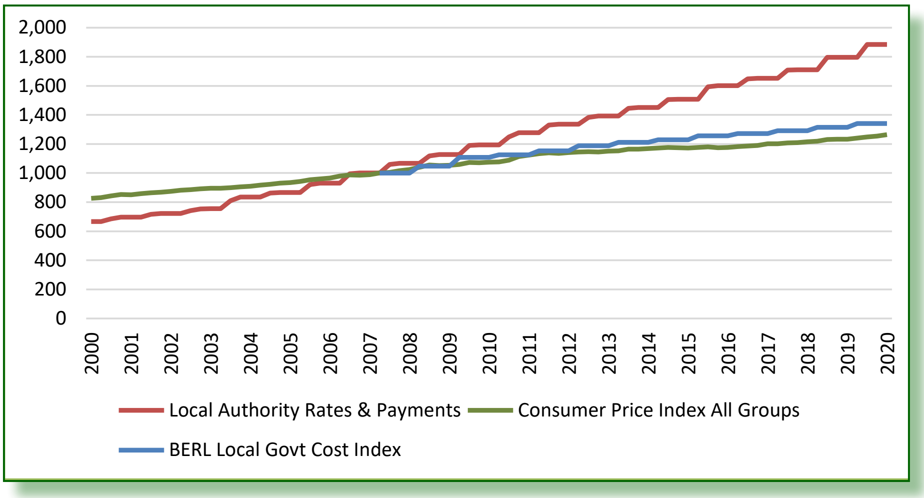
Nick Clark concludes the newsletter with the Government's recent announcement about funding for water infrastructure upgrades and three waters legislative developments.

Finally, over the next couple of months attention will be firmly on the General Election looming on 19 September. Although local government policy seldom features in election campaigns, many big ticket items like the economy, transport infrastructure, freshwater management, and climate change will have profound implications on councils.

Forum members look forward to working constructively with the local government sector and with whoever is in government after the General Election.

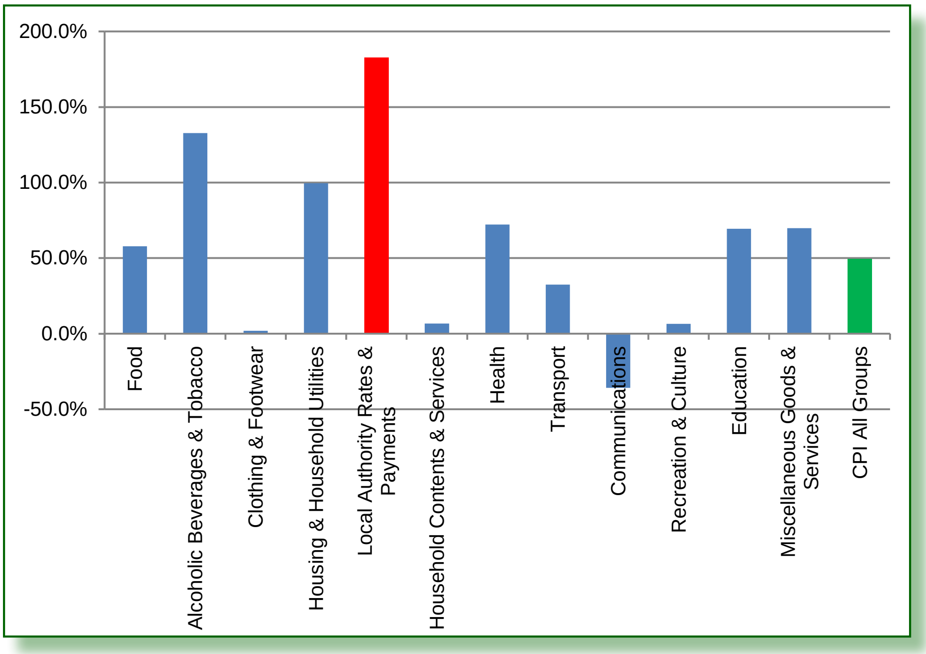
State of the Gap

Rates vs Consumer Price Index 2000-2020 (June 2007=1000)



This graph shows the difference between inflation of rates (as measured by the Local Government Rates and Payments component of the Consumer Price Index (CPI)) and inflation in the wider economy (as measured by the CPI – All Groups).

CPI Groups' Percent Increases 2000-2020



This chart shows the local government and rates component of the CPI being one of the fastest growing sub-groups of the CPI, growing even faster than alcohol and tobacco which is subject to hefty annual excise tax increases.

