

Environmental Scan 2020
November Update
Gisborne Regional Council

Overview

A number of factors relevant to the development of the Long Term Plan have emerged since the Environmental Scan was prepared for Gisborne District Council earlier this year. Factors of particular significance are summarised as follows.

- COVID-19 remains a dominant influence. While Gisborne is in a reasonably good position to cope with the resulting economic impacts, there are areas of particular vulnerability. Disproportionately affected are the Māori economy and women. The Council can use its investment decisions to create an economic stimulus, alongside central government investment, to support the Gisborne District's economy, and in particular, those areas of specific vulnerability.
- The population of the Gisborne District appears to be growing at a greater rate than predicted. The growing population, combined with a medium term move to smaller housing typologies, will place increased pressure on housing supply and affordability. These will need to be factored into infrastructure planning and investment, as well as regional and district planning decisions.
- Educational achievement appears to be a growing issue in the Gisborne District, suggesting a need to explore and invest in more pathways to employment.
- With the recent election of a majority Labour government, further policy initiatives can be expected to be implemented, particularly in the environmental space. Of particular note is the proposed repeal of the Resource Management Act and replacement with three new pieces of legislation, namely a Natural Built Environments Act, a Strategic Planning Act, and a Managed Retreat and Climate Change Adaptation Act. Council will need to carefully consider the impact of this on the timing and substance of the proposed review of the Tairāwhiti Resource Management Plan.
- A greater understanding of the nature and impact climate change for the Gisborne District Council is being developed and will assist with infrastructure planning and investment decisions.
- Council can expect a high degree of central government decision-making during this electoral term, which will impact on local government policy, service delivery and infrastructure provision. Investment in building and maintaining a highly collaborative working relationship with central government, as well as neighbouring councils, is likely to assist Council to be well prepared for a changing national environment.

Impacts of Covid-19

Overview

COVID-19 is causing global economic and social disruption. While the extent of that disruption may be felt differently, every country is affected. New Zealand is faring reasonably well with its low infection and mortality rates. However, the pandemic is having a dramatic and widespread effect on the New Zealand economy.

New Zealand is currently in a recession. Treasury, the Reserve Bank of New Zealand (RBNZ) and BERL are all predicting a sharp increase in unemployment in early 2021, followed by a gradual recovery. BERL are forecasting a slower recovery in unemployment than Treasury and RBNZ, to around 5%, over a 10 year period and a slow increase in trade demand. This assumes that a vaccine is available sometime in 2021, allowing the international border to reopen and life to return to some level of normality¹. If this does not occur, a much more pessimistic economic outlook can be expected.

Different sectors of society are affected in different ways. The tourism sector is particularly impacted and specifically, accommodation and food services, and arts and recreation services. Also disproportionately impacted are:

- *The Māori economy:* Immediate consequences are felt by tourism operators and the large and ongoing shock to forestry caused by slower demand from China (both industries in which Māori have been historically over-represented). Greater diversification beyond agriculture, forestry and tourism will reduce these impacts. BERL have commented that “longer term the impact on Māori will be acutely felt by their currently young population and decisions to defer infrastructure spend will impact disproportionately more on Māori”. Economic contraction impacting on employment is likely to increase deprivation in certain sectors of the population and will particularly effect the Māori population.
- *Women:* COVID-19 pandemic is disproportionately affecting the careers of women. While women make up 39 percent of global employment, they account for 54 percent of job losses². In New Zealand, 90% of people who have lost their jobs because of COVID-19 are women³. This is because over 60% of sales workers and over 70% of hospitality workers are female⁴.

Regional Economic Impact

In the year to June 2020, Gisborne was the only region to record an annual rise in economic activity (of 0.1%). While economic activity was down 8.3% in the June 2020 quarter compared to 2019, this was the smallest regional contraction across the country. This is due to the region’s strong primary sector (particularly meat production) and the small size of its international tourism sector⁵.

While the Gisborne economy is in a relatively strong position, the region has the highest unemployment rate in the country (6.3% at June 2020) and nearly 10% of the working age population is on a jobless benefit⁶. As well, the forestry sector has needed support through the \$23.75m Government Redeployment Programme, which has a goal of providing training for displaced forestry workers. This has been extended to anyone who has lost their job due to COVID-19, with 184 people now in work and 28 placed into long-term fulltime employment⁷.

