



Aotearoa politics & public sector 20/20 hindsight

Hilary Bryan, 11 December 2020

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A look at local government

Ouch! It's been a tough year and we'll see some more effects next year with the new round of Long Term Plans. Here's why.

Funding local government: 2020/21 Annual Plans

Remember, local government gets a significant amount of operating income from fees and charges. In the case of Wellington City Council it's 29.8%. In Hutt City it's 22.4% and for Porirua City Council it's 18%.

So, in 2019/20 councils lost a lot of income because of COVID. Also, the economic effects of COVID, and rate payers' inability to pay, meant they had to revise their 2020/21 anticipated rates increases downwards. The end result? Less income and a squeeze on services.

For example, Porirua City Council is borrowing to achieve a balanced budget in 2020/21. Likewise, Wellington City Council has borrowed and also made savings of just over \$7 million. Hutt City Council has a deficit of \$9.7 million.

Long Term Plans, 2021 – 31

All councils started earlier this year putting their next Long Term Plans (LTPs) together. They'll be out for consultation in about March next year and adopted for the 1 July start of the 2021/22 financial year.

Watch out for rates rises. Any money borrowed has to be paid back. Any shortfall in income has to be funded somehow.

No changes to rates

The previous government asked the Productivity Commission to look into local government funding. Not surprisingly, it reported: stick with rates – it's the best you've got.

A shake up for water

In August 2016, there was a major outbreak of campylobacteriosis in Havelock North. A two-stage Inquiry looked at what happened and recommended future changes. One result is the Government's three waters (drinking, waste and stormwater) reform programme.

Councils will need to meet new drinking water standards and oversee wastewater and stormwater networks, managed by Taumata Arowai, the new Water Services Regulator. And that costs money.

But there's a longer-term problem. Running water services needs regular investment in infrastructure and it's expensive. Here are a few examples:

Wellington City Council

The Council and Wellington Water, the Council Controlled Organisation (CCO) that runs water in the region estimates the city needs \$2.2b –\$4.5b of investment in pipes to merely cover population growth over the next 30 years.

Hutt City Council

About 60% of the city's water infrastructure needs to be renewed in the next 30 years. On top of that a 10/20% population growth needs to be taken into account as well.

Not surprisingly the Council's 2020/21 Annual Plan states: The significant financial challenges of ensuring we have a high-quality, affordable and durable water network are signalled as a priority for Council.

Porirua City Council

Porirua needs to spend about \$1.8 billion on its water infrastructure over the next 30 years.

A word about smaller councils

Small, rural councils with small rating bases have struggled for years to maintain their water infrastructure. This will only get more acute as pipes deteriorate because of lack of investment.

The Government response

The response has been a \$761 million investment package announced in July this year. PM Jacinda Ardern and Local Government Minister Nanaia Mahuta chose the site of the water bore found to be the source of the fatal Havelock North campylobacter outbreak in 2016 to make the announcement.

Councils can choose to sign up to the package. If they do, they sign an MoU and release information about water quality and investment needs long term. The \$761 million will be made available immediately to those councils that sign up. The next step is creating public multi-regional water entities. We're not sure of the details yet, but we know the Local Government Minister likes the Wellington Water. model.

Iwi/Māori interests will be included in consultation about future arrangements.

It's the beginning of the end for small councils running their own water services: long overdue. Watch this space for the changes as they unfold.

A shout out to the Bay of Plenty Regional Council for strong iwi co-governance

This week CouncilMARK's™ Independent Assessment Board (an independent assessment programme) released its latest report, on the performance of Bay of Plenty Regional Council.

“ Bay of Plenty Regional has three really big things going for it. They've got an experienced and balanced team of elected members, they've got competent staff who are motivated to serve the public, and they've got some of the strongest partnerships with iwi that we've seen.