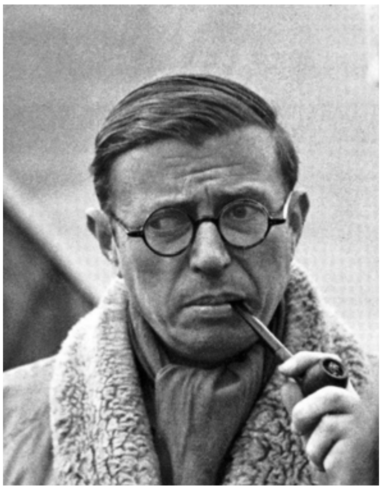
The worry for ratepayers is the rapid increase of the rating burden in real terms which has not prevented the growth of a substantial infrastructure deficit or spectacular growth in financial indebtedness of some councils. The concern for New Zealand is the impact this ballooning cost is having on economic growth. Rates are becoming increasingly unsustainable and reform of local government funding is long overdue.

The local government sector believes it is overly simplistic to compare its cost pressures with the CPI. While acknowledging that local government's cost pressures are different, Forum members' concern is from a consumer's perspective and it is notable that the sector's own local government cost index has increased only slightly more than the CPI.

Funding and financing recommendations - necessary but not sufficient

Michael Barnett

Michael Barnett is Chief Executive of the Auckland Business Chamber and a Director of the New Zealand Chambers of Commerce



French philosopher Jean-Paul Sartre once said, "for an occurrence to become an adventure, it is necessary and sufficient for one to account it".

While Sartre was almost certainly not thinking about local government policy, this quote is somewhat apt for the Productivity Commission's 2019 Inquiry into Local Government Funding and Financing.

The Inquiry was an occurrence that the Local Government Business Forum and its individual members committed much thought and effort to. We met with the Commission on several occasions and made submissions to its Issues Paper and its Draft Report, putting the case for meaningful reform of local government funding and financing to reduce the over-reliance on property value rates.

The Inquiry's Final Report was released last December. Unfortunately, however, there is no sign yet that the occurrence will become an adventure.

That is sadly not surprising given the Final Report's main conclusion that the main funding tools 'measure up well'. As a result, there is no sense of urgency to make even the useful incremental changes recommended by the Commission.

This is a great pity because overall the recommendations made in the report would make useful and very necessary improvements to the system of funding and financing local government.

Although we disagree with the report's conclusion, and we believe it could have been a lot bolder, we do agree with much of what the Commission has said, including that there are growing funding pressures and that significant scope exists for better use of current tools, including greater focus on the benefit principle.

The Forum strongly supports the recommendations that councils consider the partial or full sale of commercial assets to help finance needed new investment and that councils should assess rates for business properties in proportion to the cost of the council services that benefit those properties.

Itemised rates assessments will also be a great tool for transparency and accountability for all ratepayers and we also think it's long overdue that councils publish information on rates revenue by category of rateable property (e.g., residential, business and rural), the number of rating units in each category and average and median rates per unit in each category.

We also agree that central government must work better with local government when developing regulation and that central government must come to the party with funding to help councils meet the cost of regulation imposed on them.

There is much to like in this report but its conclusion that the system 'remains appropriate' runs the risk of central and local government not addressing the recommendations with the urgency they deserve – just as what happened (or didn't happen) after the 2007 Shand Report.

In short, this Inquiry's recommendations are necessary but not sufficient and once again, as was the case with the Shand Report, the hoped for adventure still seems a very long way off.

WEBSITE

The Local Government Business Forum website contains the Forum's published reports, media statements, submissions and newsletters.

www.localgovtforum.org.nz

Ratepayers pay the price as local funding mix falls short

Nigel Billings

Nigel Billings is a Senior Policy Advisor at Federated Farmers of New Zealand

Late last year Federated Farmers published its annual comparison of council rate rises with the consumer price index. It wasn't pretty for ratepayers.

A footnote pointed out that in the last 20 years local authority rates had risen on a percentage basis by more than alcohol and tobacco prices, which are subject to regular and heavy tax increases to discourage consumption.

Even without the COVID-19 pandemic, more pain was in store for ratepayers. As councils started to roll out their annual budgets just prior to lockdown some were forecasting rates increases above 10 per cent. The reasons on offer included rising construction costs and the need to comply with standards and regulations - on water in particular - imposed by the Crown. The exhaustion of all revenue streams other than rates was a common refrain.

These increases were already controversial prior to the level 4 lockdown and its drastic economic effect. Since then pressure on councils to keep rate increases to zero has grown, leaving them in the invidious position of wanting to do more for their communities without the means to do so. Councils, as ever, wait in the hope of Crown investment and support.

Added to that, a cratering on the revenue side of local authority finances is a certainty. Big reductions in income from fees and charges are forecast along with increases in delayed and unpaid rates.

Councils reliant on commercial rates from service industries such as retail and tourism will find the going particularly tough. Scenarios of annualised lost revenue for district councils range up to 25 per cent in a worst case; who or what will make up the difference is a question yet unanswered.

Altogether a mighty difficult decision-making scenario emerges for the local sector. The natural inclination for any government is to spend in a crisis like this, to stimulate local economies and assist communities back to their feet. Local government is, however, largely cut out of the picture on this and is relying on the Crown's agenda and the funds it makes available, such as the enhanced infrastructure funding currently on offer.

