Absolutely Positively **Wellington** City Council
Me Heke Ki Pōneke

ORDINARY MEETING OF ANNUAL PLAN/LONG-TERM PLAN COMMITTEE AGENDA

Time: 1:30pm
Date: Thursday, 4 February 2021
Venue: Ngake (16.09)
Level 16, Tahiwi
113 The Terrace
Wellington

MEMBERSHIP

Mayor Foster
Deputy Mayor Free
Councillor Calvert
Councillor Condie
Councillor Day
Councillor Fitzsimons
Councillor Foon
Councillor Matthews
Councillor O'Neill
Councillor Pannett
Councillor Paul
Councillor Rush
Councillor Sparrow
Councillor Woolf
Councillor Young

Have your say!
You can make a short presentation to the Councillors at this meeting. Please let us know by noon the working day before the meeting. You can do this either by phoning 04-803-8334, emailing public.participation@wcc.govt.nz or writing to Democracy Services, Wellington City Council, PO Box 2199, Wellington, giving your name, phone number, and the issue you would like to talk about. All Council and committee meetings are livestreamed on our YouTube page. This includes any public participation at the meeting.

AREA OF FOCUS

The Long-term Plan and Annual Plan give effect to the strategic direction and outcomes set by the Strategy and Policy Committee by setting levels of service and budget.

The Committee is responsible for overseeing the development of the draft Annual Plan and Long-term Plan for consultation, determining the scope and approach of any consultation and engagement required, and recommending the final Long-term Plan and Annual Plans to the Council.

To read the full delegations of this Committee, please visit wellington.govt.nz/meetings.

Quorum: 8 members

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1. Meeting Conduct

1.1 Karakia

The Chairperson will open the meeting with a karakia.

Whakataka te hau ki te uru,	Cease oh winds of the west
Whakataka te hau ki te tonga.	and of the south
Kia mākinakina ki uta,	Let the bracing breezes flow,
Kia mātaratara ki tai.	over the land and the sea.
E hī ake ana te atākura.	Let the red-tipped dawn come
He tio, he huka, he hauhū.	with a sharpened edge, a touch of frost,
Tihei Mauri Ora!	a promise of a glorious day

At the appropriate time, the following karakia will be read to close the meeting.

Unuhia, unuhia, unuhia ki te uru tapu nui	Draw on, draw on
Kia wātea, kia māmā, te ngākau, te tinana, te wairua	Draw on the supreme sacredness To clear, to free the heart, the body
I te ara takatū	and the spirit of mankind
Koia rā e Rongo, whakairia ake ki runga	Oh Rongo, above (symbol of peace)
Kia wātea, kia wātea	Let this all be done in unity
Āe rā, kua wātea!	

1.2 Apologies

The Chairperson invites notice from members of apologies, including apologies for lateness and early departure from the meeting, where leave of absence has not previously been granted.

1.3 Conflict of Interest Declarations

Members are reminded of the need to be vigilant to stand aside from decision making when a conflict arises between their role as a member and any private or other external interest they might have.

1.4 Confirmation of Minutes

The minutes of the meeting held on 30 June 2020 will be put to the Annual Plan/Long-Term Plan Committee for confirmation.

1.5 Items not on the Agenda

The Chairperson will give notice of items not on the agenda as follows.

Matters Requiring Urgent Attention as Determined by Resolution of the Annual Plan/Long-Term Plan Committee.

The Chairperson shall state to the meeting:

1. The reason why the item is not on the agenda; and

2. The reason why discussion of the item cannot be delayed until a subsequent meeting.

The item may be allowed onto the agenda by resolution of the Annual Plan/Long-Term Plan Committee.

Minor Matters relating to the General Business of the Annual Plan/Long-Term Plan Committee.

The Chairperson shall state to the meeting that the item will be discussed, but no resolution, decision, or recommendation may be made in respect of the item except to refer it to a subsequent meeting of the Annual Plan/Long-Term Plan Committee for further discussion.

1.6 Public Participation

A maximum of 60 minutes is set aside for public participation at the commencement of any meeting of the Council or committee that is open to the public. Under Standing Order 31.2 a written, oral or electronic application to address the meeting setting forth the subject, is required to be lodged with the Chief Executive by 12.00 noon of the working day prior to the meeting concerned, and subsequently approved by the Chairperson.

Requests for public participation can be sent by email to public.participation@wcc.govt.nz, by post to Democracy Services, Wellington City Council, PO Box 2199, Wellington, or by phone at 04 803 8334, giving the requester's name, phone number and the issue to be raised.

2. General Business

LONG-TERM PLAN FORECASTING ASSUMPTIONS

Purpose

1. This report asks the Annual Plan/Long-Term Plan Committee to note the Long-Term Plan significant forecasting assumptions that have been used as the basis of planning.

Summary

2. Forecasting assumptions are an essential input into the development of Council's Long-Term Plan. Attachment 1 outlines the draft forecasting assumptions used for the development of the 2021 Long-Term Plan and are presented here for Councillor review.

3. In support of these forecasting assumptions, the Council has commissioned economic advice of the impacts of COVID-19 on Wellington City. This advice is presented in this paper and shows an overall short-term impact on Wellington City, felt differently across different economic sectors. It forecasts a return to pre-Covid levels of economic activity over the coming two to five years, noting the potential for ongoing structural changes in some sectors.

Recommendation/s

That the Annual Plan/Long-Term Plan Committee:

1. Receive the information.

2. Note that the 2021 Long-Term Plan forecasting assumptions will be presented back for adoption alongside the LTP Consultation Document following audit.

Background

4. Setting significant forecasting assumptions is a required component of developing a Long-Term Plan (LGA 2002 Schedule 10, Section 17). Forecasting assumptions required are those that underlie the financial estimates, with additional information required where there is a high degree of uncertainty relating to assumptions.

5. The Council is developing this Long-Term Plan in an environment of heightened uncertainty, particularly as a result of COVID-19. As a result, it is likely that there will be increased scrutiny of the assumptions underpinning Council plans.

Figure 1: Statutory requirements for significant forecasting assumptions

17 Significant forecasting assumptions

A long-term plan must clearly identify—

a) all the significant forecasting assumptions and risks underlying the financial estimates:

b) without limiting the generality of paragraph (a), the following assumptions on which the financial estimates are based:
   i. the assumptions of the local authority concerning the life cycle of significant assets; and
   ii. the assumptions of the local authority concerning sources of funds for the future replacement of significant assets:
c) in any case where significant forecasting assumptions involve a high level of uncertainty,—
   i. the fact of that uncertainty; and
   ii. an estimate of the potential effects of that uncertainty on the financial estimates provided

Discussion

Approach to setting assumptions

6. Given heightened levels of uncertainty, the approach in setting significant forecasting assumptions has been to establish an initial set of working assumptions to inform asset and service planning, and then to reconfirm assumptions early in 2021 in time for final assumptions to be communicated alongside the consultation document in March/April 2021.

7. In setting forecasting assumptions, a key focus has been on ensuring internal and external consistency in the alignment between planning and budgeting within the LTP and planning and policy settings through other processes. These include:
   - Planning for Growth and the development of the draft spatial plan (and in-turn the development of the Wellington Regional Growth Framework)
   - Other territorial and regional council long-term planning
   - The development of three strategies (Economic, Social framework and Arts and Cultural)
   - Central government policy including relevant National Policy Statements.

8. Long-Term planning staff have worked closely with these other Council workstreams, particularly Planning for Growth, to ensure an aligned approach to the setting of assumptions.

Working assumptions

9. The initial working assumptions developed in the early part of 2020 focused around the key drivers of asset and service planning:
   - Population change – based on assumptions underpinning the draft Spatial Plan from Council's population forecasting provider Forecast.id.
   - Economic conditions – based on early commissioned economic analysis of the impacts of COVID-19
   - Climate and Resilience – based on alignment to Ministry for the Environment projections and guidance on planning for the impacts of climate change.

10. These have been supplemented in October and November 2020 through the development of working financial assumptions underlying early budget material, including:
    - Asset value growth

- Inflation
- Interest rates – costs of borrowing
- Returns on investment (including Wellington International Airport dividends) and other funding sources.

11. These financial assumptions are based on sources including SOLGM cost indices, and asset valuation advice from economic forecasters including BERL and CBRE. They cover the 'must have' assumptions as outlined by SOLGM and Council auditors. Full details of the assumptions and the sources of information are included in Appendix A.

How have the impacts of COVID-19 been considered?

12. The Council's Long-Term Plan is being prepared in an environment of heightened uncertainty given the global and national impacts of COVID-19. Incorporating assumptions on the impacts of COVID-19 is essential and supported through OAG practice note '*Covid-19 assumptions in your long-term plan'* which guides local authorities to establish assumptions around Government health restrictions; population growth; economic impacts; and behavioural trends.

13. During the development of the long-term plan Council has monitored the potential impacts of COVID-19 and in January 2021 commissioned economic analysis to inform an update to the forecasting assumptions based on the most recent forecasting of the potential impacts of COVID-19 on Wellington City. The full report *Forecasts for long term planning for Wellington City Council* is available as Appendix B to this report.

14. Some of the key COVID-19 macroeconomic assumptions that underpin that are:

- No further lockdowns – forecasts are based on no further nationwide lockdowns
- Foreign tourism remains suppressed at a 99% reduction for the year to March 2021 and 91% for the year to March 2022.
- Domestic tourism spending increases given border restrictions
- International education revenue halves – in both the year to March 2021 and the year to March 2022.

What if they were to change?

15. Any extension in length or severity of New Zealand's lockdown measures could impact the short-term economic impacts on Wellington City. However, Infometric's advice is that Wellington's economic structure means that its overall outlook in the medium to long term is not particularly sensitive to changes in these assumptions.

16. Wellington's tourism and hospitality sectors are however highly sensitive to COVID-19. Further lockdowns or delays to the recovery of international tourism may lead to further businesses closures. This would cause a loss of jobs in the short term and may reduce Wellington City capacity to recover in the medium term when international tourists return.

17. While a repeat of level 4 lockdown as experienced in early 2020 may be unlikely, that lockdown resulted in lost Council revenue of $13.6m. A lengthened period of COVID-19 restrictions or increased alert levels could have a similar repeated impact on Council

revenue. Officer's advice around debt limits and borrowing will account for this heightened revenue risk.

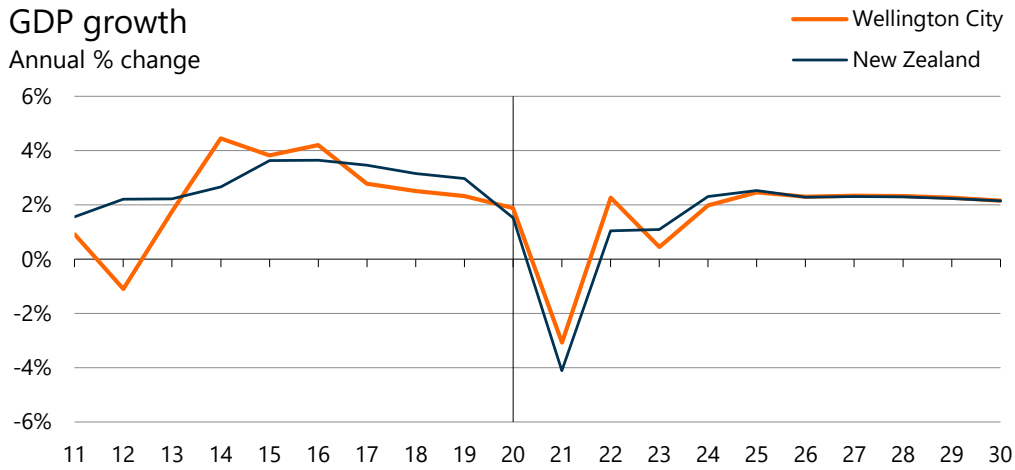
Impacts of COVID-19 on economic and growth assumptions

Relevant commentary from Infometrics report is included below

GDP

18. Economic activity in both Wellington and New Zealand overall is forecast to decline in 2021 on the back of the lockdown in 2020 and other effects from COVID-19. Wellington is forecast to decline by 3.1%, a better result than the national decline of 4.1%. Wellington's large public sector will serve to insulate its economy from the effects of COVID-19. Wellington is expected to bounce back by 2.3% in 2022, tread water with 0.5% growth in 2023, and sit comfortably about 2% annual growth for the remainder of the decade.

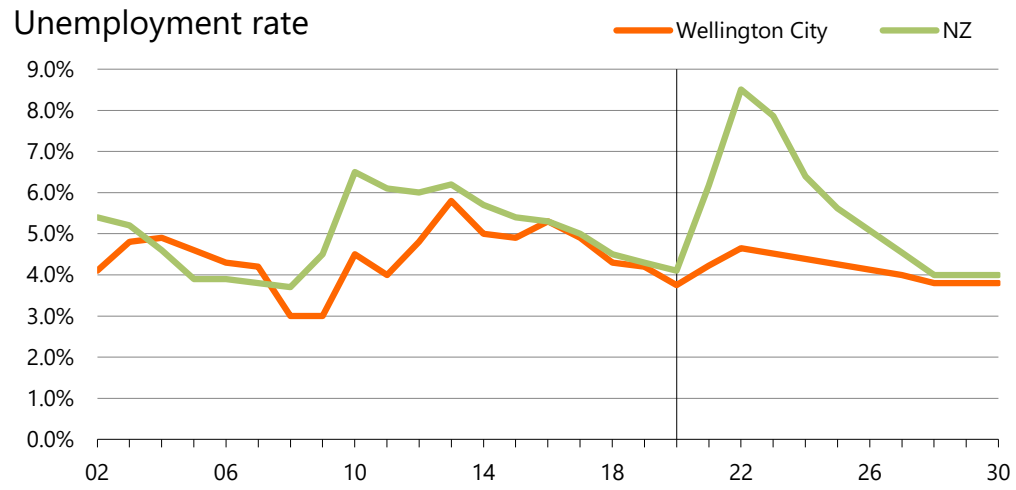
19. Thanks to the strong recovery in 2022, Wellington's economy is expected to return to its pre-COVID size by 2022.



Unemployment

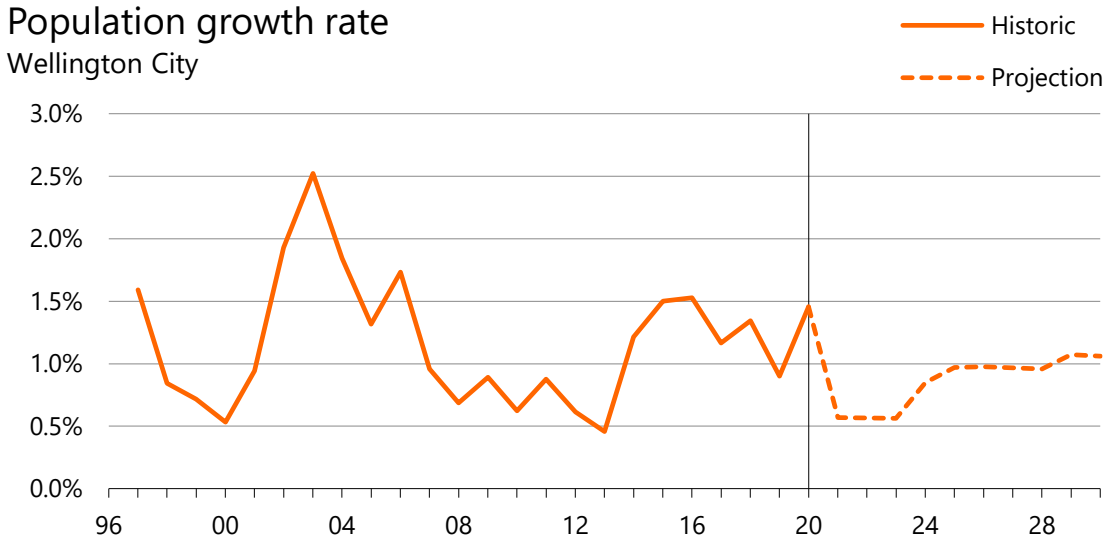
20. We expect Wellington's unemployment to remain well below the national average over the coming years. This is based on the relative strength of Wellington's economy, underpinned by a strong public sector. Experience from the GFC indicates that only a fraction of job losses in Wellington City translate to an uptick in unemployment in the

city, as so many workers commute in from the broader region



Population

21. Population growth is forecast to ease, but remain positive, over 2021 to 2023 as COVID-19 adversely affects international net migration, a key source of Wellington's population growth. Growth is forecast to gradually rise over the remainder of the decade, reaching 1.1% per annum by 2030. This growth is underpinned by strong forecast growth in employment in the city, and an ageing population which require replacement workers as they retire from the workforce. Wellington City's population is forecast to grow from 216,200 in 2020 to 242,400 in 2030. This amounts to an additional 26,200 people in a ten-year period.



22. While this Infometrics modelling of the effects of COVID-19 on population projections indicate an easing in population growth in the short-term, the long-term population growth projections as used within Council Spatial Planning still remain relevant over the

long-term and remain the basis of long-term planning related to infrastructure planning within the Long-Term Plan.

What about working from home?

23. Greater acceptance of working from home post-COVID-19 may dramatically shift how people trade-off higher housing costs for shorter commutes, as in many cases they may only be commuting several days per week. This could have impacts on relative growth patterns across the Wellington Region. Working from home has also in the short-term impacted on retail spending trends across different parts of Wellington City and could lead to something of a structural change in the city's retail and hospitality industries.