¹ BERL. Local Government Cost Adjustor Forecasts: Three Scenarios. Mahuru 2020. Historically, employment has taken around 10 years to fully recover after a crisis in New Zealand.

² Anu Madgavkar, Krishnan, M., White, O., Mahajan, D. and Azcue, X. (2020), COVID-19 and Gender Equality: Countering the Regressive Effects. McKinsey & Company. Retrieved on 10 September 2020 from <https://www.mckinsey.com/featured-insights/future-of-work/covid-19-and-gender-equality-countering-the-regressive-effects>

³ Stats NZ. Labour market statistics: June 2020 quarter. Retrieved on 26 October 2020 from <https://www.stats.govt.nz/information-releases/labour-market-statistics-june-2020-quarter>

⁴ NZ Herald. Covid crunch hits female workers harder than men. Retrieved on 26 October 2020 from <https://www.nzherald.co.nz/business/covid-crunch-hits-female-workers-harder-than-men/66VB6HPD6TKMHLGXP5U7TZIXWA/>

⁵ Infometrics. Quarterly Economic Monitor: Gisborne Region. June 2020

⁶ Infometrics. QEM

⁷ Gisborne District Council. Chief Executive’s Report on Council Activities, August to September 2020.

BERL have provided SOLGM with a set of cost adjustors for local government to use in cost forecasting. The scenario most likely to be relevant to the Gisborne region is the BERL mid-scenario, which predicts that the region will experience a prolonged but generally healthy recovery. It also assumes continuing support from local and central government.

Local Government Funding

BERL have cautioned that pressures on councils to maintain zero rates increases could jeopardise the future delivery of services and community wellbeing. From May 2020, the RBNZ began to include Local Government Funding Agency bonds in its Reserve Bank Bond Lending Facility, providing an important source of local government funding at the Official Cash Rate less 50 basis points. In BERL's opinion, this should give councils confidence in debt financing⁸.

A large amount of government funding has become available as part of its recovery programme. This may open up additional opportunities for Council to undertake capital works and services that have not been prioritised within Council's current fiscal envelope due to affordability.

Role of Local Government

Local government investment has an important role in stimulating the local economy. The Council can use its LTP prioritisation framework to make targeted investment decisions that provide the greatest economic and social value for the district and local economy. This recognises that different types of projects may be more beneficial in a Covid-19 environment than under normal circumstances. Council has the opportunity to invest in projects which stimulate and support the local economy as a response to Covid-19. To do this, it must have knowledge of the economic impacts of each project and a framework within which it can prioritise those projects in terms of the local economic stimulus they will provide. This ensures that the LTP is tailored to the specific environment created by Covid-19

BERL has also encouraged local government investment in areas of greater demand as a result of COVID-19. These include green spaces and natural local areas, although it is noted that Gisborne has a high level of open space and reserves per capita, and "third places" where people can gather informally to connect to the local community. Connectedness continues to be important both through physical places and through digital connectivity. BERL emphasises the importance for example, of "advocacy to central government about the importance of digital literacy", particularly for local governments, like Gisborne District Council, that have significant isolated communities⁹.

Implications for Gisborne District Council

- The structure of the Gisborne economy has, to some extent, mitigated against the worst economic impacts on COVID-19. However, there are areas of vulnerability that will need ongoing economic stimulus. The Council can use its investment decisions to create this stimulus, alongside the support and investment provided by central government.

Social Update

Population Changes

The estimated residential population of the Gisborne region at June 2020 (based on the 2018 census), was 50,700, an increase from 49,500 in 2018 and 50,100 in 2019. The increase in the year ended June 2020 was comprised of natural increase (230 people) and net migration (400 people). Therefore, despite COVID-19, the Gisborne region is still growing and potentially at a faster rate than

⁸ BERL. Local Government Cost Adjustor Forecasts: Three Scenarios.

⁹ BERL. Local Government Cost Adjustor Forecasts: Three Scenarios.

projected by Stats NZ based on the 2013 census results (which predicted a high scenario, 51,700 residents by 2023)¹⁰.

The population is currently predicted to grow to over 53,000 people by 2031¹¹, although this may be on the low side, based on actual growth to 2020. For forecasting purposes, it may be more appropriate to use a range based on the Thomas Consulting medium forecast of 53,000 and the Stats NZ high forecast of 55,100 (by 2033).