Councils are used to jumping through hoops to get support from government, but they must be beyond frustrated with this situation. The limitations of property value rates as their tax base and the inability of the Crown over the years to reform this leaves them largely on the sidelines as far as proactively responding to this crisis.

Ratepayers will demand they perform their core functions efficiently and little else with less cash than ever, and as reality hits home at Treasury, central government money will become increasingly harder to get. Groups such as farmers and retirees, with a great deal of their capital tied up in property, won't be eager to pay more than they already do and will be watching council budgets closely.

Sadly, it is a health crisis with a hefty economic cost that brings the hopelessness of local government's financial situation to light. Bound to a narrow tax base set against property values, local government's role seems largely consigned to service provision, as has been their traditional bailiwick, and recovering from the financial hit they are taking.

For rural councils with smaller populations and towns, already facing big challenges with aging infrastructure and broken balance sheets, the next year or two will demand much of their local representatives. Many had pinned their hopes on tourism as a way of reviving local economies and invested in destination marketing programs that will need dramatic revision and they will desperately need to help if central government ploughs ahead with water and climate change reforms as it is likely to do.

Last year the Productivity Commission ran a top to toe review of local funding and came to the main conclusion that property value rates are fit for purpose, brushing aside arguments that modern local government needs more than landowners as a revenue base. The COVID-19 pandemic and its aftermath highlights the central problem with the Commission's finding – that rates are out of date and the tax base too narrow and distorted for councils to effectively act as anything more than a core service provider.

There's still time for government to look at implementing some of the more specific recommendations to come from the Commission's review. They found, for example, principled reasons for the Crown to share the cost of regulations it requires councils to implement and share some of the tax revenue from tourism – and that revenue will return - to help with growth.

That would offer some comfort to a local sector that must be feeling like a poor cousin right now.

Rates decisions coming in

Andrew Hoggard

Andrew Hoggard is National President of Federated Farmers of New Zealand

Council decisions on their spending and rates are coming in after what seems to have been a very long 'season' of consultations on draft annual plans.

COVID-19 has created havoc with council finances. Non-rates revenue, for example sales of goods and services and investment returns, has been slashed due to lock-down while pressure has been coming on from struggling ratepayers to keep their rates down.

Prior to COVID-19, there were some large proposed rates increases, some greater 10% and many greater than 5%. Alarmed by these increases, in late March some individual Forum members (such as Federated Farmers) and the Local Government Business Forum's Michael Barnett wrote to all councils asking them in the dramatically changed environment to focus on core activities as efficiently and effectively as possible, to shelve 'nice-to-dos', and strive to keep their rates increases as low as possible.

Since then, and despite pressure from some Government ministers on councils to not cut their rates increases, most councils put their heads down, sharpened their pencils and have done the right thing. Many councils adopted annual plans with much-reduced rates increases with some adopting zero rates rises. Horowhenua did so well it managed to reduce its rates take. "Taupo too".

Some though took a different approach, targeting their support through temporary rates relief, mainly postponements, on those seriously affected by COVID-19, and looking to keep their spending up. A few even looked to shift more of their rating burdens away from residents onto groups like farmers. Federated Farmers pushed back against these councils in submissions and advocacy.

I am unconvinced about claims by some that increases in local government spending will do more for economic recovery than allowing ratepayers to keep more of their own money to spend in their local economies.

This may be heresy to the new breed of tax and spend big government interventionists who have been coming out of the woodwork, but apart from spending on infrastructure, local government simply does not have the ability central government has to quickly stimulate the economy through its fiscal, taxation and monetary policy tools, or to support people's incomes like central government can.

Property rates are simply not suited to these tasks and hiking them during a recession is counterproductive.

Regulatory policy slip sliding away under COVID-19

John Pask

John Pask is an Economist at BusinessNZ

New Zealand started 2020 in reasonably good shape, but things changed rapidly for the economy once COVID-19 raised its ugly head – ultimately resulting in the March level 4 lockdown. But COVID-19s worst impacts have yet to flow through in terms of job losses and business shut-downs.

No event, probably since World War 2, has caused such upheaval for New Zealand or indeed for the world economy and its citizens in such a short space of time. The Organisation for Economic Cooperation and Development (OECD) in its latest World Economic Outlook (June 2020) stated succinctly that: "The COVID-19 pandemic is a global health crisis without precedent in living memory. It has triggered the most severe economic recession in nearly a century and is causing enormous damage to people's health, jobs and well-being".

The Government and businesses have responded in a variety of ways, with the Government allocating around $50 billion through various policies to keep

continued on page 6

continued from page 5

businesses afloat and assist during the post-COVID-19 recovery phase. Various decisions in terms of assistance have been bounced off business advisors, banks and other companies responsible for implementing some of these responses.