24. The potential long-term impacts of working from home are still too uncertain to be used to shape long-term impact growth assumptions. The impacts of different commuting and retail patterns as a consequence of working from home will be a continued area of monitoring for the Council during the Long-term Plan.

What are the impacts of COVID-19 forecasts on our budget and plan?

25. What this means for planning is that Council can expect lower revenue for services, particularly CCO revenue which relies on domestic and international tourism. Council can also expect lowered ratepayer affordability in the short-term, alongside increased demand for support from Council for sectors such as arts and cultural sector and other community groups whose other sources of revenue may become increasingly constrained.

26. Revisiting assumptions late in the LTP process has allowed for an updated set of financial assumptions, for example non-rates revenue. It also has enabled an updated economic outlook which will be useful for Councillor and community understanding of the risks associated with Council's plans. Late changes to assumptions have not however, led to changes to long-term fundamental assumptions underpinning infrastructure planning such as 30-year population growth.

27. All of the current assumptions are outlined in detail in Attachment 2 including discussion on the level of certainty and risks. This lays out assumptions in a format that will be carried through to the final Long-Term Plan.

Next Actions

28. Councillors will be considering draft long-term plan budgets and options at the Committee meeting on 18 February 2021. The budget and plans reviewed will be based upon the assumptions outlined in this paper.

29. As a part of the audit process for the Long-term Plan Consultation Document the significant forecasting assumptions will reviewed by Council auditors. Any changes that may be required as a result of that audit will be presented to the Committee alongside the Consultation Document for approval.

30. The audited significant forecasting assumptions will be made available to the public alongside the Consultation Document to enable a transparent view of the assumptions

underpinning the draft proposals and will allow for public feedback on proposals based on review of these assumptions.

Attachments

Author	Geoffrey Coe, Senior Advisor Planning and Reporting
Authoriser	Stephen McArthur, Chief Strategy & Governance Officer

SUPPORTING INFORMATION

Engagement and Consultation

Significant forecasting assumptions will be available alongside the LTP Consultation Document when it is presented for consultation. This will allow for public feedback on proposals based on review of these assumptions.

Treaty of Waitangi considerations

No specific Treaty of Waitangi considerations are anticipated as part of the setting of these significant forecasting assumptions.

Alongside having an understanding of the economic outlook for Wellington City as a whole, the economic outlook for the Māori economy (including the impacts of COVID-19) do however need to be a consideration for Council in planning future services. The commissioned economic analysis attached to this paper does not include insight on the Māori economy, however Council have used other reports that have considered the outlook for the Māori economy and these have been referred to by Council staff in service and strategic planning within this Long-Term Plan.

Financial implications

The setting of forecasting assumptions has direct impact on the development of Council budgets, as such there are significant cost impacts of the setting of assumptions. This is most directly related to the setting of financial assumptions such as inflation or interest rates. The Council's finance team has informed the setting of all relevant assumptions in this paper and the financial impacts of assumptions will be reviewed through review of the LTP budget.

Policy and legislative implications

The setting of significant forecasting assumptions is a legislative requirement under the Local Government Act 2002 (Schedule 10, Section 17). All requirements outlined in legislation have been reviewed and included in the draft assumptions included. In addition to this the Office of the Auditor General has released additional guidance around the approach to assumption setting for the 2021 Long-Term Plan and this guidance has been incorporated into Council's approach to the setting of these assumptions.

Risks / legal

Risk is inherent in the setting of all significant assumptions, as such, and as required by legislation, the certainty, risks, impacts and mitigations for assumptions and their risks is outlined alongside each assumption.

Climate Change impact and considerations

The significant forecasting assumptions include an assumption about climate change in line with Ministry for the Environment's guidance and projections. By incorporating climate change projections as an assumption in our Long-Term Plan (rather than treating it as a future risk) it creates the requirement of a response to climate change to be addressed in the body of the Long-Term Plan.

The response to the climate change assumption will be included in the Long-Term Planning proposals provided to Councillors in upcoming Committee meetings.

Communications Plan

Significant forecasting assumptions will be available alongside the LTP Consultation Document when it is presented for consultation. No stand-alone communications are planned on these assumptions before that time. Given this paper includes a report on the economic impacts of COVID-19 on Wellington City it may generate some public interest, and Council officers will respond to queries on the report and our assumptions as required.

Health and Safety Impact considered

None

Appendix A – Draft Significant forecasting assumptions

The tables below outline the specific forecasting assumptions to be used in the preparation of the 2021 LTP and associated documents. It notes their data source, key challenges and risks around the assumption including commentary on how the risk will be managed.

Population

Assumption

The long-term population forecast for Wellington City is growth of between 50,000 to 80,000 over the next 30 years. This is the forecast growth projection that underpins our Spatial Planning.

Planning within this LTP has been based on existing assumptions provided by Forecast.id growth projections as shown in the table to the right. (this aligns to the low end of Spatial planning projected range for population growth). Once the Spatial Plan is finalised then we will ensure full alignment between our Spatial Plan and LTP.

Year	Wellington City Population
2020	214,537
2021	216,505
2022	218,734
2023	221,421
2024	223,585
2025	225,587
2026	227,094
2027	228,312
2028	229,303
2029	230,252
2030	231,242
2040	243,958
2043	248,953

Data

Long-term population and demographic assumptions are provided by Informed Decisions (.id) for Wellington City modelling population growth, demographic changes and housing demand at a neighbourhood and city level. These forecasts were created in December 2020 by .id, on behalf of Wellington City. Forecasts are available for each year from 2013 to 2043. They do not consider potential impacts to assumptions stemming from COVID-19.

Forecast inputs are based on Statistics NZ data and detailed information from the Council about current and planned residential activity in the city.

Note that given COVID-19 we have supplemented our long-term population projections with advice on the short-term effects of COVID-19 on population growth. This advice has not changed this long-term population assumption, however will be used to inform the shorter term ratepayer base growth assumption (see below) which is informed by the short to medium term economic and growth outlook.

Level of certainty

Moderate

Key risks	*Risk*	*Effects of risk*	*Mitigation*

<table>
<tr><td></td><td>Population forecast growth assumptions are conservative, which may lead to an underestimation of population growth.
A risk exists that total population growth continues to track higher than average.

Risk that short-term growth will be significantly lower than forecast as the impacts of COVID-19 slow levels of migration to Wellington.</td><td>If population growth is higher than forecast, added pressure will be put on Council infrastructure and service provision, leading to possible failure to meet expected levels of service or constraining growth.

If population growth is lower than expected, then we risk investing in services and infrastructure that will be over servicing the population. This impact may however be short-term if over the long-term growth continues.</td><td>Moderate growth can be accommodated within the present level of Council infrastructure.
Where higher levels of growth create demand for new infrastructure, the Council will collect development contributions to meet a portion of the costs of new or upgraded investment.
Our LTP is updated every three years allowing for growth projections and investment plans to be updated on a regular basis.</td></tr>
<tr><td colspan="4">Economic growth</td></tr>
<tr><td>Assumption</td><td colspan="3">That the Wellington City economy will continue to be impacted by the effects of COVID-19 until beyond 2023 with GDP remaining lower than March 2020 levels until 2024. Some sectors, including tourism related industries including hospitality will have on-going impacts well into the period of the long-term plan.
<table>
<tr><th>Year</th><th colspan="2">Wellington City GDP</th><th>Wellington City Unemployment</th></tr>
<tr><td>2019</td><td>25,651</td><td>2.3%</td><td>4.2%</td></tr>
<tr><td>2020</td><td>26,135</td><td>1.9%</td><td>3.8%</td></tr>
<tr><td>2021</td><td>25,332</td><td>-3.1%</td><td>4.2%</td></tr>
<tr><td>2022</td><td>25,904</td><td>2.3%</td><td>4.7%</td></tr>
<tr><td>2023</td><td>26,021</td><td>0.5%</td><td>4.5%</td></tr>
<tr><td>2024</td><td>26,537</td><td>2.0%</td><td>4.4%</td></tr>
<tr><td>2025</td><td>27,189</td><td>2.5%</td><td>4.3%</td></tr>
<tr><td>2026</td><td>27,815</td><td>2.3%</td><td>4.1%</td></tr>
<tr><td>2027</td><td>28,464</td><td>2.3%</td><td>4.0%</td></tr>
<tr><td>2028</td><td>29,128</td><td>2.3%</td><td>3.8%</td></tr>
<tr><td>2029</td><td>29,786</td><td>2.3%</td><td>3.8%</td></tr>
<tr><td>2030</td><td>30,430</td><td>2.2%</td><td>3.8%</td></tr>
</table></td></tr>
<tr><td>Data</td><td colspan="3">Economic projections are based on economic modelling of Wellington City economy undertaken by Infometrics commissioned in January 2021. This report will be available on the WCC LTP website.</td></tr>
<tr><td>Level of certainty</td><td colspan="3">Moderate</td></tr>
<tr><td>Key risks</td><td>Risk
Economic growth is lower than forecast due to:
• the impacts of COVID-19 before more severe or lasting longer than anticipated
• external market factors</td><td>Effect of risk
Lower levels of economic growth will impact the affordability of Council plans:
• ratepayer base growth assumptions will be inaccurate (see later assumption)</td><td>Mitigation
We have been conservative in our assumptions around economic recovery to reduce the likelihood of this downside risk
Our economic assumptions will be closely monitored and any resulting updates to our long-</td></tr>
</table>

	• insufficient investment in infrastructure/services constraining city development	• the affordability of Council services will be lower for households, businesses and users of services	term plans will be made through Annual Planning process
Growth in ratepayer base			
Assumption	*Historically, ratepayer base growth has been assumed at around 1% growth in capital value. Given analysis on the short-term inpacts of COVID-19 on population and economic growth, it is likely that this assumption may be for some slowing in the short term ratepayer base growth. A final assumption on ratepayer base growth requires an estimate of rating units as at the end of 2020/21 and so will be confirmed closer to the close of the 2020/21 year nearer LTP adoption.*		
Data	*Ratepayer base growth is based on current property information from Council valuation service provider (Quotable Value Ltd), forward looking consenting, further expected negative revaluations as a result of the November 2016 earthquake and historic trends.*		
Level of certainty	**Moderate**		
Key risks	*Risk* The growth in the ratepayer base is higher or lower than projected.	*Effects of risk* If growth is higher than forecasted, average rates funding increase will be reduced by an equivalent amount as there is a greater number of ratepayers across which the rates funding requirement will be allocated. If growth is lower than forecasted, the average rates increase for the ratepayer will be higher. The annual impact of a 1 percent of variance in growth in the ratepayer base is equivalent to approximately $3.5 million of rates.	*Mitigation* We will measure and report on growth in the rating base and review the projections and underlying strategy on a regular basis. Ratepayer growth assumptions are reconfirmed through each Annual Planning exercise and provide the opportunity to adjustment plans based upon updated growth projections.
Civil defence and emergency			
Assumption	The assumed risks of a significant earthquake are in line with Wellington lifelines planning and relate to likelihood of earthquakes at different scales on the Modified Mercalli intensity (MMI) scale. Likelihood captured in the table below.		
Data	Sourced from Wellington Lifelines report 2019.		

MMI level	Average return period
MMI7	~30 years
MMI8	~120 years
MMI 9	~400 years
MMI 10	~1350 years

Level of certainty	**Low**		
Key risks	*Risk* That a significant event occurs during the period of the Long-Term Plan	*Effects of risk* The city is unable to recover sufficiently or quickly enough in order to prevent long-term adverse effects on the population or local economy.	*Mitigation* In order to recover from a significant event the Council has insurance and debt provision to provide some flexibility to respond financially to adverse events. The Council is further prepared to respond to large events, as some response plans are in place and staff members are regularly trained. However, work is needed to ensure that learnings from any activation are captured and contribute to the ongoing improvement of the city's preparedness. A key focus for this LTP will be improving the city's resilience. There will be a number of earthquake strengthening and resilience projects aimed at helping us mitigate the adverse impact of a significant event and manage our event insurance costs.
Climate change			
Assumption	We assume climate change occurs in line with Ministry for the Environment's global emissions scenarios ranging from low to high greenhouse gas concentrations these are informed by the Intergovernmental Panel on Climate Change (IPCC). The most notable impact of which for Wellington City will be around sea level rise, for which we are aligning our planning assumptions to MfE guidance on sea level rise- the base assumptions for planning being: • for existing development a 1.0m rise by 2120 relative to the 1980-1999 average. • for short-lived non-habitable assets a 0.65m rise by 2120 relative to the 1980-1999 average. For detailed guidance on the application of these assumptions see MfE guidance.		
Data	Assumptions are directly informed by Ministry for the Environment projections for Wellington and Wairarapa.		
Level of certainty	**Moderate –** while there is certainty that there will be some level of climate change and, in turn, sea level rise. The level of change is uncertain.		
Key risks	*Risk* That sea level rise may be lower or higher than planned for.	*Effects of risk* If sea level rise is lower than assumed, then we will have over invested in mitigating or management strategies. The impacts of this may be short-term if sea levels continue to rise over the longer-term. If sea level rise is higher than assumed then we will have increased levels of service interruption, including to storm water and transport services.	*Mitigation* The effects of sea level rise occur over a long-period and we will regularly review climate predictions as we make choices around our investment and as we regularly update our long-term plans.

Resource consents			
Assumption	Conditions for existing resource consents held by the Council will not be significantly altered. Any resource consents due for renewal during the 10-year period of this plan will be renewed accordingly.		
Data	**N/A**		
Level of certainty	**Moderate**- *there is some uncertainty around consenting conditions for the renewal of some Council consents:* • *Stage 1 of the global consent for stormwater discharge expires in 2023, for stage 2 and future consents there is a likelihood of more stringent conditions as the requirements of the National Policy Statement for Freshwater Management come into effect* • *Consenting of any sludge minimisation plant in the coastal environment would be significantly more challenging that the current site* • *Landfill consents expire in 2026. Given the Southern Landfill consenting conditions are substantially about the management of water, there is a likelihood that conditions will be substantially more rigorous.*		
Key risks	*Risk* Conditions of resource consents are altered significantly. The Council is unable to renew existing resource consents upon expiry	*Effects of risk* The financial effect of any change to resource consent requirements would depend upon the extent of the change. A significant change in requirements could result in the Council needing to spend additional funds to enable compliance.	*Mitigation* Generally, the Council considers that it is fully compliant with existing resource consents. Changing consenting conditions will be inputs into planning individual projects- for example in the scoping of any landfill or sludge minimisation investment.
Inflation			
Assumption	***Cost adjustors*** Inflation rates have been estimated using the BERL mid-scenario Forecasts of Price level Change Adjustors to 2031. We also assume that the Reserve Bank will use monetary controls to keep CPI within the 1.5 percent to 3 percent range.		

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	*20 yr ave*
Planning and regulation	3.2%	1.7%	0.5%	2.7%	2.5%	2.3%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	*2.0%*
Roading	2.3%	1.9%	0.8%	3.3%	3.1%	3.0%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	*2.5%*
Transport	2.8%	1.8%	0.7%	2.9%	2.6%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%	*2.2%*
Community activities	2.0%	1.7%	-0.2%	3.2%	2.7%	2.5%	2.4%	2.5%	2.4%	2.5%	2.6%	2.6%	2.4%	*2.1%*
Water and environmental management	3.8%	2.5%	-3.8%	6.0%	3.5%	2.6%	2.7%	2.9%	2.8%	3.2%	3.3%	3.4%	3.1%	*2.5%*

Data	***Inflation rates applied*** **–** Inflation rates have been estimated using the BERL Forecasts of Price level Change Adjustors to 2031. We also assume that the Reserve Bank will use monetary controls to keep CPI within the 1.5% to 3% range. Inflation is affected by external economic factors, most of which are outside of the Council's control and influence.		
Level of certainty	**High**		
Key risks	*Risk* That actual inflation will be significantly different from the assumed inflation.	*Effects of risk* The Council's costs and the income required to fund those costs will increase by the rate of inflation unless efficiency gains can be made.	*Mitigation* Annual review through the annual plan process.
Asset revaluations			
Assumption	Assumed growth in asset values are outlined in the table below. Growth in Council asset values are key drivers of forecasting increasing capital investment and depreciation rates.		
Data	Asset revaluation assumptions are based off asset valuation analysis provided by CBRE and BERL.		
Level of certainty	**Moderate –** moderate uncertainty in how Council asset values will change over time		
Key risks	*Risk* That actual asset value growth will be significantly different from the assumed rates.	*Effects of risk* Asset value growth at higher rates than assumed will lead to increasing pressure on rates and borrowing levels. This risk has impacted Council planning repeatedly in recent years as asset value growth has exceeded budgeting assumptions.	*Mitigation* Annual review of assumptions through the annual plan process.

	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	40/41	50/51
Buildings Revaluation	16.5%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Waters Revaluation	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Treatment Plant Revaluation	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Roading Revaluation	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%

Significant Asset lifecycles

Assumption

The estimated useful lives of significant assets will be as shown in the Statement of Accounting Policies. The asset life of key assets (three waters and transport is included below). The majority of the significant assets will continue to be revalued every three years. It is assumed that assets will be replaced at the end of their useful life. Ranges in average ages relate to the variability of component parts of assets and changing material and design of assets over time.