The median age is also increasing slightly from 36.6 in 2018 and 2019, to 36.8 in 2020. This reflects a gradual increase in the population aged 65 and over, and a slight reduction in the population aged under 14¹².

Housing

The median house price in the Gisborne region has increased by a staggering 45.8% between September 2019 and September 2020, and by 21.7% compared to August 2020. It is now sitting at a record high of \$560,000, compared to \$460,000 in August 2020, and \$384,000 in September 2019.

“A large portion of buyers are locals upgrading their current properties, or ex-pats returning to the region considering they cannot take their usual international holidays due to COVID. Demand from first time buyers has been high, particularly in the lower price bands which has in turn pushed these prices up. Anecdotally, we are hearing that obtaining finance is not an easy process and banks are taking up to 4 or 5 weeks for an appointment.”¹³

Household numbers are predicted to grow. This will be driven by the increasing population, plus occupancy changes as a result of the ageing population. The dramatic rise in house prices suggests that Gisborne is seen as an attractive and relatively affordable place to live.

Thomas Consulting advise that the combination of higher house prices and lower housing availability has resulted in a short-term increase in the household occupancy rate, presumably as multiple generations are required to live together in one house.

“This is forecast to move the expected significant drop in household occupancy out by a number of years. This is important as a lower occupancy rate drives smaller houses even when the population overall is relatively static.

A significant increase in smaller (1 and 2 bed) houses are still forecast as a change in demand. COVID-19 restrictions have increased demand for larger sections and lifestyle blocks in the short term.”¹⁴

The Thomas Consulting Medium Growth Forecast predicts household numbers will increase from 18,848 in 2020 to 20,698 in 2031. However, given the significant increase in population discussed above and the demand for housing indicated by the significant rise in house prices, it is probably

¹⁰ Stats NZ. Subnational population projections: 2013(base)–2043 update. Retrieved on 27 October 2020 from <https://www.stats.govt.nz/information-releases/subnational-population-projections-2013base2043-update>
The Stats NZ subnational population projections based on the 2018 census will not be available until the first quarter of 2021.

¹¹ Thomas Consulting Medium Growth Forecast.

¹² Stats NZ. Subnational population estimates: At 30 June 2020. Retrieved on 26 October 2020 from <https://www.stats.govt.nz/information-releases/subnational-population-estimates-at-30-june-2020>

¹³ REINZ. Monthly Property Report. (13 October 2020). Retrieved on 26 October 2020 from <https://static1.squarespace.com/static/5ce1fd700bf20400017d3a30/t/5f88b8159f6a29596d0fc8fe/1602795628732/REINZ+Monthly+Property+Report+-+September+2020.pdf>

¹⁴ Thomas Consulting Household Forecasts

prudent to use the High Growth Forecast of 21,239 households by 2031¹⁵. This reflects that a small shift in migration patterns can place a significant strain on housing availability.

A comparison between the current 2018 Growth Model and projected household growth indicates a deficit of 178 dwellings by 2033. In addition to this deficit, the Gisborne Housing Strategy has identified a current shortage of around 400 homes in the region (GHS, p3). Therefore, the overall deficit for the status quo scenario by 2033 will be around 578 dwellings. The Gisborne Housing Strategy notes that 86% of new dwellings being constructed within the District are 4 bedroom or larger. However, projections indicate that 71% of the additional households expected to be formed in the District to 2043 will be of 2 persons or less. There is clearly the potential and need for a broader mix of new housing types to be delivered in Gisborne, compared to that currently being offered by the market¹⁶. It is noted that there is an estimated 17,000 square feet of empty upstairs space in Gisborne's city centre, which could be utilised for apartment living¹⁷, although the market attractiveness of this housing option will need to be explored further.

The Gisborne region has also seen a significant increase in the number of families on the social housing register from 376 in December 2019 to 484 in June 2020¹⁸.

Education

There has been a reduction in the number of students leaving school with NCEA level 2 or above in the Gisborne region from 71.1% in 2018 to 70.1% in 2019. This decline has been experienced across all ethnic groups, with the exception of those of Asian ethnicity. School leavers of Pacific ethnicity experienced the biggest drop from 62.2% in 2018 to 52.3% in 2019¹⁹.