Meanwhile local governments have generally revisited their previous budgets in order to try and keep rates rises under control given the potential reduction in the general ratepayer base in light of business closures and reduced revenue from user-pays services which were closed or partially closed during lock-down.

While the Government's approach to fiscal policy has, on balance, generally been welcomed by businesses and the wider community, given the crisis New Zealand faces, there is concern that regulatory processes have been left to drift with a number of ad hoc changes to legislation and decision-making which leave a lot to be desired.

Most businesses will support the intent of the Government's package to "fast track" important infrastructure to encourage employment growth but a much more focused approach looking at regulatory barriers across the board is needed. Now is not the time to go back to the failed fortress mentality of the past.

There have been numerous instances over recent times where legislation has been rushed through under urgency leaving little or no time for business organisations and others able to pinpoint unintended consequences to make considered submissions. As anyone who has worked with legislation in the past will testify, the devil can often be in the detail and unintended consequences can dilute new legislation's policy objectives.

Uncertainty of outcomes and mixed objectives can have a chilling effect on investment in New Zealand, from changes to overseas investment rules through to changes to the Resource Management Act.

To take a recent example, the Resource Management Amendment Bill as reported back from the Select Committee included significant changes to matters to not even included in the original Bill. The requirement on local government to into account the climate change implications of any consents under consideration is problematic, not least because climate change is dealt with both internationally and domestically, under other pieces of legislation, especially the Emissions Trading Scheme. And this is quite apart from the obvious issue of local government's ability and competence to achieve consistent outcomes across the country when dealing with individual consenting issues. All a requirement to consider climate change implications will produce is greater uncertainty for investors trying to make a commercial decision whether to pursue a project or which project to pursue. At no stage were interested parties invited to comment on the proposed changes despite potentially adverse effects on many business operations.

The Government's decision to abandon Treasury oversight of new Bills by suspending the requirement for Regulatory Impact Statements (RISs) is very concerning. All Government (taxpayer) funded projects require a sound cost/benefit analysis given the potential cost of making poor decisions.

So what is the answer to improving regulatory policy decision-making?

It may be necessary to revisit the proposal promoted by several business organisations some years ago that led to the introduction of a Regulatory Standards Bill which would hold the government of the day to account when developing and implementing new legislative initiatives. Despite the Bill's acceptance by some members of Parliament the proposal did not have the necessary support to get across the line, notwithstanding its referral to the then Commerce Select Committee.

A Regulatory Standards Bill would improve the quality, transparency, and accountability of lawmakers.

The Bill would have three key components. It would provide:

1. A benchmark, through a set of regulatory principles, that all regulation must comply with;
2. For transparency, by requiring all those with regulation-making powers to certify that any proposed legislation was compatible with the Bill's principles; and
3. For monitoring of the certification process through the introduction of a new declaratory role for the courts.

The Bill would identify a set of drafting principles for responsible regulation that all legislation should be consistent with. Regulation is defined to include:

- Acts of Parliament
- Legislative instruments (regulations)
- Tertiary legislation (made by a lawmaker other than parliament).

Inexplicably, the Bill excluded local government regulation.

The principles of the earlier Bill covered seven key areas, including:

- the rule of law
- the protection of individual liberties
- the protection of property rights
- the creation of taxes and charges
- the role of the courts
- the review of administrative decisions, and
- good lawmaking.

These principles were guides, not binding rules, and the Bill provided they could, if necessary, be breached. This would be done by allowing for Parliament to pass any legislation, whether or not it complied with the principles. All the Bill required was that departures from its principles were "reasonable and can be demonstrably justified in a free and democratic society." As this was almost identical to the wording of section 5 of the New Zealand Bill of Rights Act 1990, it is difficult to understand why, if a proposed bylaw has to take into account the rights and freedoms in the Bill of Rights Act, it should not also be required to take into account the Bill's drafting principles.

continued on page 7

continued from page 6

The exclusion of local government regulation from the requirements of the Regulatory Standards Bill was assumed to be based on the premise of "one step at a time", with the possibility of including such regulation later. But the exclusion is problematic.

Local government has extensive powers under various Acts, including the Local Government Act, the Waste Minimisation Act, and the Resource Management Act, to name just a few. While these regulatory powers are generally likely to be used in a constructive manner, there are numerous examples of inappropriate use. These have had major implications. Such as raising the cost of doing business and reducing competition in markets. This is a further reason for recommending that the Regulatory Standards Bill be reintroduced and apply equally to local government, as to government, legislation.

Tweaks and workarounds show need for wider reform

Leonie Freeman

Leonie Freeman is the Chief Executive of Property Council New Zealand, the leading advocate for New Zealand's property industry.

New Zealand's prosperity is being held back by our planning system's legal framework which is no longer fit for purpose. The current system is inadequately responding to population increases and issues like housing supply and affordability and a lack of infrastructure and much needed infrastructure upgrades.