Key Asset – Pipes	Asset life in years
Water pipes	50-95
Water reservoirs	40-100
Water pumping stations	20-100
Sewer pipes and tunnels	60-110
Sewer pumping stations	20-80
Stormwater pipes	50-130
Stormwater pump stations	20-100

Key Asset – Roads	Asset life in years
Surface	10
Base	50
Bridges	80
Footpaths	20-50
Retaining walls	50-75
Sea walls	80-100
Kerbs and channels	70-120

Data

Assumptions of asset lives are informed by guidance on the Useful Life of Infrastructure from the NAMS Council and Council actual condition information of assets.

Level of certainty

Mixed – The level of certainty of useful lives of assets ranges across different asset types. Underground assets that are not easily accessible have lower levels of confidence on their current condition and therefore expected remaining useful lives.

Key risks

Risk	*Effects of risk*	*Mitigation*
That assets wear out earlier or later than estimated.	Depreciation and interest costs would increase if capital expenditure was required earlier than anticipated. The financial effect of the uncertainty is likely to be immaterial.	Generally, we have the ability to prioritise work programmes should assets wear out earlier or later than estimated. In addition we are actively investing in improving the quality of asset condition information including of our three waters assets, to reduce the likelihood of this risk.

Interest rates- cost of borrowing

Assumption

The Council borrowing rates for debt will change as per the table below.

	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	40/41	50/51
Effective Interest Rate	3.09%	3.25%	3.65%	3.13%	3.27%	3.36%	3.32%	3.39%	3.45%	3.44%	3.25%	3.22%

Data	Assumption reflects Council actual borrowing rates along with forecast rates based on hedging position and range of economic forecasts.		
Level of certainty	**High** - There is relative higher levels of certainty over short-term borrowing rates for Council debt in the short term given hedging policies. Longer-term, certainty levels are lower as interest rates are subject to wide range of factors.		
Key risks	*Risk* That prevailing interest rates will differ significantly from those estimated.	*Effects of risk* Based on the minimum hedging profile, a 0.1 percent movement in interest rates will increase/decrease annual interest expense by between $200,000 and $1,000,000 per annum across the 10-year period of this plan	*Mitigation* Interest rates are largely driven by factors external to the New Zealand economy. The Council manages its exposure to adverse changes in interest rates through the use of interest rate swaps. At any time Council policy is to have a minimum level of interest rate hedging equivalent to 50 percent of core borrowings.
Expected returns on investment and funding sources			
Assumption	We assume that the impacts of COVID-19 will mean that **WIAL dividend** income will be zero in 2021/22 before progressively increasing back to pre COVID-19 levels by 2024/25. The Council has made assumptions on the level of subsidies it expects to receive from central government through the **NZTA** over the period of the plan. This is that the normal Funding Assistance Rate (FAR) is expected to remain at 51 percent of eligible expenditure for the period of the plan. It is assumed that NZTA subsidy will apply to 85% of our transport programme of work excluding the majority of cycleways which the NZTA subsidy is assumed to apply to 100% of. Our budgets will include provision for the forecast costs of Let's Get Wellington Moving. These costs are based on programme costs as at November 2020 and an assumption of WCC being responsible for funding 80% of the Local Government contribution to the programme (Central Government funding 60% of the programme). No assumption is made as to other new funding sources being available to fund the programme. These assumption is only made for the purposes of provisioning budget in our Long-Term Plan, and does not represent WCC or the partnership's view of an appropriate programme funding split which is still to be agreed. *Depending on the progress of decision making within the LGWM programme prior to final adoption of the LTP, WCC LGWM costs may be able to be updated to represent updated forecast programme costs and funding splits.*		
Data	**n/a**		
Level of certainty	**Low –** We have a lower than normal level of certainty on WIAL dividend assumptions given the current economic climate and impacts of COVID-19. High – NZTA income. LGWM funding splits are also highly uncertain **High –** NZTA have indicated that given cost pressures the level of NZTA funding available for our transport investment may reduce, because of this, current draft NZTA income assumptions have a moderate level of uncertainty but will be agreed prior to the adoption of the LTP.		

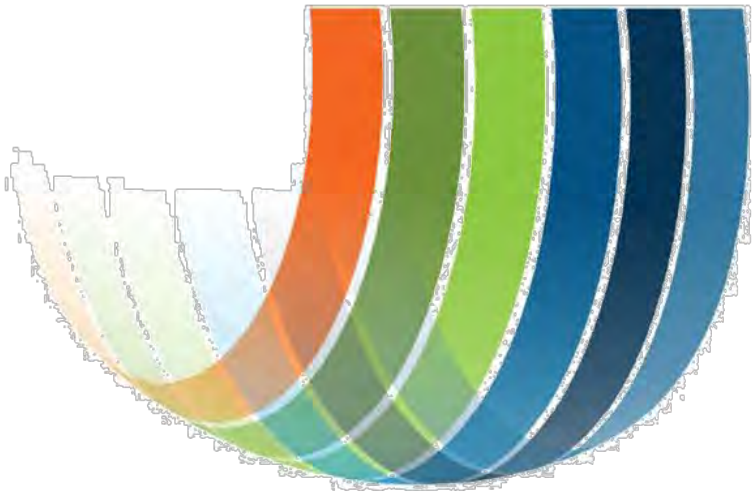
Key risks	*Risk* That the That WIAL dividends are significantly lower than assumed or that NZTA makes further changes to the subsidy rate, the funding cap or the criteria for inclusion in the subsidised works programme. That LGWM programme costs, and/or WCC share of programme costs, increase on current forecasts	*Effects of risk* If the actual returns/revenues from these sources are significantly less than forecast, the Council will need to look for alternative funding through rates or borrowings. The financial effect of any change to LGWM programme costs would depend upon the extent of the change. A significant change in WCC contribution to the programme could result in the Council needing to spend additional funds.	*Mitigation* Annual review of assumptions through the annual plan process. There will be multiple decision points over the programme as indicative and final business cases are reviewed. Cost escalations could be managed through prioritisation in the approval of options presented through business cases.
Level of service			
Assumption	For this 10-year plan we assume that: • the current demand for Council services and customer expectations regarding business as usual levels of service will not significantly decrease during the planning period • beyond what is specifically planned for and identified in this 10-year plan, there will be no significant additional impact from above pressures on asset requirements or operating expenditure.		
Data	**n/a**		
Level of certainty	**Moderate**		
Key risks	*Risk* That there are significant changes in the impact of pressures on the demand for services or levels of service beyond those planned in this plan.	*Effects of risk* If customers begin to expect a higher level of service, we either risk decreasing residents' satisfaction or an increase in ongoing costs to maintain a higher level of service	*Mitigation* The Council has well defined service levels for its planned activities, which have been reviewed as part of the 10-year plan process. Customer satisfaction surveys and other engagement strategies generally support the key assumptions made within the 10-year plan and therefore there are currently no known additional areas of the Council's service that require significant modification.
Three waters reform			
Assumption	While the Government's three waters reform programme is currently underway, and the Council is participating in that work, the Government is not expected to make a decision on the reforms until May 2021. As such, for the purposes of planning it is assumed that three water services will continue to be delivered through their existing arrangements between the Council and Wellington Water over the life of the Long-Term Plan.		

Data	Our assumption is in line with SOLGM advice on the treatment of reforms as outlined in their practice note *Three Waters Reform in the 2021-31 Long-Term Plans*		
Level of certainty	**Uncertain**		
Key risks	*Risk* That the three waters reform leads to changes to the management and/or ownership of Council's three waters assets	*Effects of risk* A change in ownership of three waters assets would have substantial direct impacts on Council finances and its financial and infrastructure strategy. It could also have second order impacts on Council's long-term planning in other areas given fundamental changes to the Council's financial position.	*Mitigation* Any decisions on the Council's involvement in reforms would require consultation with the community and that would include full consideration of the direct and second order impacts.

Forecasts for long term planning

for Wellington City Council

January 2021



Infometrics
Economics put simply

Authorship

This report has been prepared by Nick Brunsdon, with the assistance of Brad Olsen, Gareth Kiernan, Andrew Beattie, Rob Heyes and Dr Adolf Stroombergen.

Email:

nick.brunsdon@infometrics.co.nz

Table of contents

Executive summary

Wellington City Council commissioned this report to provide a detailed evidence base for their long term planning processes in 2021. This report provides Infometrics forecasts of GDP, population and unemployment over the ten years to 2030.

National economy doing well through COVID

The national picture has kept improving since the outbreak of COVID-19, and we have continued to revise our near term forecasts upwards. While the international economic outlook has scarcely improved, we have seen far fewer job losses domestically than expected and exuberant consumer spending. We still think that weaker times are up ahead for New Zealand, but we are much more positive than our April 2020 forecast.

Global outlook is still ugly

COVID-19 is not going away any time soon. Global daily new case numbers reached an all-time high of 862,181 on January 7. Fear and lockdowns have shuttered global economies. The rollout of vaccines is underway globally, but globally travel will remain severely restricted until the vaccine rollout is largely completed. Economic forecasters expect a prolonged period of global economic weakness. This will adversely affect our ability to export our goods to the world and attract tourists.

Slow recovery for international education and tourism

Border closures have hit the international education and tourism sectors hard. We have assumed that a trans-Tasman bubble will be implemented by mid-2021 and that our borders will be fully opened in 2022. Should these milestones be delayed, the viability of some tourism and hospitality operators in the city may be threatened.

We expect that international visitor arrivals will have recovered to 80% of their pre-COVID level by 2025, and to 110% by 2030. Australia will lead our tourism recovery, as its close proximity means it won't face the same headwinds in recovery as long-haul travel. We expect that the recovery of outbound tourism to Australia will follow a similar recovery path to that of inbound tourism from Australia.

Terms of trade to hold up

Terms of trade are the relationship between a country's import and export prices, which can be a key determinant of living standards. We expect a softening in terms of trade in the near term, as supply-chain disruption drives up the price of our imports, and lockdowns overseas make it harder to earn a premium for our food exports. However, we expect strong terms of trade over the medium to long term as import prices stabilise and export returns are able to recover.

Record migration, then a crash

International net migration peaked at 89,000 in the year to March 2020, as Kiwis rushed back into the country ahead of lockdown. We expect international net migration to hover around zero for the next three years, before returning to our long-term forecast level of 30,000 by 2025.

Public sector is Wellington's strength and vulnerability

Wellington's strong public sector is a key strength, particularly through COVID-19 as the public service expanded, driving an increase in total employment to October 2020. However, government efforts to establish regional public service hubs present a risk of weak or negative future growth in the public service in the City.

Tourism and hospitality vulnerable for further lockdowns or border delays

Wellington's tourism and hospitality sector is highly vulnerable to further lockdowns and delays with reopening the border. Consumer spending in the city has been down since the lockdown in 2020, so many businesses will be operating on diminished reserves, and therefore unable to withstand further shocks.

Pillars of growth remain

Wellington City experienced strong growth in Gross Domestic Product (GDP) over the past decade, which was broadly consistent with the national trend. Wellington will perform better than the rest of the country in the coming two years, and is expected to follow the national growth trend from 2023 onwards.

Wellington's GDP growth over the past decade was driven by three industries – public administration and safety; professional, scientific, and technical services; and information media and telecommunications. These pillars of growth are forecast to make the greatest contribution to growth in the coming decade.

Low unemployment for Wellington

We expect Wellington's unemployment to remain well below the national average over the coming years. This is based on the relative strength of Wellington's economy, underpinned by a strong public sector. Experience from the GFC indicates that only a fraction of job losses in Wellington City translate to an uptick in unemployment in the city, as so many workers commute in from the broader region.

Regional alternative constrains city growth

Wellington City has a highly integrated relationship with the broader Wellington Region, with the City providing the bulk of jobs, and the broader region providing the bulk of housing for workers. This means that employment growth in the City drives housing growth in the city and broader region. It also means that the supply of housing in the broader region influences the housing market in the City.

Dwelling consents will remain strong

We expect that recent trends in building consents in both the City and broader region will be sustained over the coming decade. Further growth is unlikely given the constraints of construction sector capacity. Efforts to enhance the supply of land for housing in the City, such as the District Plan review, are likely to be counterbalanced by similar efforts throughout the rest of the region.

Sustained population growth expected

Population growth is forecast to ease, but remain positive, over 2021 to 2023 as COVID-19 adversely affects international net migration, a key source of Wellington's population

growth. Growth is forecast to gradually rise over the remainder of the decade, to reach 242,000 in 2030, an extra 26,200 people.

The housing market's remarkable resilience

The housing market nationally has shown remarkable resilience throughout COVID-19. This was a result of unexpectedly strong population growth, very low interest rates, strong investor demand, and minimal job losses amongst homeowners. We expect house prices nationally to continue rising, albeit at a slower rate, over the next four years. With a strong economy and strong topographical constraints, Wellington's house prices may well outperform the national growth rate.

Introduction

Wellington City Council commissioned this report to provide a detailed evidence base for their long-term planning processes in 2021. This report provides Infometrics forecasts of GDP, population and unemployment over the ten years to 2030.

We start by discussing our national macroeconomic forecast with particular emphasis on foreign tourism and international education, Wellington City's key exports. We then discuss the performance of Wellington through COVID-19 and its economic outlook, in terms of economic growth and unemployment. Finally, we discuss the drivers of the City's population growth, particularly its relationship with the broader region, through population, household, house price and building consent forecasts.

National overview

The national picture keeps improving...

We have continued to revise our near-term economic outlook upwards since our first forecast incorporating COVID-19 in April 2020. Domestic economic activity has held up better than expected. We have seen fewer than expected job losses following the end of the wage subsidy, which preserved productive capacity and shored up consumer confidence. This trend, coupled with strong household savings during lockdown and from overseas travel funds, has boosted consumer spending but fostered a wait-and-see approach to investment as uncertainty and the threat of further lockdowns prevail.

Since then, the international economic outlook has scarcely improved, and our tourism sector has not gained any more certainty around the resumption of even limited international tourism. We are still yet to see businesses exploring opportunities for new growth and to start investing.

Although we do expect periods of economic weakness ahead, we are much more positive than our April 2020 forecast. Caution remains a key feature of our forecast outlook. One of the biggest risks is that New Zealand's better-than-expected economic performance is not matched by a rebounding global economy.

... but the globe is a mess

COVID-19 is not going away any time soon. Global daily new case numbers reached an all-time high of 862,181 on January 7. Increases in testing capacity explain some of the increase in daily cases, but new, more-contagious virus variants are responsible for much of the increase, and this is reflected in daily deaths reaching record levels as well.

Lockdown fatigue means that countries are reluctant to continue or reimpose significant restrictions on economic activity and people's freedoms. But it is also clear that the ongoing threat of the virus is acting as a constraint on activity anyway. Even without lockdowns, people are more reluctant to venture out and about than they were pre-pandemic, and this hole in demand will have a lasting effect on economic outcomes. The rollout of vaccines is underway globally, but international travel will remain severely restricted until the vaccine rollout is largely completed. Economic activity will remain dented, even after borders reopen. The latest consensus forecasts show that, by June 2022, Spain, Italy, the UK, Japan, and France are all forecast to still have smaller economies (measured by GDP) than they did in the September 2019 quarter.

Aside from the prospects of prolonged weakness in the world economy, which could extend for longer than most forecasters are predicting, the pandemic is also affecting people's consumption patterns. Reduced spending on travel and associated goods and services is an obvious change, but our exporters are also being affected by lower levels of restaurant and hospitality activity that are hitting demand for higher-value foodstuffs. This trend is likely to show through in reduced incomes for meat and wine producers, for example, as they are forced to settle for lower prices from international consumers with a reduced willingness or ability to pay top dollar. New Zealand export prices are less competitive, with a rise in the dollar an unfortunate by-product of New Zealand's better economic situation. A key area of uncertainty is the disruption in trade flows – supply

chain disruptions, coupled with changing trade dynamics (including the Australia/China trade spat) cloud the outlook.

Foreign tourism tanks by 91%

Foreign tourism has been all but cancelled, with travel restrictions and quarantine requirements. Given the recent outbreaks of new COVID-19 variants, we expect the prospect of a trans-Tasman or trans-Pacific bubble to be pushed out into the second half of 2021. With the rollout of a variety of COVID-19 vaccines now underway, we expect that our border will be fully reopened in 2022 – an expectation in line with government views.

Foreign tourism faces headwinds in its recovery

Rebuilding our tourism industry from a standing start will take many years, as international travel will face a number of headwinds post-COVID. These headwinds are particularly strong against long-haul international travel, so the relatively close Australian market will be critical for the initial stages of the tourism recovery.

These headwinds include:

- **Weak economic conditions globally.** Despite the impressive performance of New Zealand's economy in 2020, consensus forecasts indicate the global economy will undergo an extended recession. This recession will be associated with lower household incomes, denting demand for luxuries such as long-haul international travel to New Zealand
- **Aviation capacity.** In the face of a near-overnight slump in demand, airlines have restructured around the world. Recovering aviation capacity to pre-COVID levels will take an extended period of time as aircraft have been scrapped or mothballed. Routes have been rationalised and it will take some time for markets to be developed again for routes to be re-established. Airlines will be looking to establish bi-directional demand to ensure the profitability of re-established routes. New Zealand's tourism sector benefited from an array of direct routes to Asia, North America and South America over the past decade. These routes are unlikely to be reinstated swiftly until travel demand starts to approach pre-COVID levels.
- **Higher cost of travel.** The cost of air travel is likely to increase as the aviation sector spreads its fixed costs across a smaller number of passengers. Potential health screening requirements will add further costs to international travel. Altogether, a higher cost of travel means fewer people can afford to travel.
- **Reluctance to travel.** Travelling during the outbreak of COVID-19 was a traumatic experience for many, with many travellers stranded or nearly stranded on the other side of the world. Many travellers faced a loss of travel insurance cover and struggled to obtain refunds. These memories will linger for several years and induce a reluctance to travel internationally, particularly long-haul.
- **Precarious social license.** International tourism was starting to push the bounds of its social license in New Zealand pre-COVID, with increasingly frequent complaints of over-tourism adversely affecting the environment and locals. While we are unlikely to be picky about tourists once the borders reopen, a complete rebuild of our tourism sector is an opportunity to act strategically about the volume versus value paradigm. Because of this, we expect it will take the best part of a decade to return to pre-COVID visitor levels.