Implications for Gisborne District Council

- The population appears to be growing at a faster rate than predicted. This will need to be factored into the Council's various strategies and policies for the Long Term Plan, including the Infrastructure Strategy, the Development Contributions Policy, and the Revenue and Financing Policy.
- The population data supports the trend of a gradually ageing population, as well as a large younger population. This will need to be factored in to service and infrastructure provision, as well as rates affordability.
- Housing supply, security and affordability continue to present ongoing issues. A shortfall in housing availability, combined with a predicted medium term change in occupancy trends (to one or two person homes) and a growing population, are likely to require a proactive approach to enabling greater housing supply. This confirms the need for Council to investigate the use of tools such as land use planning, and infrastructure investment to enable and facilitate a wider range of residential development options at an early stage to meet the short, medium, and longer term needs of a changing population, as well as keeping housing affordable.

¹⁵ Thomas Consulting Household Forecasts

¹⁶ Ascari Partners. Gisborne District Council Updated Residential Growth Scenarios. 27 May 2020

¹⁷ Gisborne Herald. Reigniting the CBD. Retrieved on 14 November 2020 from <http://www.gisborneherald.co.nz/local-news/20201016/reigniting-the-cbd/>

¹⁸ Ministry of Social Development. Housing Register: June 2020. Retrieved on 26 October 2020 from <https://www.msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/housing/index.html#LatestresultsndashnbspJune20201>

¹⁹ Education Counts. School leavers with NCEA Level 2 or above. Retrieved on 26 October 2020 from https://www.educationcounts.govt.nz/indicators/main/education-and-learning-outcomes/school_leavers_with_ncea_level_2_or_above

- Educational achievement appears to be a growing issue, suggesting a greater focus on pathways to employment may be needed.

Environmental Policy

National Policy Statements on Urban Development

A number of environmental policy changes have either been made or indicated recently. The National Policy Statements on Urban Development (NPS-UD 2020) came into effect on 20 August 2020²⁰. It recognises the national significance of:

- having well-functioning urban environments that enable all people and communities to provide for their social, economic, and cultural wellbeing, and for their health and safety, now and into the future.
- providing sufficient development capacity to meet the different needs of people and communities.

The NPS-UD 2020 requires councils to plan well for growth and ensure a well-functioning urban environment for all people, communities and future generations. This includes:

- ensuring urban development occurs in a way that takes into account the principles of the Treaty of Waitangi (te Tiriti o Waitangi).
- ensuring that plans make room for growth both 'up' and 'out', and that rules are not unnecessarily constraining growth.
- developing, monitoring and maintaining an evidence base about demand, supply and prices for housing and land to inform planning decisions.
- aligning and coordinating planning across urban areas.

The NPS-UD 2020 contains objectives and policies that councils must give effect to in their resource management decisions. The objectives and high-level policies of the NPS-UD 2020 apply to all councils that have all or part of an urban environment within their district or region. However, some policies apply only to tier 1 or tier 2 councils. Gisborne District Council is a tier 3 urban environment for the purposes of the NPS-UD 2020.

National Policy Statement for Freshwater Management

The National Policy Statement for Freshwater Management (NPS-FW 2020) came into effect on 3 September 2020 and includes the following new requirements²¹.

- Manage freshwater in a way that 'gives effect' to Te Mana o te Wai:
 - through involving tangata whenua.
 - working with tangata whenua and communities to set out long-term visions in the regional policy statement.
 - prioritising the health and wellbeing of water bodies, then the essential needs of people, followed by other uses.

²⁰ Ministry for the Environment. About the National Policy Statement on Urban Development. Retrieved on 26 October 2020 from <https://www.mfe.govt.nz/about-national-policy-statement-urban-development>

²¹ Ministry for the Environment. About the National Policy Statement for Freshwater Management. Retrieved on 26 October 2020 from <https://www.mfe.govt.nz/fresh-water/national-policy-statement/about-nps>