It is important for all New Zealanders that we get a planning system which operates effectively and efficiently to increase housing supply and alleviate current market pressures. Reforming the resource management system to resolve these challenges will only be successful if reviewed in consultation with the property industry.

The Government has just passed two pieces of legislation in the resource management space. The first, the Resource Management Amendment Bill, is the 19th amendment to the RMA, and yet another attempt that successive governments have made to "reduce complexity" and "improve the Resource Management Act 1991 process." The second, the COVID-19 Recovery (Fast-track Consenting) Bill, is the fourth legislative change in 13 years to fast track consenting measures in response to an emergency.

BUT - will these changes achieve their intended purposes? And how will the legislation affect local government and the wider business community?

Resource Management Amendment Bill

In relation to the Resource Management Amendment Bill, more tweaks are unlikely to have the overall intention of improving or streamlining the RMA process. The late addition, added by the Environment Select Committee, to require local authorities to consider climate change when making and amending regional policy statements, regional plans, and district plans, raise immediate concern with the business community, as it will likely increase complexity and slow local decision making.

The legislation recommends a commencement date of 31 December 2021 to allow for the next government to develop national direction for local authorities (or reverse the decision, depending on the Election outcome). Property Council's position favours national level policy on climate change (i.e. through the Emissions Trading Scheme) or incorporating climate change adaptation into Spatial Planning – something we expect the Resource Management Review Panel to recommend. We suspect this will be a priority for the next Government and we will watch and participate in discussions with much interest.

COVID-19 Recovery (Fast-track Consenting) Bill

The COVID-19 Recovery (Fast-track Consenting) Bill was introduced to the House on 16 June and a mere six days later the Select Committee held hearings on the Bill. This is not the first emergency legislation that was rushed through the House over the last couple of months and highlights the speed in which the Government and officials are operating.

The Bill will fast track consenting and designation processes for infrastructure and development projects. The legislation will likely achieve its purpose at the back end of the process – namely that the Panel (chaired by an Environment Court Judge) will have between 45 and 70 days to complete its decision.

What is important to note is that this timeframe does not include the front end of the process i.e. the time it may take a Minister (and discussion with relevant authorities and reports required) to make a decision on whether or not to defer a project to the Panel. This is the biggest question mark of the overall process and we recommended a Ministerial timeframe be imposed to provide applicants with greater certainty as to the overall process timeframe.

continued on page 8

continued from page 7

The legislation will have a two-year timeframe and we encourage local government to start developing the necessary information and paperwork to submit a project application as soon as practicable. Delivery of local government infrastructure projects will provide the much-needed certainty to the private sector during the recovery period and have positive flow-on effects to employment.

RMA Reform

While minor tweaks to the Resource Management Act are unlikely to resolve the greater issues within the current system, the Government's Resource Management Review Panel has taken a wider look at the resource management system with a focus on the RMA. The Panel's report will be sent to the Minister for the Environment mid-2020 and the Panel's proposals will help form the Government's proposal for reform. We expect consultation to occur post-election.

The Property Council has recommended a holistic approach to planning which is focused on outcomes. This would require decisions around priority of resources to be made at the national level and implemented through regional spatial plans. At the core of any future system, will be striking the right balance between the built and natural environment to ensure New Zealand's much needed sustainable development and infrastructure can effectively be delivered. All in all, it appears 2021 will be a busy year in the resource management space.

Leonie Freeman is the Chief Executive of Property Council New Zealand, the leading advocate for New Zealand's property industry.

Borders and regions

Dr Eric Crampton

Dr Eric Crampton is Chief Economist with the New Zealand Initiative

New Zealand has long seemed the sanest place in an increasingly maddening world. Now, with COVID well out of hand in the United States and the United Kingdom, and threatening much of the rest of the world, New Zealand seems even more to be a lifeboat on hazardous seas.

While a combination of extraordinary luck, policy that quickly adapted to suit conditions, and the cooperation of Kiwis across the country staved off what could too easily have been a medical crisis, the economic costs of the pandemic loom heavily. Wage subsidies and temporary bailout programmes have helped companies through that will be able to return to a sort of normal relatively soon, but there is no prospect of anything like normal for tourism operators in regions that relied heavily on international tourism. When the support runs out, many of those businesses will fold. And local governments that relied on user fees paid by tourists in venues scaled to meet the needs of rather more than the local community will also be strained.

Tourism as we have known it will not return while the pandemic rages abroad. Tourists spending less than a month here would not be particularly keen to spend more than half of their visit in managed isolation, no matter how picturesque the vistas from the hotel window. Removing requirements for managed isolation for travellers from risky places is no solution; the virus would again flare up, and businesses that barely survived the last lock-down might be unlikely to make it through a second one.

The impossibility of getting back to where we were, combined with the dangers abroad, make it tempting to keep the borders locked down rather than risk locking the country down again. And the pressures of an election campaign make it far too easy for discussions about the border to fall into easy partisan narratives that would have one party on the side of health and the other on the side of economic recovery.