Australia will lead our tourism recovery...

There has been much discussion about a trans-Tasman or Pacific bubble, but the amount of political and media vacillation on the topic makes it difficult to predict the near-term tourism recovery with any confidence. Nonetheless, we expect to see stronger growth in visitor arrivals from Australia than the rest of the world in the initial stages of the tourism sector recovery. Visitor arrivals from Australia won't face the same headwinds post-COVID as our other long-haul markets will.

By the end of 2022, we would expect to see visitor arrivals from Australia back to 60% of pre-COVID (2019) levels, while visitor arrivals from other countries will lag with 50% recovery. By 2025, arrivals from Australia are expected to be at 75% of their pre-COVID levels, while arrivals from all other countries will have recovered to 60%.

In the latter half of the 2020s, lingering health concerns around COVID-19 and hesitancy around travel is likely to fade. Growth in less mature tourism markets for New Zealand is likely to pick up and takeover growth in the mature Australian market. By 2030, we expect visitor arrivals from Australia and the rest of the world to overtake pre-COVID levels to reach 110% recovery.

The expected extended recovery from COVID-19 presents a significant challenge for the tourism sector, as it means that previous operating structures designed for 2019 visitor numbers will be largely irrelevant for the next decade – operators will need to cut their cloth accordingly to suit smaller visitor numbers and continue to adapt as arrivals recover.

...and Kiwi's will head overseas much like the Aussies

We expect the outflow of New Zealand tourists will recover in much the same way as the Australian tourists entering New Zealand. Both tourist flows are intrinsically connected as the removal of travel restrictions such as a trans-Tasman bubble is likely to occur bilaterally. Both tourist flows rely on recovery in the same aviation capacity and prices, and generally airlines will attempt to develop bi-directional demand when developing (or reintroducing) routes. We would only expect this to change if there was substantially different economic performance between the two countries, suggesting greater demand for international travel from the relatively stronger performing country.

Due to Australia's relative size, we expect a trans-Tasman bubble will generate a net benefit for New Zealand as there is greater potential benefit from Australians visiting New Zealand than the loss of expenditure from New Zealanders visiting Australia. On the flipside, a trans-Pacific bubble is likely to have a net negative effect on tourism in New Zealand.

International education taken a significant hit

International education has taken a significant hit, with few new students arriving in 2020 or 2021. Many international students already in the country are expected to have continued their study, meaning that tuition revenue is 'only' expected to be down by 49% over 2020 and 2021 calendar years. The announcement in January 2021 of places for 1,000 existing international students to return to the country during 2021 amounts to just over 3% of pre-COVID international students. Many of the headwinds faced by international tourism are equally applicable to international education. In particular, a higher cost of air travel and health-related screening requirements are likely to hit shorter courses such as English language training more so than universities.

Furthermore, international education was coming off the boil pre-COVID, triggered by the removal of favourable work visa and immigration policies which undermined the attractiveness of New Zealand as a place to study.

We expect a slow recovery of international education revenue to 80% of pre-COVID levels by 2025, and full recovery by 2030.

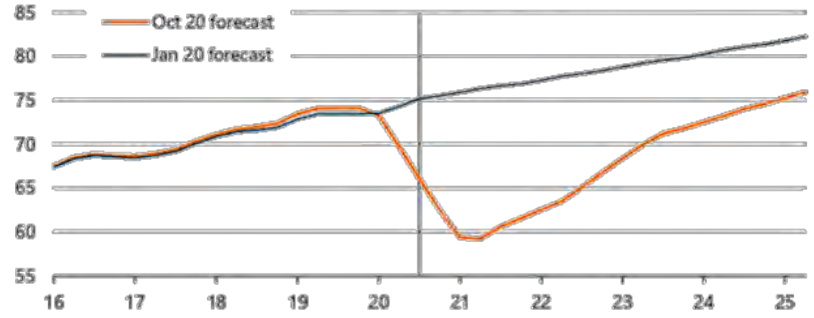
Goods exports sensitive on global economic outlook

Prospects for goods exports volumes and prices are highly dependent on global demand. With overseas economies set to shrink this year, the current global downturn will also have a dampening effect on international demand and lead to softer export volumes, even over the medium-term. Services exports are obviously heavily influenced by the effects of the border restrictions on tourism and international education, discussed previously. Demand for our primary exports has been sustained and is helping support economic activity, although New Zealand is having to pivot our products from restaurant to at-home consumption.

Graph 1

Tourism's loss a big hit to exports

Forecast comparison of export volumes, ann. running totals, 2009/10 $b



Imports take a hit from consumption and investment

We are forecasting a 16% contraction in total import volumes over the year to March 2021. We anticipate that the subsequent recovery in imports during 2022 and 2023 could be more muted than export growth for several reasons. Firstly, we expect a sustained change in New Zealanders travel patterns, with more holidays taken domestically and international travel taking a long time to return towards pre-pandemic levels. Secondly, business' willingness to invest could remain weaker than normal for some time, dampening the recovery in capital imports (15% of total imports). In the wake of the GFC, the annual total of capital imports plunged 33% over an 18-month period. Finally, a slowdown in household spending growth will reduce demand for consumption good imports (21% of total imports).

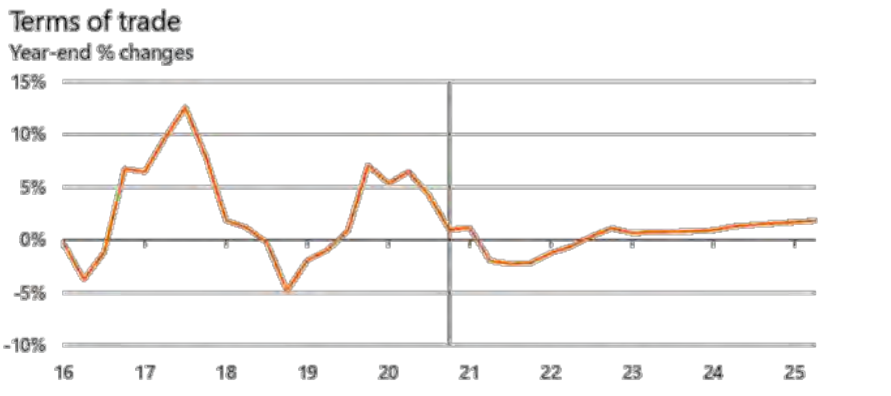
The risks to our forecasts for both exports and imports lie, if anything, on the upside, particularly over the medium term. Given that we are currently in the midst of the pandemic, it is unclear how sustained an effect current events will have on international travel behaviour.

Graph 2

Terms of trade hold up

Terms of trade are the relationship between a country's import and export prices, which can be a key determinant of living standards. COVID-19 has caused major shifts on both sides of the ledger – exports and imports – which we discussed previously. The outlook for New Zealand's terms of trade is relatively positive, with only modest falls in the near term. We expect to see a softening in returns for our exports in the near term as economic downturn and lockdowns overseas make it more challenging to earn a premium for our food exports. However, this softening will start to abate over 2022 as vaccines are rolled out and activity can return to normal. Import prices will be adversely affected over 2021 due to supply chain disruption, but like exports, these changes will abate over 2022. Over the long term we foresee a weakly positive outlook for New Zealand's terms of trade, underpinned by our strong premium food exports.

Graph 3



Migration peaked, and is starting to crash

With mass tourist arrivals no longer clouding its estimates, the rise in Stats NZ's latest migration estimates is now more certain. We now estimate that net migration peaked at

89,000 in the year to March 2020, because the large number of arrivals in late 2019 are now likely to become classified as migrants.

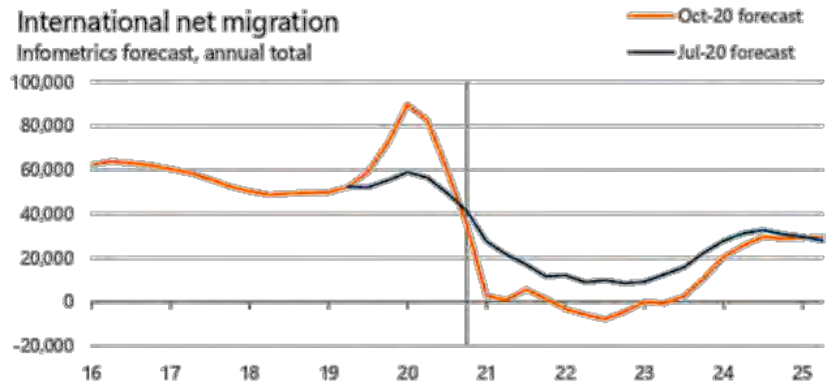
The government has provided visa extensions to visa holders still in New Zealand, as international arrivals struggle to leave the country due to closed borders and limited capacity for international flights. Annual net migration is expected to drop to away to nothing, and possibly into negative territory by September 2022 as visa extensions expire and arrivals are forced to return home.

We forecast that net migration will return to a more normal level during 2024, reaching a steady state of roughly 30,000pa at the end of the forecast period.

Migration remains the most significant contributor to population change in New Zealand on an annual basis. We saw many Kiwis flock home in the first quarter of 2020 as the global pandemic began to take hold, but it appears that the border restrictions and the capacity of both airlines and managed isolation centres are now resulting in fewer New Zealanders coming home than might have been thought.

The possibility for population growth over the past year to be revised down remains significant as foreign arrivals, particularly late last year, are incredibly inflated due to COVID-19. If many of these arrivals decide to leave the country within 12 months of their arrival (as would have been expected for a larger proportion in usual times), population estimates, particularly for the December and March quarters, will be revised down significantly.

Graph 4



Outlook for Wellington

COVID has had pluses and minuses for Wellington

The effect of COVID-19 on Wellington City's economy has varied by sector. Increases in public service activity have benefited the city, driving an increase in total employment of 1.3% over the year to October 2020. However, the loss of international visitors has harmed the city's tourism sector, particularly cafés, restaurants and bars. Furthermore, widespread uptake of working from home arrangements has led to falling consumer spending in the city. Increasing use of working from home arrangements long term may cause something of a structural change in the city's retail and hospitality industries.

Home of the public sector a strength and vulnerability

Wellington's role as the home of the public sector has been a strength in the city's COVID-19 recovery, as it represents a large base of relatively stable employment. However, the current government's efforts to establish regional public sector hubs present a risk of weak growth or even a decline in public sector employment in Wellington City. The effect on Wellington City will depend on the extent to which the government follows through with their strategy, and whether jobs are moved to other centres in the Wellington Region or spread further afield.

Sensitivity to COVID-19

We have based our forecasts on the assumption that there will be no further nationwide lockdowns for COVID-19, that a trans-Tasman bubble is implemented in the second quarter of 2021, and that our border is fully reopened in 2022. These are not dead certainties, and indeed the current spread of increasingly virulent COVID-19 variants globally increases the uncertainty surrounding these assumptions.

Wellington's economic structure means that its overall outlook in the medium to long term isn't particularly sensitive to changes in these assumptions. Tourism is not a fundamental driver of the City's economy, so the return of Australians and other international visitors would be a 'cherry on top' rather than a condition of success. The City's dominant public sector and professional services industry was proven to be relatively resilient through the lockdown in 2020, and we would expect it to be resilient through any future lockdowns.

Wellington's tourism and hospitality sectors are highly sensitive to COVID-19, and are continuing to suffer from a loss of workers (through working from home practices) and international visitors. Weekly consumer spending has averaged 6% lower than pre-COVID since the return to Alert Level 1 in June 2020. Due to lower spending, many tourism and hospitality businesses are likely to be unprofitable at present. Further lockdowns or delays to the recovery of international tourism may exhaust the reserves of business owners, leading to further businesses closures. This would not only cause a loss of jobs in the short term, but the loss of businesses may reduce our capacity to recover in the medium term when international tourists return.

Gross domestic product (GDP)

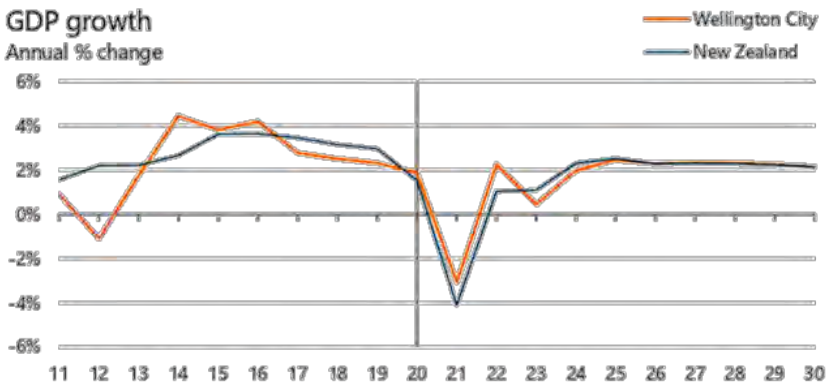
Growth has been strong, and Wellington less affected by COVID

Economic activity in Wellington City grew strongly over the past decade, with annual growth peaking at 4.2% in 2016. Wellington's growth over the past decade was largely consistent with the national growth trend.

Economic activity in both Wellington and New Zealand overall is forecast to decline in the March 2021 year off the back of the lockdown in 2020 and other effects from COVID-19. Wellington is forecast to decline by 3.1%, a better result than the national decline of 4.1%. Wellington's large public sector will insulate its economy from the effects of COVID-19. Wellington City GDP is expected to bounce back in 2022 growing 2.3%, tread water with 0.5% growth in 2023, and sit comfortably about 2% annual growth for the remainder of the decade.

Thanks to the strong recovery in 2022, Wellington's economy is expected to return to its pre-COVID size by 2022.

Graph 5



Pillars of growth remain the same

Wellington's GDP growth over the past decade was driven by three industries – public administration and safety; professional, scientific, and technical services; and information media and telecommunications. These pillars of growth are also forecast to make the greatest contribution to growth in the coming decade. Financial and insurance services made a substantial contribution to growth over the past decade; however this is expected to contract in the coming decade, more than unwinding its previous growth.

Unemployment

National unemployment much better than expected

The labour market has held together much better than was initially anticipated by all forecasters. A review of the September quarter unemployment rate predictions when we published our April forecasts saw them range between 7.2% and 11.1%. The range was

still spread from 7.4% to 10.0% when we published in July. The actual rate reported was 5.3% (seasonally adjusted).

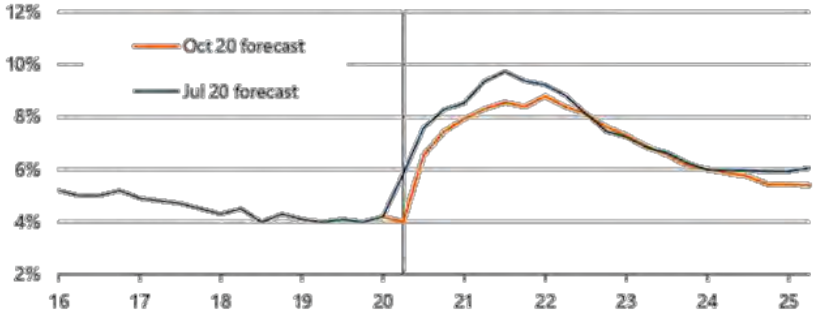
Credit must be given to the government's wage subsidy for limiting the immediate rush of job losses from the border closures, lockdown, and collapse in business confidence. Weekly additions to the number of Jobseeker Support beneficiaries averaged 7,160 during April amid a wave of reactionary redundancies from businesses. But since tailing off in mid-May, additions to the jobseeker queue have stayed relatively low, averaging just 784 per week.[1]

We have remained steadfast in our forecasts of unemployment, expecting the rise to be much more gradual, and the subsequent fall to be more prolonged, than other forecasters. Like other forecasters, we have revised down our peak unemployment rate as the strength of New Zealand's recovery has gradually been revealed. We expect to continue to revise down peak-unemployment given current labour market settings.

Graph 6

Labour market carnage about to unfold

Forecast comparison of the unemployment rate, seasonally adjusted



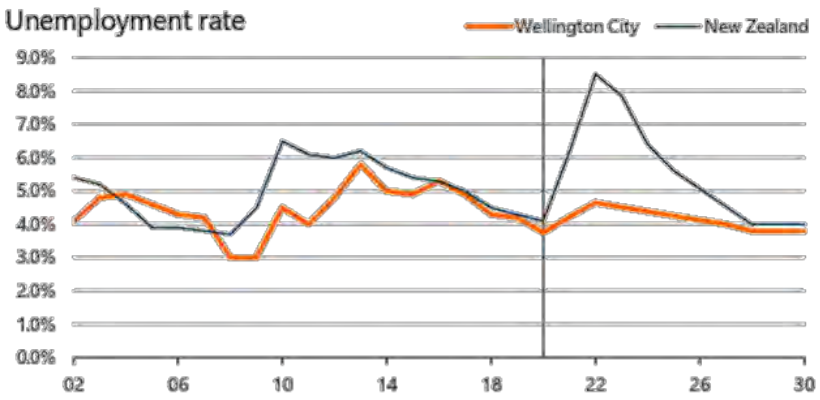
Unemployment to stay relatively low in Wellington

We expect Wellington's unemployment to remain well below the national average over the coming years. This expectation is based on the relative strength of Wellington's economy, underpinned by a strong public sector. Experience from the GFC indicates that only a fraction of job losses in Wellington City translate to an uptick in unemployment in the City, as so many workers commute in from the broader region. High housing costs will likely add to this effect, as any workers who end up long term unemployed will struggle to afford to continue living in Wellington City – this means they won't be counted in Wellington's unemployment rate.