Very few councils can match Bay of Plenty's efforts in partnering with local iwi, and they should be an example for all other councils. ”

CouncilMARK™ IAB Chair Toby Stevenson

The Bay of Plenty region is home to 39 iwi and 260 hapū, and 26% of the population identify as Māori.

The Council has a multi-level approach to iwi engagement:

- Three councillors are elected off the Māori roll.
- The council has co-governance arrangements with local iwi.
- At a staff level a specific Māori Engagement strategy, He Korowai Mātauranga. It's a framework for implementing Mātauranga Maori into council business and staff behaviour.

Good on you Bay of Plenty Regional Council.

The 2020 General Election

If people vote for stability and continuity, don't expect excitement. And we didn't get it. 736,256 more people voted early than in 2017. They wanted the election done and dusted. Labour played it safe and pulled off a stunning victory. Here are the stats.

Turnout

	Turnout %
2017	79.01%
2020	81.54%

Labour

	Electorates	Party votes	Party vote %	Seats
2017	29	956,184	36.9	46
2020	46	1,443,545	50	65

National

	Electorates	Party votes	Party vote %	Seats
2017	41	1,152,075	44.4	56
2020	23	738,275	25.6	33

National only won the party vote in one electorate: Epsom. This was a disaster. And it only has five new MPs: not a great chance for a refresh.

Greens

	Electorates	Party votes	Party vote %	Seats
2017	0	163,443	6.3	8
2020	1	226,757	7.9	10

The Greens did well and have a young star in Chlöe Swarbrick.

ACT

	Electorates	Party votes	Party vote %	Seats
2017	1	13,075	0.5	1
2020	1	219,031	7.6	10

ACT had a brilliant result. But they're an interesting bunch of 10 with quite diverse views. Some have green credentials; at least one is a climate change sceptic. Two are gun enthusiasts.

New Zealand First

	Electorates	Party votes	Party vote %	Seats
2017	0	186,706	7.2	9
2020	0	75,020	2.6	0

Māori Party

	Electorates	Total votes in 7 Māori electorates	Party votes	Party vote %	Seats
2017	0	51,910*	30,580	1.2	0
2020	1	60,837	33,630	1.2	2

This includes the votes Hone Harawira got in Te Tai Tokerau. He stood for the Mana Party but the Māori Party didn't stand against him.

Other parties

	Electorates	Party votes	Party vote %	Seats
2017	0	90,833	3.4	0
2020	0	150,169	5.3	0

2020 saw an increase in votes for smaller and minor parties. The Greens, ACT and the other minor parties did well. Is this a trend that'll continue?

The Public Service Act is now with us

This is important and means a lot to how the State sector does its work. Agencies collaborating, working together, focusing on the customer, recognising the needs of Māori, honouring Te Tiriti and addressing complex issues are at the heart of this approach.

A unified public service with Crown Agents such as ACC, DHBs, NZQA now included as part of the Public Service.

This is a far cry from the single-focused organisations of the 1980s and 1990s. Check out Smartstart as an example of this in action: <https://smartstart.services.govt.nz/>

This Government's plans and issues ahead

The Speech from the Throne on 26 November is the best indication of the Government is heading. It announced three unsurprising overarching objectives:

1. Keep New Zealanders safe from Covid-19
2. Accelerate the economic recovery
3. Lay the foundations for a better future.

The PM outlined three major challenges:

- Housing and homelessness
- Child poverty
- Climate change

It reiterated its five-point economic plan:

- \$42 billion of infrastructure investment to future proof the economy
- Training and job creation opportunities to support workers and businesses
- Support for small business to grow and thrive
- Programmes to bolster our exports
- And policies that prepare New Zealand for the future by making the most of our competitive advantage in renewable energy and waste reduction.

Three issues to focus on: housing; growing inequality; a stronger Māori voice

Housing

Here's the text of the Queen's Speech: short on actual action, policy and detail.

“A focus on housing will be a priority for this Government. Earlier in the year house prices were predicted to fall. Instead they have increased. Globally, low interest rates are having a similar effect. And the situation has rapidly evolved.