- Improve degraded water bodies, and maintain or improve all others using bottom lines defined in the NPS.
- An expanded national objectives framework:
 - two additional values - threatened species and mahinga kai - join ecosystem health and human health for recreation, as compulsory values.
 - councils must develop plan objectives that describe the environmental outcome sought for all values (including an objective for each of the five individual components of ecosystem health).
 - new attributes, aimed specifically at providing for ecosystem health, include fish index of biotic integrity (IBI), sediment, macroinvertebrates (MCI and QMCI), dissolved oxygen, ecosystem metabolism and submerged plants in lakes; councils will have to develop action plans and/or set limits on resource use to achieve these attributes.
 - tougher national bottom lines for the ammonia and nitrate toxicity attributes to protect 95% of species from toxic effects (up from 80%).
 - no national bottom lines for dissolved inorganic nitrogen (DIN) or dissolved reactive phosphorus (DRP) (as consulted on) but there is a requirement to manage these attributes as they relate to periphyton and other ecosystem health attributes, and to provide for the health of downstream ecosystems.
- Avoid any further loss or degradation of wetlands and streams, map existing wetlands and encourage their restoration.
- Identify and work towards target outcomes for fish abundance, diversity and passage and address in-stream barriers to fish passage over time.
- Set an aquatic life objective for fish and address in-stream barriers to fish passage over time.
- Monitor and report annually on freshwater (including the data used); publish a synthesis report every five years containing a single ecosystem health score and respond to any deterioration.

The Resource Management (National Environmental Standards for Freshwater) Regulations 2020 (Freshwater NES) also came into force on 3 September 2020²². This sets the requirements for carrying out certain activities that pose risks to freshwater and freshwater ecosystems. Anyone carrying out these activities will need to comply with the standards. The standards are designed to:

- protect existing inland and coastal wetlands.
- protect urban and rural streams from in-filling.
- ensure connectivity of fish habitat (fish passage).
- set minimum requirements for feedlots and other stockholding areas.
- improve poor practice intensive winter grazing of forage crops.
- restrict further agricultural intensification until the end of 2024.
- limit the discharge of synthetic nitrogen fertiliser to land, and require reporting of fertiliser use.

²² Ministry for the Environment. National Environmental Standards for Freshwater. Retrieved on 26 October 2020 from <https://www.mfe.govt.nz/fresh-water/freshwater-acts-and-regulations/national-environmental-standards-freshwater>

In many cases, people will need to apply for a resource consent from their regional council to continue carrying out regulated activities.

Resource Management Review

A comprehensive review has been undertaken into the resource management system by an independent Resource Management Review Panel chaired by retired Court of Appeal Judge, Hon Tony Randerson QC. The Panel recommended that the Resource Management Act be repealed and replaced with:

- A Natural Built Environments Act (NBEA). The focus of the NBEA would be “on enhancing the quality of the environment and on achieving positive outcomes to support the wellbeing of present and future generations. This would include recognition of the concept of Te Mana o te Taiao, which refers to the importance of maintaining the health of our natural resources, such as air, water and soil, and their capacity to sustain life. This new focus would be achieved through a system designed to deliver specified outcomes, targets and limits for both the natural and built environments.”²³
- A Strategic Planning Act (SPA). The SPA would have the purpose of setting long term strategic goals and facilitating the integration of functions from across the resource management system (including the Local Government Act 2002, Land Transport Management Act 2003 and Climate Change Response Act 2002).
- A Managed Retreat and Climate Change Adaptation Act (CCAA). This would establish an adaptation fund to enable central and local government to support necessary steps to address the effects of climate change.

The Panel recommended that regional policy statements, and regional and district plans are replaced with a single plan for each region (Combined Plans), which would be consistent with spatial plans made under the SPA. The Combined Plan would be created by a joint committee comprising representatives of central government, the regional council, all constituent territorial authorities in the region, mana whenua and a representative of the Minister of Conservation (Joint Committee)²⁴.

Implications for Gisborne District Council

- Significant changes are being made to the national environmental policy and legislative framework. These will have a substantive impact on Council’s review of the Tairāwhiti Resource Management Plan. The TRMP will need to give effect to the new national policy statements. Consideration will also need to be given to the timing of the review of the TRMP given the indicated repeal of the RMA.