Unemployment is broadly subject to the same considerations as our GDP forecasts – if Wellington's economic outlook were to deteriorate or improve relative to our expectations, then we would expect a direct effect on unemployment. However, for reasons previously discussed, the magnitude of this direct effect would be weak.

[1] Trends in Jobseeker Support numbers are muddied somewhat by the COVID-19 Income Relief Payment. However, there has been a relatively small number of people moving onto Jobseeker Support after their Relief Payment entitlement ran out, suggesting many of these people are not eligible for Jobseeker Support.

Graph 7



Population

The regional alternative constraints city growth

Wellington City has a highly integrated relationship with the broader Wellington Region, with the City providing the bulk of jobs, and the broader region providing the bulk of housing for workers. This relationship means that employment growth in the City drives housing growth in the city and broader region. This trend also means that the supply of housing in the broader region influences the housing market in the City. In choosing where to locate, workers (and their families) trade-off the key considerations of housing cost, amenities, and transport. Transport is a key area of structural change in the city-region relationship at present. Greater acceptance of working from home post-COVID-19 may dramatically shift how people trade-off higher housing costs for shorter commutes, as in many cases they may only be commuting a few days per week. Significant improvements to State Highway 1 through to Levin coupled with planned improvements to Wairarapa and Manawatu commuter train services will shift the pattern of urban settlement in the region.

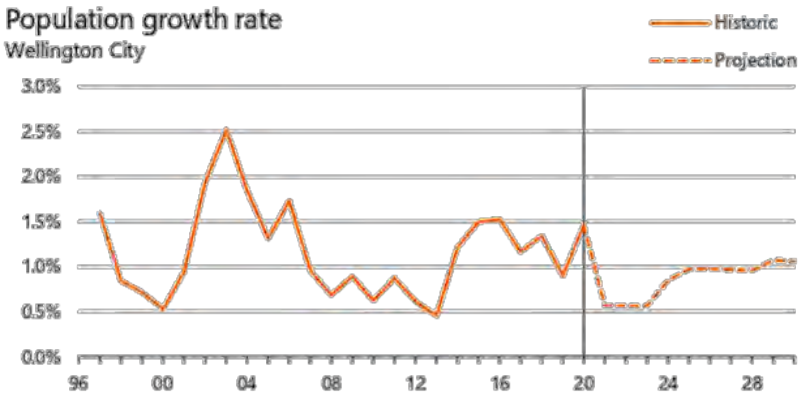
Countering these shifts in favour of the region, Wellington City is currently reviewing its District Plan to enable greater capacity for housing, particularly medium density. Although the precise quantum of new housing supply is uncertain, it will be traded-off against the alternative of (generally cheaper) low to medium density housing in the broader region, as other centres review their district plans and structural changes make housing further away from the city more attractive.

Over the past five years, these city versus region tensions have reached a relatively stable equilibrium, with 34% of regional (including Horowhenua) dwelling consents being issued in the city. Dwelling consents have scaled up considerably region-wide, and the construction sector is likely to be at or near capacity. Given this capacity constraint, in our population projection we have assumed that dwelling consents will continue at a similar level, and with a similar city-region equilibrium, for the coming decade. This expectation will change if the regionalization of the public service starts to adversely affect Wellington City employment, or if the equilibrium of affordable housing supply between the City and Region were to shift, for example, through the large-scale zoning of developable land.

Population growth has been strong

Wellington City has experienced relatively strong population growth, averaging 1.3% for the past five years. Although slightly under the national growth rate of 2.0% for the period, it is a strong rate of growth to be sustained for a mature city with limited supply of greenfield land.

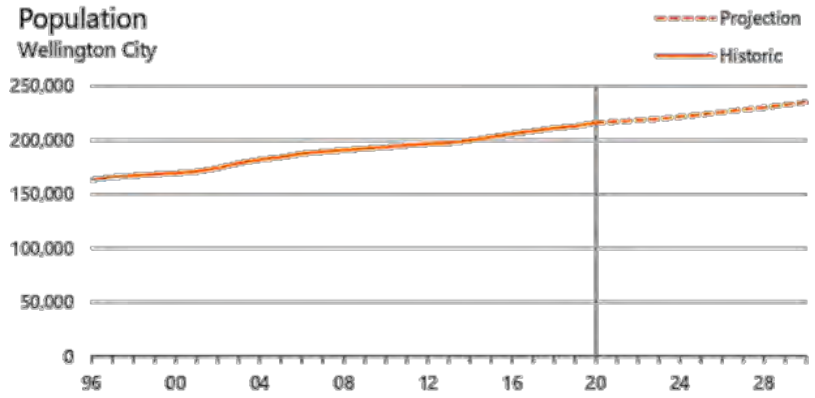
Graph 8



Further sustained growth is forecast

Population growth is forecast to ease, but remain positive, over 2021 to 2023 as COVID-19 adversely affects international net migration, a key source of Wellington's population growth. Growth is forecast to gradually rise over the remainder of the decade, reaching 1.1% per annum by 2030. This growth is underpinned by strong forecast growth in employment in the city, and an ageing population which require replacement workers as they retire from the workforce. Wellington City's population is forecast to grow from 216,200 in 2020 to 242,400 in 2030. This increase amounts to an additional 26,200 people in a ten-year period.

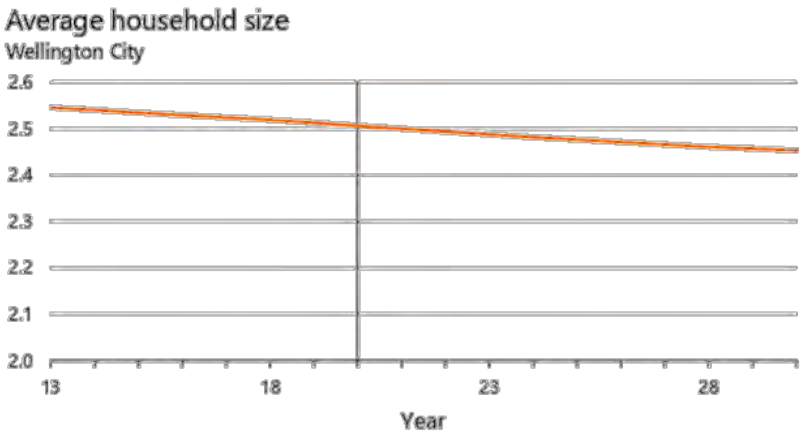
Graph 9



Changing household size adds fuel to housing demand

Wellington City faces a declining average household size, driven by increased life expectancy, an ageing population, and changes in family formation. Increased life expectancy means that older persons are living independently for longer than previous generations. An ageing population means that older person households – couples or persons living alone – will make up an increasing share of the City's households. Family formation changes include couples having children later in life, having fewer children, and increasingly having no children at all. The combined effect of these changes is a consistent downward trend in average household size – both in Wellington City and across New Zealand. In Wellington City's case, an outsized 20-29 year old population, comprising students and young professionals in flatting arrangements, contributes to a relatively large average household size in the City of 2.5 persons per household in 2020. Regardless, the decline in average household size means that more households are needed to house the same population. Put another way, household growth will outpace population growth for the foreseeable future.

Graph 10



Household growth outpaces population

A growing population and declining household size calls for strong growth in the number of households. We expect a slight dip in household growth over 2021 to 2023 as international net migration eases up due to COVID-19. Beyond this, household growth is expected to sit around 1.2% per year. This is indicative of the net rate of dwelling growth required in the city, in addition to what is required to address the existing housing deficit.

Graph 11

Household growth in Wellington City
Annual % change

Housing market

The housing market's remarkable resilience

The housing market nationally has shown remarkable resilience throughout COVID-19. It is worthwhile outlining the contributors to this pick-up in demand for housing to better understand how long it might continue.

- Very low interest rates have proven effective in enticing buyers into the market. First-home buyers have been particularly active, with new lending over the three months to August up 31% from the same period in 2019. In addition to the boost to demand from lower mortgage servicing costs, parents are more likely to be helping their adult children get onto the property ladder, given the lack of return on their term deposits.
- Investor demand for property has picked up, with lending growth over the three months to August sitting at 25%pa. The removal of the Reserve Bank's loan-to-value restrictions effectively reduced the deposit requirement for investors from 30% to 20% (the latter requirement has generally been imposed by the banks themselves since the pandemic began). The lack of returns available from other investments such as term deposits has also driven up investor demand for property and shares.
- Where job losses have occurred, those people affected are on average more likely to be renters than homeowners. This uneven nature of the downturn so far has limited the negative effects on the housing market.
- Population growth unexpectedly spiked in late 2019 and early 2020. The pandemic created a pool of foreigners that have stayed in New Zealand longer than originally intended, due to border closures, reduced air connectivity and visa extensions. There was also an influx of returning Kiwis in early 2020 who chose to come back to live in New Zealand as conditions deteriorated offshore. Even if they are not homeowners, many of these people have needed somewhere to live. Also, many of the working Kiwis returning at short notice from overseas will have been cashed up and keen to buy a house.

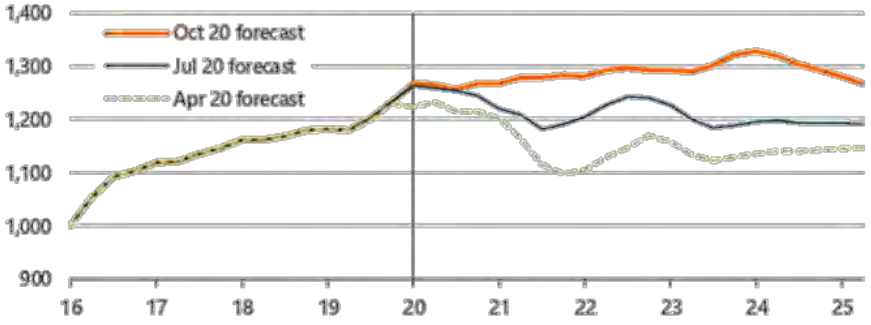
Add in the fact that neither the Reserve Bank nor the government want to see house prices fall, and it is becoming increasingly difficult to envisage a decline in property values in the near term. We still expect house price growth to slow in coming quarters in response to lower net migration and a weakening labour market, in combination with the significant continuing supply of new residential building activity in the pipeline. However, house price inflation holding between 0% and 2%pa between March 2021 and March 2023 is a much "better" outcome than the falls of 11% we were predicting back in April at the height of lockdown (see Graph 12).

Housing is still overvalued relative to incomes, and more widespread price falls are possible over the longer-term given current high levels of residential construction and the likelihood of rising mortgage rates later in the forecast period. However, it's hard to see a substantial downside for house prices over the next decade given the underlying shortage and political difficulty of any serious reform.

Graph 12

One direction is what makes housing beautiful

Forecast comparison of house prices, Mar 2016 = 1,000



Public sector jobs and undersupply underpin Wellington's house prices

Strong public sector employment and a chronic undersupply of housing will underpin the city's house prices in the near term. Wellington's strong public sector means that the city will take less of an employment hit from COVID-19 than the rest of the country. The city's undersupply of housing runs deep and due to topographical and infrastructural constraints, it won't be solved overnight. The combination of these factors means that we expect Wellington's house prices will outperform national house price growth over the coming decade.

Strong outlook for dwelling consents

Wellington City has a strong outlook for new dwelling consents over the coming decade. Tight demand for housing in the city and broader region is well documented and is expected to remain relatively tight for the forecast period. Our household projections indicate sustained household growth across the region, underpinned by strong employment growth.

Capacity for new dwellings in the city is expected to increase on the back of the district plan review. The uptake of this additional zoned land will be tempered by construction sector capacity and the cost of alternative developments in the broader region. This is

discussed in greater detail in the population projection section, but in short, we expect a steady level of new dwelling construction in the city for the coming decade.

Dwelling consents peaked in 2019 and 2020 as several major apartment projects were consented. We expect consents to average around 1,100 per year over the coming years, reflective of the level of consenting in 2018. We think this level of construction could be sustained throughout the coming decade, underpinned by a strong outlook for population and employment growth. Even if household confidence were to tank in the coming year, we think that the underlying housing shortfall and favourable credit conditions mean there is little downside risk for dwelling consents in the capital.

Appendix 1: Macroeconomic forecast

A rocky path through 2020

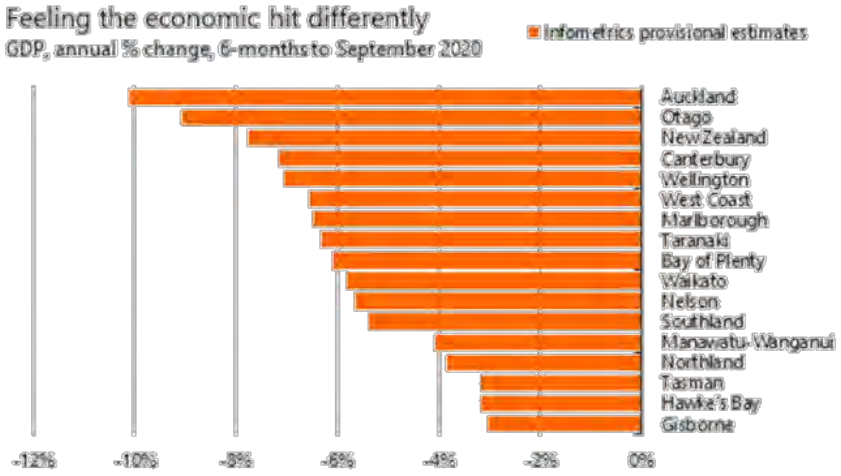
Economic activity crashed and rebounded

GDP figures for the June 2020 quarter confirm that the COVID-19 pandemic brought about the sharpest decline in economic activity in history. Nationally, GDP declined by 12.4% compared with the June 2019 quarter.

The previous largest quarterly fall in economic activity experienced in the New Zealand economy took place following the Global Financial Crisis of 2008. In the March 2009 quarter, GDP declined by 2.8% compared to the March 2008 quarter.

As expected, this downturn in economic activity was unevenly spread across New Zealand's regions. Districts with a high reliance on international tourism, such as Queenstown-Lakes and Westland, experienced contractions of more than 20% compared to the June 2019 quarter. By contrast, districts with large food-based primary sectors fared much better – GDP in the Wairoa, Tararua and Carterton Districts declined by less than 5% compared to June 2019.

Graph 13



Economic activity rebounded in the September 2020 quarter, as the national lockdown ended, and the country returned to more normal levels of activity. GDP for the quarter was 3.2% lower than in the September 2019 quarter.

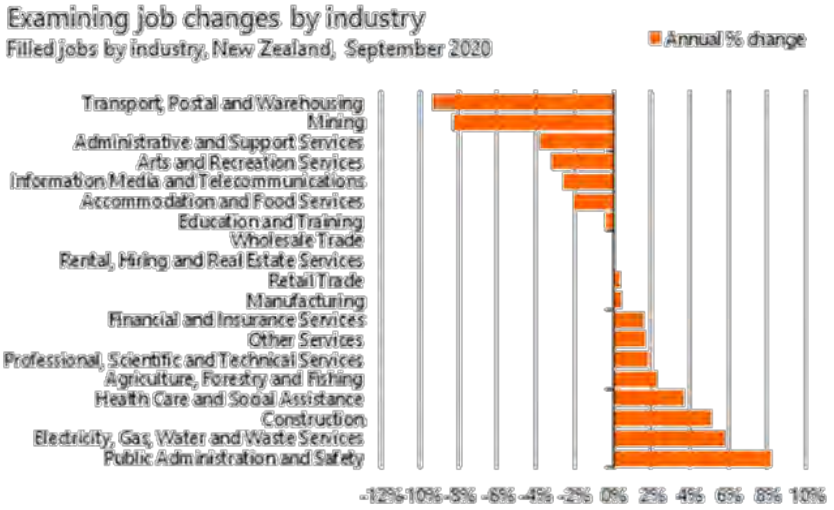
Over the year to September 2020, activity across the national economy declined by 3.3%.

Jobs have been lost – although fewer than initially feared

The recession has understandably had a negative effect on employment. Our estimate is that in September 2020, over the year to September 2020, the monthly total number of employment-related benefit recipients (Jobseeker Work Ready+ COVID-19 Income Relief Payment) has increased by more than 74,000 individuals.

On a percentage basis, job losses have been concentrated in the transport, postal and warehousing (for the most part Air New Zealand), mining, and administrative and support services industries. In absolute terms, the largest numbers of jobs have been shed in the following industries – transport, postal and warehousing, accommodation and food services, administrative and support services, and arts and recreation services.

Graph 14



While the effects of these job losses will ripple through New Zealand's communities over the next several years, the level of job losses is likely to be well below the figure of 120,000 initially forecast for the year to March 2021. The various financial measures implemented by the government, most notably the wage subsidy and small business loan scheme, have had the intended outcome of reducing immediate job losses and allowing employers to recover from lockdown.