It is possible, however, to have both – if we think a bit more creatively. And it could spark recovery in some of the regions worst affected by the loss of international tourists.

While short-term tourists would be put off by a fortnight in managed isolation, longer-term visitors would not be. The ravages of the pandemic abroad have both made New Zealand more attractive and have made longer term visits far more feasible.

During lockdown, Kiwi office workers shifted to working remotely. In Wellington, civil servants enjoyed work-from-home arrangements so much that Peter Hughes, head of the State Services Commission, had to rather forcefully encourage everyone to get their boots back under their desks – whether or not they were more productive at home.

The same is true abroad. Recent work by economists Erik Brynjolfsson, Adam Ozimek, and co-authors, estimated that half of all workers in the United States who were employed pre-COVID shifted to are now in remote work arrangements, due to the pandemic. That amounts to about eighty million workers, working remotely.

continued on page 9

continued from page 8

If even a tiny fraction of those workers decided that, rather than work from their bedroom in a tiny San Francisco apartment, it would be much nicer to work from Queenstown, or from Hanmer Springs, or from Napier, or from anyone of hundreds of towns with a decent internet connection – we would not much notice the loss of the tour busses of short-term visitors. Those longer-term visitors would continue to work for their American employers, but from here instead of from there. If you're working remotely, working from New Zealand instead of from the US just means some difficulty with time zones – perfectly manageable to the US west coast in any event.

In the year to September 2019, international guests spent just over 17 million nights in accommodation in New Zealand – the equivalent of 46,575 people staying here for a year. If even one of every ten thousand workers in the United States who now work remotely decided to work remotely from New Zealand, almost a fifth of New Zealand's lost tourists would be replaced. If one in two thousand joined us, the numbers would be much closer to normal. And remote-working Brits might wish to come as well.

The big tourism operators would still see a decline in volume and would still have to adapt. One visitor here for a year will see more of the sights than any of the 25 visitors who might otherwise have each spent a couple of weeks here but would be unlikely to do the circuit twenty-five times. But hospitality would see a resurgence, and it would certainly be an improvement on relying only on domestic visitors.

And there is every possibility that New Zealand winds up getting just a bit more benefit from a technology worker who hangs out here with us for a couple of years, paid by her American employer, building connections into our local tech sectors, than from fifty visitors who each spend two weeks here on package bus tours.

Taking up the opportunity, and others like it in export education and elsewhere, requires safely scaling up managed isolation. There is no shortage of hotel and motel rooms that could serve that purpose, under user-pays arrangements that allowed visitors to pick up the cost of making sure those systems are rock-solid.

The pandemic is going to be with us for at least the next year. It is time to start planning for that longer term and scaling up capabilities in managed isolation so that more people can safely come aboard our lifeboat to help with the rowing.

Retirement villages' contribution to the economy

John Collyns
John Collyns is Executive Director of the Retirement Villages Association

The Retirement Villages Association recently commissioned some original research from PwC that looked at the contribution villages make to the country's economy. Operators of 213 villages took part and the report focussed on the impact villages have on housing supply, employment as well as their economic contribution both locally and nationally.

We are proud of the sector's achievements and would like to share those with you. You can access the full report on our website – www.retirementvillages.org.nz

It's no surprise to anyone that New Zealand, along with most other Western and many Asian countries, is facing a rapidly-ageing population. Last year alone the number of 75+ year olds in the

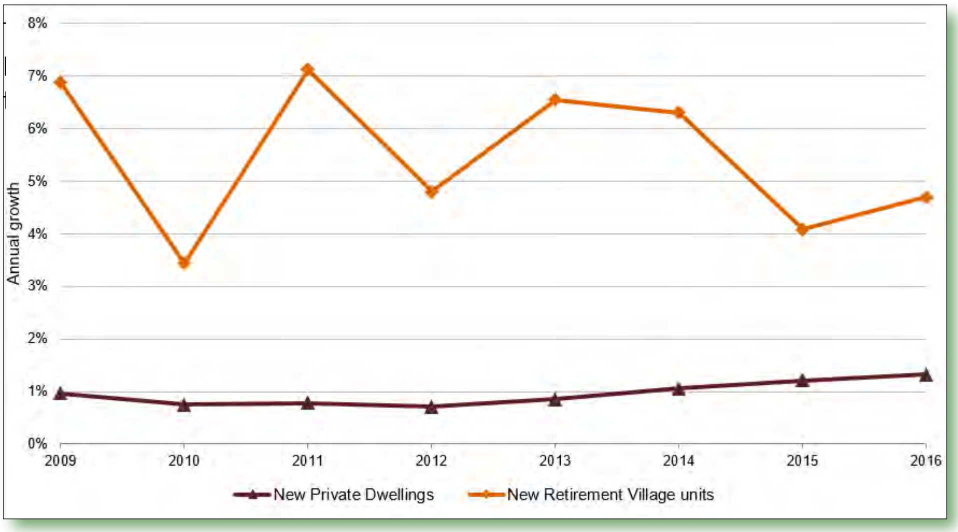
continued on page 10

continued from page 9

country increased by 3.9%, or 11,620 people. The number of 75+ people is expected to grow from 306,730 this year to 783,600 by 2043 and make up 13% of the total population.