Climate Change

National Climate Change Risk Assessment

The first National Climate Change Risk Assessment (NCCRA) has been released by the Ministry for the Environment. It gives a national picture of how New Zealand may be affected by climate change-related hazards. It identifies the most significant risks and opportunities for New Zealand and

²³ Ministry for the Environment. Resource Management System: A Comprehensive Review. Retrieved on 26 October 2020 from <https://www.mfe.govt.nz/rmreview>

²⁴ Simpson Grierson. RMA Reform: Potential Implications for Local Government. Retrieved on 26 October 2020 from <https://www.simpsongrierson.com/articles/2020/rma-reform-potential-implications-for-local-government>

highlights gaps in the information and data needed to properly assess and manage the risks and opportunities²⁵. A National Adaptation Plan will be developed within the next two years.

Regional Climate Change Information

NIWA is undertaking a review of climate change projections and impacts for the Tairāwhiti-Hawke's Bay regions. Preliminary findings for Tairāwhiti are as follows²⁶.

- Projected temperatures are predicted to increase between 0.5-1.0°C by 2040. Average minimum temperatures will be warmer (0.5-1.0°C by 2040) and the average number of frost days will decrease.
- By 2040, annual rainfall is expected to decrease by a small amount (generally in the 0-5% range) and extreme, rare rainfall events are projected to become more severe.
- Drought potential is expected to increase, with eastern Tairāwhiti projected to experience some of the largest increases in the country by 2090.
- Rising sea levels are one of the major and most certain consequences of increasing concentrations of carbon dioxide and associated warming. In the Gisborne region it is trending at 4mm/year.
- As sea levels rise, so will the probability of current high-water marks being exceeded.
- Recreation and rural residential land will become increasingly vulnerable to future erosion scenarios.

Climate change will have different impacts on different sectors and environments such as the following.

- Increasing temperatures will likely impact primary sector activities positively, by allowing more crops to be grown) and negatively through increased incidence of pests and diseases. Animals may become more stressed during heatwaves, affecting milk production in the dairy sector.
- Increased rainfall intensity may cause more slips, floods, and erosion, with negative impacts on infrastructure (e.g. roads, water supply), the forestry sector, and agricultural land productivity.
- Reductions in rainfall and increases in drought severity may cause fire risk to increase.
- Reducing water availability from rainfall reductions as well as lower river flows may affect the available water take for irrigation and urban supply, and also affect freshwater ecosystems.
- Ongoing sea-level rise is likely to increase exposure of infrastructure and primary sector activities to extreme coastal flooding.
- Warming oceans may cause changes to the distribution and abundance of marine species.

Implications for Gisborne District Council

- A greater level of understanding is being developed on the nature and impact of climate change for the Tairāwhiti. This will assist the Council in its planning and understanding of any budget implications.

Government Policy

²⁵ Ministry for the Environment. 2020. National Climate Change Risk Assessment for Aotearoa New Zealand: Main report –Arotakenga Tūraru mō te Huringa Āhuarangi o Āotearoa: Pūrongo whakatōpū. Wellington: Ministry for the Environment. Retrieved on 26 October 2020 from <https://www.mfe.govt.nz/publications/climate-change/national-climate-change-risk-assessment-new-zealand-main-report>

²⁶ NIWI. Climate Change Projections for Tairāwhiti and Hawke's Bay (Draft). October 2020.

The 2020 central government election saw Labour achieve a mandate to govern alone. With a majority in parliament, the Labour government can be expected to seek to implement much of its election manifesto during the next term of government. Much of its focus will be on recovery from the impacts of COVID-19.

Some key relevant Labour policies are as follows.

- Investment in training and upskilling.
- An extensive programme of new infrastructure investment, including major investment in hospitals, schools, public and transitional housing, the continued roll out of rural broadband, and public transport.
- Targeting 100% renewable energy, transitioning to a zero carbon and climate resilient economy, and focusing on a zero waste approach
- A continued focus on improving the health of New Zealand's freshwater and coastal areas, including the efficient and fair allocation of freshwater resources.
- Reform of the drinking water and wastewater system and upgrade of water infrastructure.
- Providing support to small businesses
- Promoting New Zealand globally as a place to trade with, invest in, and eventually visit again.
- Repeal the Resource Management Act and replacement with a Natural and Built Environments Act and a Strategic Planning Act.
- Delivery of over 18,000 public houses through a Residential Development Response Fund.

Implications for Gisborne District Council

- The Council can expect a high degree of central government decision-making that will impact on local government policy, service delivery and infrastructure provision. Investment in maintaining a highly collaborative working relationship will enable the Council to be well prepared for this changing national landscape.