Graph 15

A number of industries have also begun to create jobs, as the economy recovers from the shock of lockdown and activity resumes (see Graph 14 above). In particular, the public administration and safety, construction, health care and social assistance and professional, scientific and technical services have each created several thousand jobs over the past year. Our estimate is that approximately 20,000 jobs have been created or re-established, mainly in the September 2020 quarter.

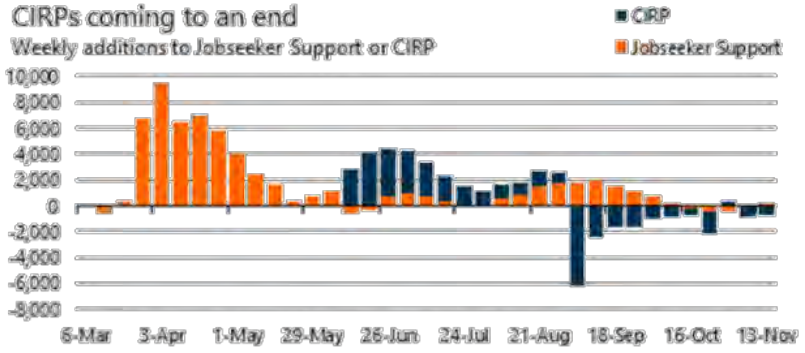
Preliminary data indicates that while job losses at the scale initially feared have been avoided, the nature of some employment has changed. In many instances, employees have been compelled to accept pay cuts, or have seen their working hours reduced, as employers seek to reduce costs and maintain the financial viability of their businesses. This trend seems to be particularly prevalent in tourism-dependent industries such as accommodation and food services, and in service-based sector such as arts and recreation, and administrative and support services.

Government support has helped

The 12-week COVID-19 Income Relief Payment (CIRP) helped to stabilise the economy during and immediately after the lockdown period. At the height of its uptake, in August 2020, the CIRP was supporting close to 25,000 individuals in total.

Interestingly, as CIRP recipients have reached the end of their eligibility period, we have not yet seen a corresponding increase in the number of Jobseeker Support recipients. At the same time, the rates of job creation or job re-establishment in the economy do not appear sufficient to accommodate all these previous CIRP recipients. This suggest that unemployment might be higher than the official unemployment rate suggests, or that the decline in the labour participation rate in the economy might be larger than estimated.

Graph 16



The housing market is heating up

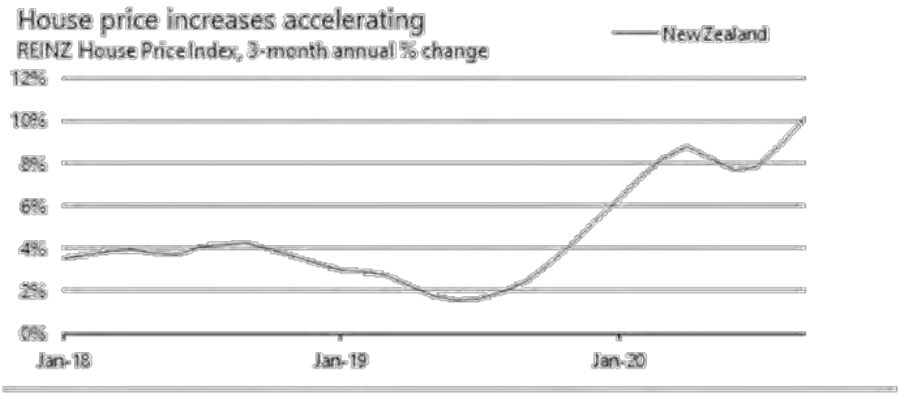
Another significant intervention in the economy during the June 2020 quarter, involved the negotiation between government and the commercial banking sector of six-month mortgage holiday scheme. This scheme was designed to prevent homeowners from being forced to sell their homes in the event of losing their jobs as a result of COVID-19.

One of the potential unintended consequences of this measure has been an increase in consumer spending, as funds that might normally be used to service a mortgage became available for other uses. Another outcome appears to have been a reduction in short-term household debt, as consumers have become somewhat less confident of their job security and future employment prospects.

The COVID-19 lockdown, along with the mortgage holiday and subsequent uncertainty amongst homeowners, resulted in a reduction in the stock of existing houses available for sale. This, along with historically low interest rates and the removal of loan-to-value restrictions, has contributed to an unanticipated boom in house prices over the September 2020 quarter.

Following a decline between April and June 2020, the Real Estate Institute of New Zealand's (REINZ) House Price Index, which tracks annual percentage changes in house prices over a rolling three-month period, turned positive in July, before accelerating sharply in August and September. Over the three months to September 2020, house prices across the country were more than 10% higher than in the corresponding period of 2019.

Graph 17



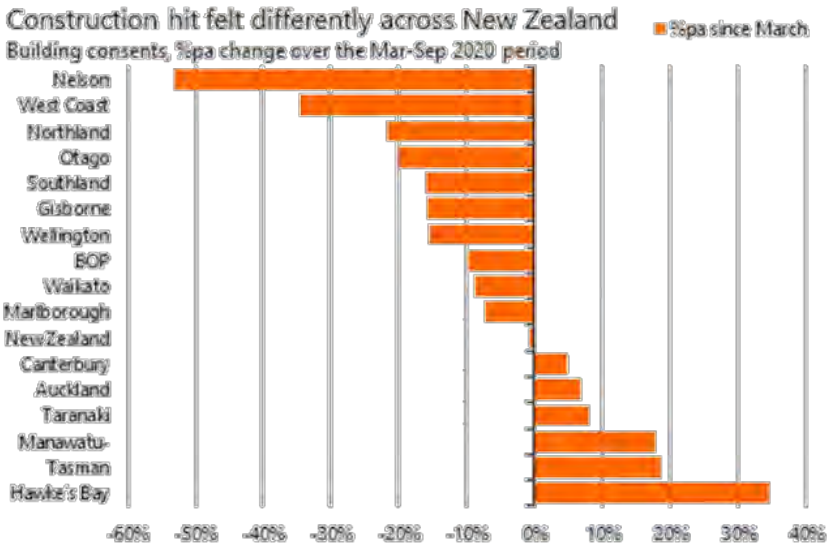
Construction is a mixed bag

Construction activity across the country has also not declined to the extent that we initially anticipated. One possible reason for this appears to be the delays caused by the Level 3 and 4 lockdowns to construction projects that were already underway. The long lead times that exist in some regions, due to capacity constraints in the local industry, are also helping to keep activity going.

Many councils across the country were able to continue issuing building consents during lockdown. It is therefore perhaps not surprising that the number of residential consents issued nationally increased by 8% over the year to June 2020, and by 3.5% for the year to September.

By contrast, the value of non-residential consents declined by 8.6% over the year to June 2020 and by 7.6% for the September year. This appears to be consistent with the sharp reduction in business confidence during and immediately after lockdown.

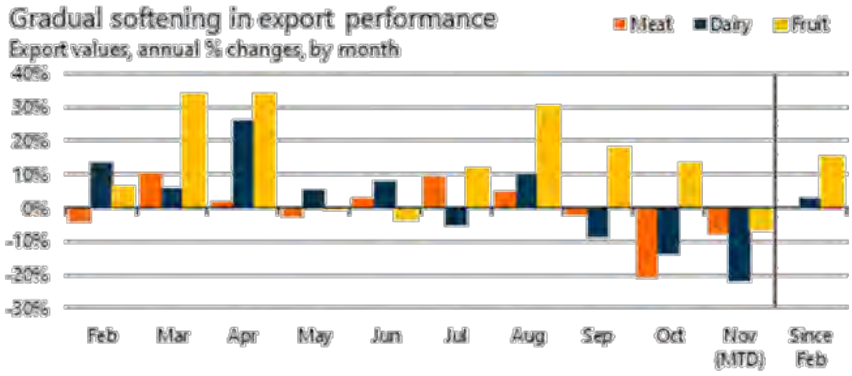
Graph 18



Exports keep going

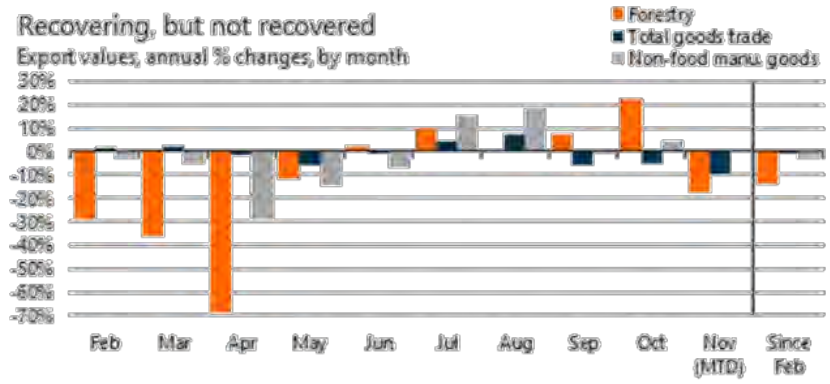
Food-based primary exports have performed well, as foreign consumers have been increasingly attracted to New Zealand's produce due to its reputation for high quality and food safety standards. However, over the past two months, export values have begun to decline, as international supply chains and shipping routes remain disrupted, and COVID-19 infection rates have again begun to climb sharply in Europe and the USA.

Graph 19



The picture is similar for non-food primary and manufactured exports. In the case of wood and forestry products, New Zealand has been faced with a global oversupply and a Chinese processing sector that has been somewhat slow in getting back to pre-lockdown activity levels. A lack of overseas processing activity has also reduced demand for some local mining outputs.

Graph 20


Recovering, but not recovered
Export values, annual % changes, by month
Forestry
Total goods trade
Non-food manu. goods
30%
20%
10%
0%
-10%
-20%
-30%
-40%
-50%
-60%
-70%
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov (MTD)
Since Feb

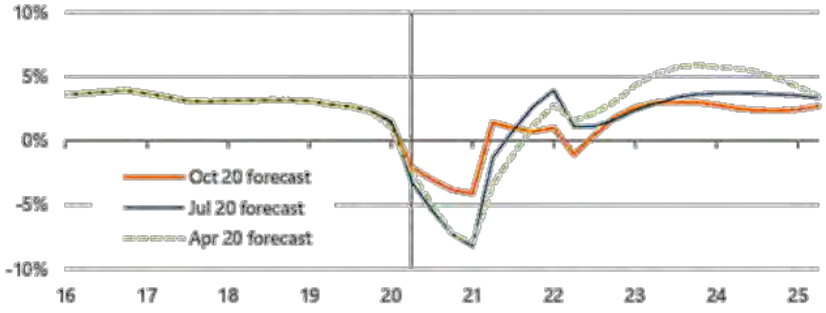
But is the worst yet to come?

The latest Infometrics macro-economic forecast, released in October 2020, confirms that the economy's immediate bounce back from the initial COVID-19 lockdown has been better than expected. Labour market indicators, the housing market, construction activity, and household spending have all defied expectations of an immediate and sharp downturn. Despite this good news, we're worried that the worst is yet to come, and we now expect more fallout to hit the New Zealand economy next year. We are now forecasting the second half of a double-dip recession to occur in 2021.

Graph 21

Less pain now, but another downturn in 2021/22

GDP forecast comparison, year-ended % changes



It all hangs on the labour market

Credit must be given to the government's wage subsidy for limiting the immediate rush of job losses from the border closures, lockdown, and collapse in business confidence. Weekly additions to the number of Jobseeker Support beneficiaries averaged 7,160 during April amid a wave of reactionary redundancies from businesses. But since tailing off in mid-May, additions to the jobseeker queue have stayed relatively low, averaging just 784 per week.[2]

We believe that we are now at a crossroads for the New Zealand economy. If we can somehow avoid another substantial wave of job losses, then the negative flow-on effects for other key pillars such as the housing market and spending activity will also be muted. Alternatively, if the government's wage subsidy and its various extensions have only delayed job losses, rather than prevented them, then we would expect to start seeing things unravel as businesses plan for the year ahead.

Crunch time for employment

The next four months will be a crunch time for many businesses and their employees. Summer will be a key bellwether of fortunes. Retailers will be hoping that the post-lockdown buoyancy in spending can be sustained through into the Christmas period. For

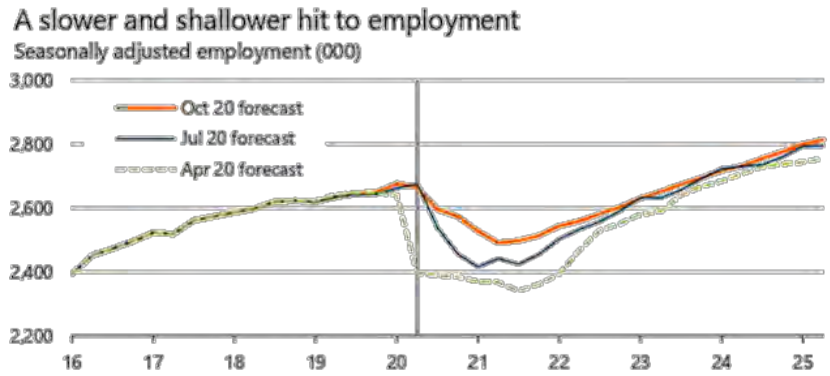
[2] Trends in Jobseeker Support numbers are muddied somewhat by the COVID-19 Income Relief Payment. However, there has been a relatively small number of people moving onto Jobseeker Support after their Relief Payment entitlement has run out, suggesting many of these people are not eligible for Jobseeker Support.

tourism operators, the absence of foreign tourists during the peak summer months could have a negative effect on their revenue three times as large as it did during winter. And other businesses will be weighing up trading conditions in the lead-up to Christmas, deciding whether it is worthwhile retaining staff and having to pay them through the holiday period if demand is going to stay soft into 2021.

We are not confident that further job losses can be avoided. Our updated forecasts predict a 6.5% decline in employment over the year to June 2021, implying a total fall in job numbers of 6.9% from its March 2020 peak (see **Error! Reference source not found.**).

Our forecast loss of 186,000 jobs from peak to trough is a significant improvement from the 253,000 decline we were predicting in July or the 307,000 we anticipated in April. As previously noted, the government's support has proven to be very important for the labour market, while job losses have also been limited by the New Zealand economy's successful elimination of COVID-19 and quick bounce back out of lockdown.

Graph 22



Labour market squeeze to hit household spending

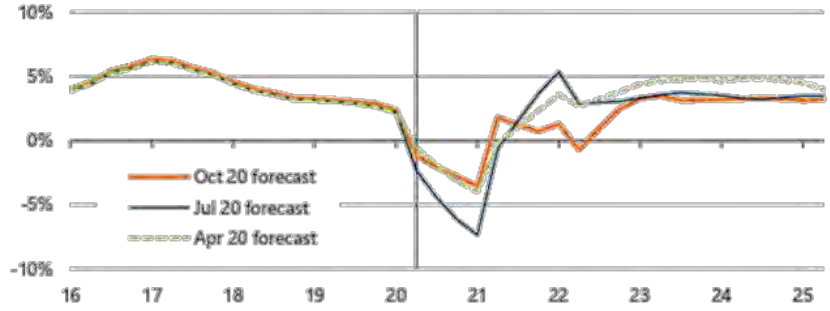
Declines in employment have a clear and dramatic effect on the spending power of consumers. But reductions in hours worked and a lack of wage inflation also have negative implications for household budgets.

Indicators to date suggest an immediate bounce back in household spending following lockdown, with private consumption in the September quarter likely to be similar to its pre-COVID level. However, Graph 23 shows that we expect 2021 to be much less positive as the labour market's deterioration affects spending activity. We forecast a 3.2% fall in private consumption between December 2020 and September 2021, with household spending not surpassing its pre-COVID peak until the second half of 2022.

Graph 23

Household spending still vulnerable to job losses

Private consumption comparison, year-ended % changes



The housing market's remarkable resilience

Alongside household spending, the other important facet of the economy being buoyed by the labour market's resilience is the housing market. Our previous forecasts of house price falls were premised on jobs being lost and people being unable to meet their mortgage payments, along with a collapse in population growth due to border closures.

Instead, we have so far been spared the worst of the job losses and, since our last forecasts were published in July, the government has extended its mortgage holiday scheme until March next year. No one is under pressure to sell their property, so the increasing pool of interested buyers is fighting over a limited number of houses available to purchase. House prices have defied expectations from six months ago and have actually gathered more upwards momentum.

It's worthwhile outlining the contributors to this pick-up in demand for housing to better understand how long it might continue.

- Population growth unexpectedly spiked in late 2019 and early 2020. The pandemic created a pool of foreigners that have stayed in New Zealand longer than originally intended, due to border closures, reduced air connectivity and visa extensions. There was also an influx of returning Kiwis in early 2020 who chose to come back to live in New Zealand as conditions deteriorated offshore. Even if they are not homeowners, many of these people have needed somewhere to live. Also, many of the working Kiwis returning at short notice from overseas will have been cashed up and keen to buy a house.

- Very low interest rates have proven effective in enticing buyers into the market. First-home buyers have been particularly active, with new lending over the three months to August up 31% from the same period in 2019. As well as the boost to demand from lower mortgage servicing costs, parents are more likely to be helping their adult children get onto the property ladder, given the lack of return on their term deposits.