It's against this backdrop that retirement village operators see themselves as part of the solution.

The PwC report noted that there are 82 (out of 401) registered villages that are designing, consenting or building 4,721 units, plus a further 81 registered brand-new villages building 12,163 units. A total of 16,884 new units coming on stream, and, together with the 10% or so of existing units that are re-sold each year, make a substantial contribution to relieving the housing shortage across the country.



Housing density

The report also looked in some detail at the density of retirement village housing, reinforcing the fact that villages are efficient users of land. A new village can result in improved land use intensity and a higher housing density compared with conventional residential developments. This is particularly true for mid to large-sized Auckland-based villages, reflecting the higher land cost there compared with other centres.

PwC undertook some analysis of this, comparing 4,736 units across 18 Auckland villages with 11,753 units across 53 villages elsewhere in NZ. Unsurprisingly, the analysis shows that Auckland villages have a higher density of units and residents than the national average. Some of the larger Auckland villages are multi-level developments up to six stories high. Such multi-story development is less common elsewhere in the country.

Village location	Density of units	Density of residents
Auckland-based villages	1 unit / 164 m^2	1 resident / 127 m^2
All villages nationwide	1 unit / 273 m^2	1 resident / 208 m^2

PwC then looked at how villages compare with conventional residential developments based on the Auckland Unitary Plan. Villages' higher density of both units and people supports the Unitary Plan's intention to improve residential density in the mixed housing suburban and mixed housing urban zones. The following diagram (on page 11) compares the Unitary Plan's housing density with retirement village density.

Economic contribution

Day-to-day operations in the retirement village industry contributed around $1.1 billion to the country's GDP in 2017, accounting for roughly 0.4% of the total GDP. This is similar to the value added from department stores or the motor vehicle retailing industry in 2016.

Village operators are also significant employers, with around 19,000 people employed in a variety of occupations – cleaners, chefs, managers, onsite carers, medical staff, activities coordinators, gardeners, maintenance, accountants, and others. The wage and salary bill came to $837 million last year, up from $536 million in 2013. The sector ranks 25th out of the 42 sectors in Statistics NZ's Business Operations Survey 2016, comparable to the number employed in real estate or arts and recreation.

New village development

The report found that the construction of each new 250 unit village directly supports some 303 FTE staff and contributes approximately $21.4 million in design, construction and fittings.

Employment includes:

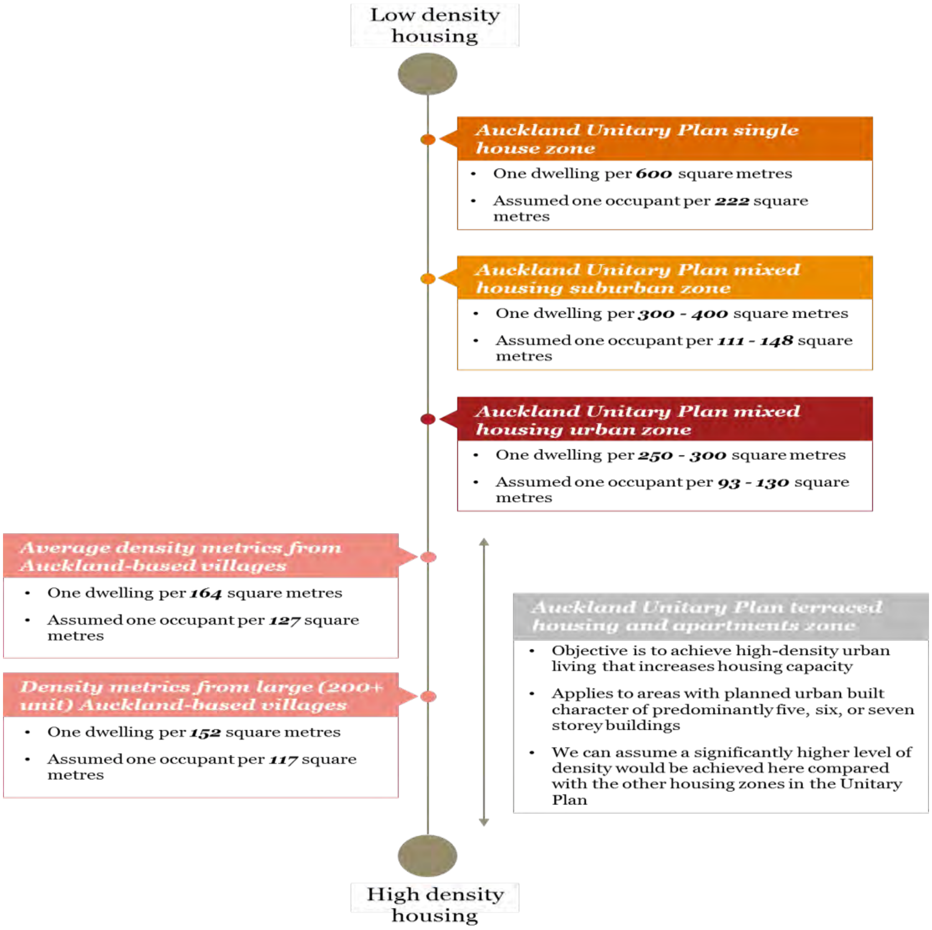
- 44 engineers, quantity surveyors, architects and other technical and business professionals,
- 230 builders and other tradespeople, site managers, building product suppliers, and people involved in land subdivision and site preparation;
- 15 labourers delivering civil works;
- 14 people involved in the supply and fitting out of furniture, fittings and equipment retailing.