While it is pleasing to see that efforts to stimulate the economy and support jobs and growth in the wider economy have been effective, the perverse impact on housing affordability will require the Government to continue its focus on this issue.

The Government has set out the parameters of what it is prepared to consider during the election campaign. This will not change. But there is room to do more to support both the supply and demand side of housing to see outcomes that are more productive and fair.

The Government will review its housing settings with a view to implementing policies that improve access to the housing market for first home buyers.

The Government will continue to focus on homelessness and implementing the Homelessness Action Plan.

The Government will review and enhance the Tenancy Tribunal, Tenancy Services' Compliance and Investigations team, regulate property managers, and increase funding to proactively monitor compliance with the Healthy Homes Standards.”

Her Excellency, The Rt Hon Dame Patsy Reddy, GNZM, QSO

Governor-General of New Zealand

26 November 2020

I'm with economist Shamubeel Eaqub. We're not building a productive economy; we're buying and selling houses to each other. Prices have risen 20% in one year. When Steven Joyce and Michael Cullen both agree we should rein in the Reserve Bank, you have to sit up and take notice.

And it's the skilled and educated middle class who are struggling getting into the market as well as the poor and dispossessed in crisis at the bottom of the socio-economic heap.

The Government needs to act. It's worried about negative equity and denting the independence of the Reserve Bank. But housing will stay in the headlines and be a huge topic of discussion and dismay for the future.

Growing economic inequality

In New Zealand, income was shared out more and more evenly from the 1950s up until the 1980s.

But in next two decades we developed the world's biggest increase in income inequality.

The average income of someone in the richest 1% has doubled, from just under \$200,000 to nearly \$400,000 (adjusting for inflation). The average disposable income for someone in the poorest 10% is only slightly higher than it was in the 1980s. Think of it like this: the richest 10% used to earn five times as much as someone in the poorest 10%; now they earn eight times as much.

Wealth is also very largely in the hands of a few. The wealthiest tenth own nearly a fifth of the country's net worth; the poorest half of the country has less than 5 per cent. That leaves many people in poverty.

Researcher, Max Rashbrooke argues that wealth and poverty can't be separated. And we're worried about it. Polling shows New Zealanders have consistently rated inequality as the single biggest issue facing the country since 2014. Over 80 per cent of the country say they are concerned or very concerned about income and wealth imbalances. Internationally, all the world's major economic bodies – including the IMF, the OECD and the World Bank – have argued for some time that inequality is a major problem.

And this isn't just about fairness. Rashbrooke again:

“Unequal societies are less functional, less cohesive and less healthy than their more equal counterparts. The damage inequality does falls under five headings: trust and cohesion; health; opportunities; open politics; and the economy.”

Rashbrooke, Inequality: a New Zealand Conversation

Increasing Māori aspirations

The Māori Party was organised and determined this time around. Just remember it had a confidence and supply agreement with National from 2008 – 2017. Here's what the party agreed with National in its 2017 Confidence and Supply Agreement:

“By being ‘at the table, the Māori Party has gained significant policy wins for its constituents. (Our policy priorities are:) ongoing investment in Whanau Ora; the continuation of the work by the Ministerial Committee on Poverty; a focus on Maori economic and regional development; encouraging greater Maori participation in the electoral process..”

2017 Māori Party/National Party Confidence and Supply Agreement

That's it.

The two new Māori Party MPs, Debbie Ngarewa-Packer and Rawiri Waititi, are different. They're far more unwilling to accept the rules of the parliamentary game. Their voices are strong. The pressure will be on Labour to deliver for Māori. The Māori Party is back and is a political force able to keep Māori issues high up the political agenda.

Thanks for coming!

From The Training Practice team - *Hilary, Kristen, Dinah, Sydney, and Jackson*

Check out our refreshed website, with all of our thinking and upcoming events:

trainingpractice.co.nz