- Investor demand for property has picked up, with lending growth over the three months to August sitting at 25%pa. The removal of the Reserve Bank's loan-to-value restrictions effectively reduced the deposit requirement for investors from 30% to 20% (the latter requirement has generally been imposed by the banks

themselves since the pandemic began). The lack of returns available from other investments such as term deposits has also driven up investor demand for property and shares.

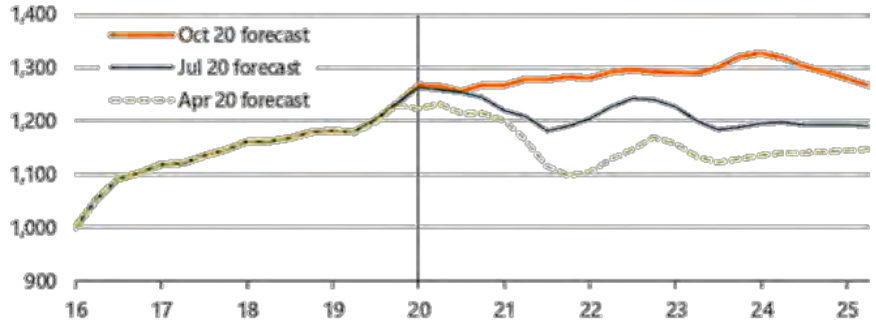
- Where job losses have occurred, those people affected are on average more likely to be renters than homeowners. This uneven nature of the downturn so far has limited the negative effects on the housing market.

Add in the fact that neither the Reserve Bank nor the government want to see house prices fall, and it is becoming increasingly difficult to envisage a decline in property values in the near term. We still expect house price growth to slow in coming quarters in response to lower net migration and a weakening labour market, in combination with the significant continuing supply of new residential building activity in the pipeline. However, house price inflation holding between 0% and 2%pa between March 2021 and March 2023 is a much "better" outcome than the falls of 11% we were predicting back in April at the height of lockdown (see Graph 24).

Graph 24

One direction is what makes housing beautiful

Forecast comparison of house prices, Mar 2016 = 1,000



We still see scope for downward pressure on house prices over the longer term as interest rates start lifting from their record lows and the market absorbs the big increase in supply that is currently being constructed. We have factored in modest falls in house prices during 2024 and 2025.

Uncertainty the enemy of growth

Auckland's community outbreak in August was an unwelcome reminder that COVID-19 and its associated restrictions on business activity and freedom of movement can reappear at any time. From both a business and household point of view, this incredible level of uncertainty makes it very difficult to make major decisions or commit to significant future plans. Although businesses have shown increasing flexibility and agility in how they operate, we expect uncertainty to remain a constraining factor on spending and investment throughout the next year.

The on-again, off-again nature of the possible Trans-Tasman and Pacific travel bubbles has also made it difficult to reliably assess prospects for the tourism industry. For this set of forecasts, we have maintained a conservative assumption that travel bubbles start to open up from the second quarter of 2021. However, the recent move to allow New

Zealand travellers into New South Wales and the Northern Territory without having to quarantine suggests that things might progress sooner.

Timelines for a COVID-19 vaccine also seem to be highly variable. Our forecasts have been prepared on the basis that a vaccine becomes readily available late next year. However, the roll-out of the vaccine will not necessarily be uniform around the world, and we can envisage some restrictions persisting throughout 2022 and limiting travel.

The globe is a mess

COVID-19 is not going away any time soon. Global daily new case numbers reached an all-time high of 385,848 on October 9, almost four times the highest daily total recorded in April. However, it's important to note that this increase in case numbers reflects much more widespread testing than there was capacity for six months ago. Global deaths averaged 6,306 per day in April; the corresponding number for September was 5,406.

Lockdown fatigue means that countries are reluctant to continue or reimpose significant restrictions on economic activity and people's freedoms. But it is also clear that the ongoing threat of the virus is acting as a constraint on activity anyway. Even without lockdowns, people are more reluctant to venture out and about than they were pre-pandemic, and this hole in demand will have a lasting effect on economic outcomes. The latest Consensus forecasts show that by June 2022, Spain, Italy, the UK, Japan, and France are all likely to still have smaller GDPs than in the September 2019 quarter.

Aside from the prospects of prolonged weakness in the world economy, which could extend for longer than most forecasters are predicting, the pandemic is also affecting people's consumption patterns. Reduced spending on travel and associated goods and services is an obvious change, but our exporters are also being affected by lower levels of restaurant and hospitality activity that are hitting demand for higher-value foodstuffs. This trend is likely to show through in reduced incomes for meat and wine producers, for example, as they are forced to settle for lower prices from international consumers with a reduced willingness or ability to pay top dollar.

Concerns about international supply chains also remain on the radar. Imports of a range of manufactured products are well down from a year ago. Some of this decline reflects weaker demand, particularly related to business investment spending. But there are ongoing anecdotes about shortages of electronics and other manufactured consumer goods.

At this stage, we remain reluctant to predict a pick-up in domestic manufacturing activity on the back of these issues. However, supply chain disruptions have the potential to constrain economic growth if they persist or become more acute in coming months.

An economy regaining momentum

It's undeniable that the New Zealand economy has regained momentum following the chaos of early 2020. The effects of the pandemic on the economy to date have been less severe than we originally feared. But this downturn is still the most severe in living memory, and the path ahead remains highly uncertain.

We still expect the ramifications for the economy of the lockdown and border closures to persist for an extended period. Caution remains a key feature of our forecast outlook. One of the biggest risks is that New Zealand's better-than-expected economic performance is not matched by a rebounding global economy.

COVID-19 macroeconomic assumptions

We have employed the following the macro-economic assumptions in modelling the effects of COVID-19 on the New Zealand economy as follows:

- **No further lockdowns** – we have not modelled further nationwide lockdowns in the remainder of the year to March 2021 or the following year.
- **Global demand for food products holds up, but non-food exports decline** – our forecast of a 16% contraction in non-food manufacturing exports volumes over the year to March 2021 remains unchanged, while the forecast for the year to March 2022 is revised to a decline of 8.1%.
- **Foreign tourism remains off the table** – the ongoing closure of New Zealand's border to all but returning citizens and residents, essential workers and a limited number of exemption holders, mean that we have revised our estimates of the reduction in foreign tourism demand to 99% for the year to March 2021, and 91% for the year to March 2022.
- **Domestic tourism spending increases** – continued constraints on the ability of New Zealanders to travel internationally, along with the strong demand for domestic travel, have led us to revise our estimate of 21% decline in domestic tourism spending, to a 3.3% increase in this spending category in the year to March 2021, and a 12.3% increase in the following year.
- **International education revenue halves** – we retain our forecast of a 49% reduction in international education revenue in both the year to March 2021 and the year to March 2022.
- **Domestic education demand increases** – we have estimated the increase in domestic demand for tertiary education at 8.3% for the year to March 2021, and 4.4% for the year to March 2022.
- **House prices growth will continue** – the combination of government support measures and market forces has caused us to revise our assumption of an 11% decline in average house prices by the end of 2021. Instead, following the sharp price increases of the past two quarters, our forecast is for house price inflation of between 0% and 2%pa for the two years to March 2023.
- **Construction gets a boost** – the heat in the housing market will have a buoyant effect on residential construction, counteracting the effects of the sharp decline in international net migration. We have therefore revised our estimate of a 35% decline in new dwelling construction, to a 16% decline in the year to March 2021 and an 8% decline in the following year. Non-residential construction is likely to be boosted by the New Zealand Upgrade Programme, COVID Response and Recovery Fund (CRRF), and the acceleration of various projects earmarked for funding from the Provincial Growth Fund.
- **Government comes to the party** – our modelling includes the wage subsidy and its subsequent extension, the COVID-19 Income Relief Payment and increase social welfare benefits. Collectively these benefits have injected close to $20 billion into the national economy in the current financial year.

Appendix 2. GDP forecasting methodology

Infometrics has developed a series of models to robustly forecast regional economic performance. We have augmented our forecasting approach to account for the potential impact of COVID-19 on regional economies.

We first forecast the overall macroeconomic conditions of the New Zealand economy. Then, we model this down to industries at a national level. We then break down our national industry forecasts to industries at a city and district level, using an array of forecasting models over the short and long term.

Forecasting the macroeconomy

Infometrics maintains a macroeconomic forecasting framework that underpins our five-year forecasts of activity across the national economy. Our framework accounts for the relationships between different sectors of the economy and their responsiveness to one another. These include the labour market, households, businesses, government, the international trade sector, and financial markets.

In times of economic upheaval, we refine the output from the framework based on expert input from our forecasting team, their knowledge of rapidly changing trends in the economy, and the insights we gain from our interactions with central government, Councils, Economic Development Agencies and private sector clients.

Overseeing the forecasting process and framework is Gareth Kiernan, who has been forecasting the New Zealand economy for more than 20 years. The framework provides quarterly forecasts of GDP, employment, unemployment, and a range of other macroeconomic indicators up to 2025.

We have described our macroeconomic forecast in Appendix 1: Macroeconomic forecast and summarised our assumptions in COVID-19 macroeconomic assumptions.

Measuring impacts on individual industries

The pandemic will affect industries differently. To measure this, we have used Infometrics' general equilibrium (GE) model, which is designed to measure the impact of economic shocks on individual industries. We introduce shocks to the model, including a sharp decline in foreign tourism, declines in international education and non-food commodity exports, and a fall in productivity across affected industries. We also temper these shocks through the introduction of support measures such as the wage subsidy and an increase in benefit payments.

The GE model estimates the combined impact of these factors on future economic output and employment across 54 industries. In this sense, the GE model breaks down the national macroeconomic forecasts of GDP and employment to industry level.

Infometrics' GE model is maintained by one of New Zealand's foremost econometricians, Dr Adolf Stroombergen.

Measure the impact on regions and districts

Regions will also be impacted differently by COVID-19. Those with a large tourism industry, for example, will be hardest hit. To measure regional impacts, we draw on our Regional Forecasting Model (RFM), an econometric model that breaks down national industry forecasts to territorial authority level.

The RFM draws on historic trends, patterns and relationships, and projects these into the future. It creates multiple forecast models for every territorial authority and industry combination and using machine learning techniques, selects and applies the model which is historically determined to have best predictive ability. It then produces forecasts of GDP and employment across 54 industries for each territorial authority up to a predetermined point in the future, e.g. 2025 or 2030.

Our regional forecasts use a combination of two approaches for the short-term and long-term, described below.

Short term regional forecasts (2020-2025)

In the first step of the process we develop forecasts of employment at the national level by 54 industries. Using econometric techniques, we develop approximately 50 separate statistical models for forecasting employment in each industry. The models draw on historic trends, patterns and relationships and extend these into the future.

Using machine learning we rank the models according to their track record of forecasting future employment in the industry. We can measure each model's forecasting ability by using historical data. For example, using data from 2000 to 2016 we can forecast employment to 2019 with each model and then compare the forecasts against actual numbers from 2017 to 2019. The model with the best track record is used to produce the final forecast for each industry to 2025. The industry forecasts are adjusted to ensure they are consistent with Infometrics' view of total employment growth over the forecast period.

In the second step we develop forecasts by territorial authority and region which are consistent with our national forecasts. We use a similar technique as in the national forecasts developing 50 models for each combination of 485 ANZSIC industries and 66 territorial authorities. Slightly different techniques are used for the various industries in the regions which accounts for different industry drivers.

The future performance of *agriculture, forestry, fishing, mining and manufacturing* industries are influenced predominately by macro-economic conditions which are not specific to local conditions. For example, a boost in forestry from strong demand in China is likely to benefit forestry in all regions. Hence the models we develop for these industries are driven by nationwide industry trends and the extent to which the regional trends historically deviate from the national. Using machine learning we choose the model which is most effective at mimicking and predicting these components.

The regional forecasts for *service industries* (including trade, accommodation, education, health and professional services) consider more local drivers including population growth, local macroeconomic conditions and visitor numbers.

The regional forecasts for *construction* industries incorporate Infometrics' forecasts of construction work-put-in-place from Infometrics' Regional Construction Outlook. They also take population growth into consideration.

After we have generated forecasts for each industry/territorial authority combination we ensure they are mathematically consistent with our national level industry forecasts.

Long term regional forecasts (2025+)

The method used in the short-term forecasts draws heavily on a statistical approach to forecasting: they draw on historic trends, patterns and relationships and extend these into the future. This statistical approach becomes less accurate with longer forecast horizons. Therefore, we modify the forecasts from 2025 onwards to ensure consistency with the outputs of Infometrics' general equilibrium model of the New Zealand economy (ESSAM).

ESSAM considers the main inter-dependencies of industries in the economy, such as flows of goods from one industry to another, plus the passing on of higher costs in one industry into prices and thence the costs of other industries. The model presents a picture or scenario of the economy for the target years (in our case 2030 and 2050) based on plausible assumptions of economic factors including international commodity prices, population growth, carbon price, automation, changes in energy efficiency, and substitution between four energy types (coal, oil, gas and electricity). ESSAM's estimate of employment by industry in 2030 and 2050 provides a benchmark for our long-term employment projections. Some of the key macro-economic assumptions used by the model are shown in Table 1.

Table 1. ESSAM macro-economic assumptions and outputs

Indicator	2025-2030
Growth rates	
Population	1.0%pa
Labour force	0.7%pa
GDP	2.9%pa
World trade	2.7%pa
Public investment	3.0%pa
Government consumption	2.1%pa
Investment in dwellings	2.0%pa
Real prices	
Oil price	US$110/bbl in 2030
Carbon price	NZ$100/tonne CO_2 in 2030

* These are model results, not input assumptions.

Appendix 3. Unemployment forecasting methodology

Infometrics regional unemployment forecast model takes the unemployment forecast from our national macroeconomic forecast, our forecast of regional employment, and applies adjustments based on how the region has historically performed relative to the national unemployment rate and how employment in the region is forecast to grow. In the case of Wellington, the relationship between unemployment and employment is confounded by strong patterns of commuting workers. When employment in the City declined in 2010, the increase in unemployment in the City only accounted for 16% of the employment decline. This suggests that many of workers affected by the decline resided in the region outside of the city, and therefore weren't counted in the city's unemployment statistics. We have used this evidence of the historic relationship between employment decline and unemployment from the GFC to inform our forecast of unemployment from the COVID-19 induced recession. This leads to a forecast of a relatively small increase in the unemployment rate in coming years.

Appendix 4. Population forecasting methodology

Introduction

Infometrics operates a regional population projection model uses a cohort-component approach with employment forecasts used to inform net migration. We modified this approach for Wellington City to account for the highly integrated nature of the Wellington Region with extensive commuter flows. Projecting the City's population by considering only the city's employment growth would lead to an increase in population and households which could not be feasibly accommodated within the City. Instead, we looked at the historic relationship between growth in the City and broader region; and used this to inform our assumption of how this relationship would carry on in the future. We have included Horowhenua District in the Wellington Region for this analysis as we expect that it will play an increasing role in the labour supply for the City as railway and state highway connectivity increases its attractiveness as a home for commuting workers.

Over the past five years, there has been a steady apportionment of growth between the city and broader region, with 34% of all new dwelling consents in the Wellington Region (including Horowhenua District) taking place in the city. Although there are sustained efforts to increase housing supply in the City through initiatives such as the District Plan review, we also see sustained increases in supply in the broader region. Other territorial authorities such as Hutt City are also undergoing District Plan reviews. Large private plan changes will bring on increased supply in Porirua City, and large subdivisions are proposed for Levin. Developments across the region will provide a counterbalance to developments in the City, and residents will continue to weigh up the cost of housing in the City compared to alternatives with longer commutes in the broader region. Given this backdrop, we assume that the apportionment of growth between the region and City will remain constant over the coming decade.

Construction activity, as indicated by residential building consents, has grown strongly in both the City and broader region over the past five years. Given this strong growth to date, we have made the assumption that recent consenting levels represent a peak level of construction sector capacity in the region, and we have used this to constrain our forecasts of household growth. Due to strong employment growth, labourforce shortfalls are expected to pull strong migration into the region for the entire forecast period, leading to household growth which is constrained by building sector capacity.

Migration

The population projections draw on Infometrics' short- and long-term international migration forecasts.

In the short term, COVID-19 is the most significant influence on international net migration. We expect that heavily reduced international flight schedules, restrictions on international movements, and a general reluctance to migrate will drive net migration to

around zero in 2021/22. As global travel slowly resumes and the New Zealand economy recovers, net migration is expected to slowly return to our long-term forecast level of 30,000 people per annum from 2025 onwards.

Our long-term forecast considers a wide range of factors affecting both the global and the New Zealand economy. Although recent historic inward net migration levels in excess of 60,000 individuals per annum are unlikely to be sustained in the long term, given projections of steady employment growth projected and an ageing population, we expect sustained positive net migration over the long term, particularly with the aid of favourable work visa conditions.

Migration is apportioned to territorial authorities using a mix of two approaches. Firstly, historic migration trends are applied to forecast the volume of non-employment-driven migration, such as people moving at retirement. Secondly, forecast labour market shortfalls are used to forecast the volume of employment-driven migration, such as people moving to take up employment opportunities. Employment-driven migration is also adjusted somewhat to account for commuting patterns between districts. For both employment-driven and non-employment-driven migration, Stats NZ's projected age and gender profile of migrants to the district is assumed.

Labour market shortfalls

Labour market shortfalls exist when employers' requirement for labour exceeds the number of workers available at current wage rates. When labour market shortfalls exist in an area, additional labour, and hence population, is attracted to that area.