The economic contribution includes:

- $4.8 million in engineering, quantity surveying, architectural work and the like;
- $13.9 million in building and construction, supplies and site preparation;
- $1.8 million in civil works, roads, drainage and underground services;
- $0.9 million in furniture and fittings.

continued on page 11

continued from page 10



Why do people want to move in?

Older people move to retirement villages because villages meet a number of important needs. Selling the family home not only releases tens of thousands of dollars in pent-up equity, it also releases a family home back to the market. Across NZ as a whole, that's around 4,700 homes annually (approximately 10% of the total number of RV units plus the new builds). Added to retirement savings, the extra cash often means a significant improvement in the older person's quality of life, as they have the resources to do things they couldn't do before.

Retirement village residents are not necessarily wealthy people. Last year village residents qualified for a rates rebate, which is income-tested. Essentially, those who only have their National Superannuation as income qualify, and across NZ, some 4,275 people applied for the rebate and the Government paid out $2.5 million to retirement village residents.

Retirement villages also provide purpose-built age-appropriate warm, comfortable and secure homes for older people, allowing them to move out of their often unsuitable and ill-maintained family home. We know that being warm and secure are important for older people.

There are serious health issues around social isolation, or loneliness. British research shows that lonely people are more vulnerable to chronic disease, eat less well, and more likely to be smokers, overweight or underweight, often drink heavily, and are less likely to engage in physical activity. Retirement villages provide a community of like-minded people and new friends that help keep loneliness at bay.

And finally, many 80 year olds look for a clear pathway to care, should that be needed. Most retirement villages offer a continuum of care so people can move in today, knowing that should they need care in the future, they'll get first call on the bed in the rest home or hospital.

Retirement village operators take their role seriously in the care of older people. There is no doubt that the boom in retirement village development not only adds significantly to the local economy via investment and employment, but it also has valuable social benefits, through releasing homes back into the market for new families to enjoy and offering a range of services looked for by our residents. We look forward to continuing to develop villages throughout New Zealand.

Hot off the press – big money for water upgrades

Nick Clark

Nick Clark is Manager General Policy at Federated Farmers of New Zealand

On 8 July the Government announced it will be investing $761 million to assist local government upgrade under-pressure water serviceas across the country.

New Zealand's public water infrastructure is widely regarded as run down and in urgent need of upgrading, with massive looming costs across the 'three waters' networks (drinking water, wastewater, and stormwater).

There is a big string attached though with the promise of financial investment from central government contingent on councils opting in to its wider water reform programme. Current service delivery arrangements, particularly for smaller rural and provincial councils, are not considered well-placed to meet the challenges of increasing capital costs, infrastructure maintenance and upgrades, enhanced standards, and environmental challenges. The Government therefore believes current governance and operational arrangements for water are not sustainable and that what's required is consolidation into publicly owned multi-regional water entities.

The local government sector has generally (but not unanimously) applauded the funding boost and cautiously welcomed the assurance that consolidation will be incentivised rather than forced on councils. The announcement is also consistent with the Forum's view that central government should assist local government with costs associated with strengthened regulation, especially at a time when councils are struggling with the effects of COVID-19 on their finances.

Meanwhile, at the time of writing, the Taumata Arowai Water Services Regulator Bill is on the verge of being passed by Parliament. It will set up Taumata Arowai, a new regulatory body to oversee, administer, and enforce the drinking water regulatory system.

Still to come is a second Bill, the Water Services Bill. This Bill will implement system-wide reforms to the regulation of drinking water and source water, and targeted reforms to improve the regulation and performance of wastewater and stormwater networks. It will establish the proposed new drinking water regulatory framework, including the specifics of Taumata Arowai's responsibilities and powers, and the duties of other parties.

So, plenty happening and plenty of water still to flow under this bridge.

WEBSITE

The Local Government Business Forum website contains the Forum's published reports, media statements, submissions and newsletters.

www.localgovtforum.org.nz