Infometrics estimates future labour market shortfalls by separately considering the projected supply of labour and the projected demand for labour (as measured by employment) and comparing these two factors.

As the starting point for estimating labour supply, Infometrics makes use of Stats NZ's published population projections by 5-year age group and gender.

Labour force participation rates (LFPRs) by age and gender are projected based on Stats NZ's national labour force projections. In addition, historic LFPRs for each region are analysed to identify their deviation from the national average. This deviation is applied to the national LFPR by age, to project regional LFPR by age. Historic averages for the unemployment rate in each region are analysed and projected forward. Projected LFPR by age is applied to the Stats NZ population projection, and the projected unemployment rate is applied to this, in order to estimate labour supply.

This projection is undertaken for each region or territorial authority, enabling the balance between labour supply and demand (as measured by employment) to be assessed within each labour market area. In periods of insufficient labour supply within a territorial authority or broader regional labour market to meet projected labour demand, the area is projected to receive additional migration.

This additional migration is apportioned to regions or territorial authorities based on their respective share of the national labour market shortfall. At the same time, however, additional migration may be constrained by the Infometrics' international net migration forecast, meaning that a particular region may not necessarily receive sufficient inward migration to entirely eliminate its labour market shortfall.

Similarly, the projected LFPR and unemployment rates are applied to the additional migration, reflecting the fact that it is rarely possible to import only workers – instead

these workers often come with family members, who may not necessarily be economically active. Examples in this regard might include stay-at-home parents, children, and aged dependents. Furthermore, in some instances, migrants may not immediately gain employment following their move.

Population

Population Base

As a rule, the appropriate population to use for Council Long Term Planning (LTP) purposes is the estimated resident population (ERP). This measure represents all individuals who permanently reside in an area and could be considered a 'maximum' population, as a percentage of these individual is likely to be away at any given point in time.

Consequently, the Stats NZ 2018 Estimated Resident Population (ERP) is considered as the basis for the population projections. This estimate is produced by Stats NZ with the most recent available Census (2018) data, and births, deaths, and migration that has been recorded since.

Given that the majority of population projection parameters from Stats NZ are published for five-year intervals, our projection model also operates at five-year intervals, from 2018 to 2053. We then make use of a cubic-spine statistical process to interpolate population to single years.

Stats NZ's population estimates for 2019 and 2020 are also included in the projection outputs.

Fertility

We used published regional age-specific fertility rates from Stats NZ, based on the 2013 Census. These rates include an open-bounded 45+ age group. We have however chosen to apply this only to the 45-49 year age group. This ensures that a growing population beyond the age of fertility does not artificially inflate the projection of births. The impact of this change is considered negligible, particularly given that between 2012 and 2014, there occurred an average of only eight births per annum to women aged 49 and over across New Zealand. Similarly, we ignore births to mothers under the age of 15, due to a lack of reliable data regarding fertility rates in this age group. Again, this is not statistically significant, as nationwide there were an average of only 21 births per annum recorded to mothers under the age of 15 between 2012 and 2014.

Throughout the projection period, we adopt Stats NZ's assumed gender ratio of 105.5 males per 100 females born – this is based on the historic average ratio at a national level. This phenomenon is commonly observed around the world, and is understood to be a function of slightly higher miscarriage rates for female children, rather than of selective abortion.

Mortality

Projected age- and gender-specific mortality rates by region or territorial authority, as calculated by Stats NZ, are applied to accurately project the number of deaths. These are based on the 2013 Census.

Households

Living Arrangement Types

The number of households at SA2 or district level is projected by applying Living Arrangement Type Rates (LATR) to the projected population. At present, Stats NZ projects LATR to 2038 from the 2013 Census figures across two scenarios – A and B. Scenario A assumes that LATR remain constant into the future at 2013 rates, while Scenario B projects a linear change to 2038, based on observed historic trends and future expectations. These trends include delayed childbearing (discussed under Fertility above), decreased rates of single parenting, and improvements in life expectancy which enable older individuals to live independently for longer periods[3]. We follow the Stats NZ recommendation to use Scenario B for projection purposes, as this is considered more realistic. This means that the LATR used in the projections transitions up to 2038, and then remain constant at 2038 rates up to 2053.

Applying LATR to the population provides an estimate of the number of people in each living arrangement type; this is then translated this into the number of households based on expected family structures – for example, couple households consisting of two individuals. For other multi-person households, we follow the standard Stats NZ assumptions, and assumes 2.6 persons per household. Projected population figures are accordingly divided by the number of households to project average household size.

As a rule, the projected household size calculated in these projections varies somewhat from the 2018 Census measures. This variance can arise for several reasons:

1) Census counts are randomly rounded to the nearest multiple of 3, or supressed entirely, so as to ensure confidentiality of Census respondents. Census outputs such as average household size are however based on actual data, meaning that it is impossible for third parties to precisely replicate these outputs.
2) LATR projections are developed at a national level, representing an average across New Zealand. As a result, local patterns will differ – this can for example be driven by differences in ethnic makeup, with some non-European ethnic groups exhibiting a greater propensity to form multi-generational households, leading to larger household sizes.
3) Household sizes are susceptible to change in the short term in response to non-demographic factors such as increasing housing costs.

[3] Full discussion available here
http://archive.stats.govt.nz/browse_for_stats/population/estimates_and_projections/NationalFamilyAndHouseholdProjections_HOTP2013base/Data%20Quality.aspx#Livingarrangementtypesrates

2021-31 LONG-TERM PLAN PHASE ONE ENGAGEMENT AND COMMUNITY OUTCOMES

Purpose

1. This paper outlines results of the 2021-31 Long-term Plan (LTP) phase one engagement and presents the proposed Community Outcomes framework for inclusion in the draft LTP.

Summary

2. In August 2020, officers held three workshops with Councillors to develop draft long-term community outcomes, strategic objectives, and priorities (Outcomes Framework) as an input into the development of the LTP.
3. Community Outcomes are part of the required foundation for a LTP, providing direction for development of the city's investment over the next 10 years.
4. In November 2020, the Council commenced phase one of the LTP engagement programme which included testing of the draft Community Outcomes framework with stakeholders and the public.
5. This information has guided the refinement of the draft Community Outcomes Framework, will inform Council decisions on the LTP strategic direction, budget and content of the formal LTP consultation document.
6. The feedback on the draft Framework has been used to refine the document wording and reflect the residents' aspirations for the next 30 years. Refinement changes consisted of plain English and clarification focused edits (eg separating out elements of some objectives to make them clearer). The structure of the framework is unchanged from the draft.
7. Phase two of the LTP engagement programme (formal consultation) will take place in April.

Recommendation/s

That the Annual Plan/Long-Term Plan Committee:

1. Receive the information.
2. Note that feedback received from the public in phase one of public engagement will inform the Consultation Document for formal consultation.
3. Agree to the proposed Community Outcomes Framework for inclusion in the full Long-term Plan.

Background

8. The LTP community engagement is occurring in two phases ie Phase One pre-engagement (November 2020 - March 2021) and Phase Two formal consultation (April - May 2021). Phase One is focused on developing a LTP 'aware and informed community' as a foundation for formal consultation.

9. Phase One of the Community engagement programme supports the development of the LTP by obtaining community and stakeholder feedback on the LTP draft Community Outcomes Framework developed with Councillors in August 2020.

10. Phase Two covers formal consultation on the LTP proposals in the Consultation Document (CD). The design of phase two programme is currently underway with the details being provided to Council in March.

11. The pre-engagement feedback and research has been used to refine the LTP Community Outcomes Framework. This information will also inform the development of the CD and inform Council decisions on the LTP strategic direction and budget.

Phase one activities

12. Overall, phase one of engagement activity has resulted in: 327 responses to the survey and about 250 people participating in an activity on the draft Community Outcomes, many of whom represent businesses, communities, or groups of residents.

13. The engagement activities completed from November 2020 to 26 January are:
    a. Launched the LTP website on the Korero Mai | Let's Talk platform. This includes a tool for users to submit questions and the timeline of the LTP process (https://wgtn.cc/ltp)
    b. Research on relevant stakeholder and public sentiment from past consultations
    c. Provided information to mana whenua partners and stakeholders kept them up to date with engagement activities.
    d. Conducted an online and hard copy survey on Let's Talk based on the Community Outcomes.
        i. This was advertised using Council social media channels, newsletters and using our databases for different sectors including the business community, sports and recreation and arts sectors. It received 184 responses.
        ii. The hard-copy survey included a return box, and was placed in libraries for those unable to complete a form online. We received 143 responses.
    e. Ran drop-in session at Victoria University with the hard copy survey. This received 56 survey forms in two hours.
    f. Briefed Council advisory groups.
    g. Nine card sort activity sessions run with groups, including Youth Council and the Environmental Reference Group, Kilbirnie and Tawa BIDs, students at Victoria University, members of Onslow-Western and Newtown Residents' Associations.
    h. LTP stand at Pasifika Festival and Welly Weekend family fun day at Frank Kitts Park. Ran the card activity and talked to people about the LTP. Supported by PAG members.
    i. Stakeholders were invited by email to participate in the online engagement survey, and to do the card activity. This was an opt-in opportunity as the engagement was conducted in the busy November and December period.
        i. Those contacted included, Mana whenua and Tira Poutama iwi networks, First Retail and Chamber of Commerce, Residents' Associations, Community Networks Wellington, Multicultural Council, Council advisory groups and community boards, Arts and Culture sector, Sport and recreation sector, BIDs, and Council staff.

14. The early engagement was deliberately light given the phase of the project, time of the year, and the feedback Council had already received from recent engagements.

15. To inform phase one, public sentiment from previous engagements was synthesised so the planning, consultation document and phase two engagement builds from what we already know.

Community Outcomes survey and card activity

16. Information gathered is in **three groups of public sentiment** on draft Community Outcomes Framework.
    a. **Group one** covers submitters views on the **overall importance of the objectives**. This question did not require them to prioritise one objective against another or select a top objective.
    b. **Group two** covers the submitters **forced ranking of the objectives** within an Outcome area. The intention was to find out what objective was the most important in each area. This was the start of introducing trade-offs to the community.
    c. **Group three** is the **results of the card activities** we conducted with various internal and external groups. Participants were asked to order the objectives against each other as a full group, rather than just in each Outcome/Wellbeing area.
        i. The card activity required participants to rank the objectives into three timeframes - significant investment in the next three years, moderate investment over the next 10 years and low investment in 10 to 30 years.
        ii. It was explained to participants that all the objectives were important and placing them in the “30 year” category was not saying it would not be done or wasn’t important, simply that it was ok if change in that area occurred over a longer timeframe.

Summary of Engagement Results

17. A summary of the results follows. The full results are outlined in Attachment 1 of this report, including a sample of comments received.

Results of Overall importance

18. In the survey results were clear and backed up what Wellingtonians have said to us in previous engagements ie it was very important that the city had:
    a. reliable drinking water, wastewater and stormwater networks
    b. accessible and maintained green spaces across the city
    c. reliable and modern transport networks
    d. affordable and resilient places to live.

Results of Ranking survey

19. For the Environment, Economic and Social areas, the objectives that were ranked number 1 on average also received the *most number* of number 1 rankings. These were reliable three waters, modern and reliable transport, and affordable and resilient housing.

20. For the Cultural Wellbeing area, increasing the visibility of te reo and te ao Māori received the most number 1 rankings, however it also received the most last place rankings. On average, providing grants and venues, including museums, libraries and halls was ranked the most important in Cultural Wellbeing.

Results of card activity - timing of the Outcomes framework objectives

21. **First time horizon - next 3 years:** A reliable water network and affordable housing were the objectives that were most consistently placed in this group. This backs up

what has been said in many of the comments as areas that are top of mind for residents.

22. **Second time horizon - 1 to 10 years:** Four objectives were consistently placed in this category. These were: ensuring the city is inclusive and accessible for the disabled, vulnerable, and elderly; diverse transport options for personal and commercial use; reducing emissions, and creating energy efficient facilities; and waste minimisation.

23. **Third time horizon - over 30 years:** The three objectives consistently placed in this category were: encouraging healthy and active lifestyles; providing a diverse annual events programme; providing support for start-up businesses.
    a. Many of the objectives placed in this group were those that participants said would be achieved by other objectives happening, were better suited to on-going investment, were already doing well so just needed to be maintained or were not as high a priority at this stage.

Proposed Community Outcomes Framework

24. The proposed framework is largely similar to the draft and is attached as Appendix 1 of the Pre-Engagement report (Attachment 1).

25. The proposed changes are:
    a. Fine-tuning the wording of some of the objectives based on feedback from the relevant sectors eg:
        i. Economic Wellbeing: Added in sustainability, and an objective on the education sector.
        ii. Cultural Wellbeing: Split mana whenua sites of significance and preserving heritage into two objectives; updated some wording following feedback from sector (eg “hothouse of creative talent” to “pathways for emerging talent”)
        iii. Social Wellbeing: Added safe into Community Outcome; and updated accessible and inclusive objective to include that those communities are financially secure and connected
    b. Split overarching priority objectives on infrastructure and housing into four distinct objectives, which are shown below with the community support received during phase one of LTP engagement in italics.

Priority Objectives
A functioning, resilient and reliable three waters infrastructure - with improving harbour and waterway quality and, reducing water usage and waste *Card activity: 66% grouped as priority for next three years* *Survey: 98% selected as Very Important or Important, 75% ranked it #1 or #2 in Environment*
Wellington is an affordable, resilient, and safe place to live - with an accessible, connected, and compact city *Card activity: 73% grouped as priority for next three years* *Survey: 89% selected as Very Important or Important, 64% ranked it #1 or #2 in Social*
The city’s core transport infrastructure is a safe, resilient, reliable network - that supports active transport choices, and an efficient, productive, and sustainable economy *Card activity: 66% grouped transport objectives as a priority for next three years* *Survey: 92% selected as Very Important or Important, 83% ranked it #1 or #2 in Economic*
The city has resilient and fit-for-purpose community, creative and cultural spaces – including libraries, museums and community halls, where people connect, develop and express their arts, culture and heritage

Survey: 66% selected as Very Important or Important, 51% ranked it #1 or #2 in Cultural.

26. The other two priority objectives remain unchanged from the draft: An accelerating zero-carbon and waste-free transition, and strong partnerships with mana whenua.

27. The draft framework was also tested with the community through the early research for the new Arts & Culture Strategy, Economic Strategy and Children and Young People Strategy. The feedback from the stakeholders informed the fine-tuning of the wording outlined above.

Attachments

Attachment 1. Phase One engagement report and Community Outcomes Framework ⇩ Page 77

Authors	Amy Jackman, Advisor Planning and Reporting Lloyd Jowsey, Team Leader, Planning and Reporting
Authoriser	Baz Kaufman, Manager Strategy and Research Stephen McArthur, Chief Strategy & Governance Officer

SUPPORTING INFORMATION

Engagement and Consultation
As per report attached and outlined above.

Treaty of Waitangi considerations
Mana whenua have been approached throughout the process. As partners they are kept up-to-date on the engagement process and have had opportunities to express their views. The planning for phase two will involve engagement with mana whenua as per the requirements under the Local Government Act 2002.

Financial implications
There are no set financial implications, however the feedback will inform the LTP budgeting process.

Policy and legislative implications
Engagement on the LTP is a legislative requirement under the LGA 2002.

Risks / legal
N/A

Climate Change impact and considerations
An objective on zero carbon was included in the phase one engagement and forms part of the priority objectives proposed.

Communications Plan
The Community Outcomes Framework will input into the development of the Long-term Plan. Phase two engagement later in 2021 will include a communications plan and extensive engagement programme, which will be presented to Council in March.

Health and Safety Impact considered
None

2021-31 Long-term Plan Engagement Phase 1

This report provides the results of phase one of the Long-term Plan (LTP) engagement, including how we have consulted with the community and an analysis of the feedback received.

Contents

Context

The LTP is an exercise in determining Wellington City Council's priorities and investment for the next ten years or more. It considers community preference and expectations, Council strategy, and the trade-offs needed to press on with key projects while balancing the budget.

This year we are operating in an environment of financial constraint given COVID-19 impacts, higher operational costs and big-ticket investments including water infrastructure and LGWM. Progressively taking the community with us as the LTP is developed, will be the foundation for an informed and inclusive formal consultation. To do this community engagement in the LTP is occurring in two phases:

- phase one: pre-engagement (November 2020 – March 2021)
- phase two: formal consultation (April – May 2021)

The intent of phase one of engagement was to provide public sentiment and insights for Council to consider when making decisions on the budget and options for the consultation document.

Overview of phase one

Phase one supported the front-end designing of the LTP by gathering what we knew from recent engagements, and a light-touch public engagement through targeted stakeholder and public conversations on the **Community Outcomes Framework** (Appendix 2).

Consisted of:

- Analysis of feedback from relevant engagements;
- Meetings with and communications to stakeholder groups;
- Opportunity for the public to provide feedback via an online and hard copy survey;
- Closing the loop at the end of the phase in the context of the Long-Term Plan story, time-frames and process for formal consultation;
- Launching the website and timeline for the process; and
- Warming up public with key messages on the LTP.

How we have engaged

1. Developed a card activity based on the LTP Community Outcomes Framework
    - Used with staff groups, at Pasifika Festival, Welly Weekend, Tawa and Kilbirnie BID, Onslow-Western Residents' Association members, Newtown Residents' Association, Victoria University students, and Youth Council
2. An online survey based on the Long-term Plan strategic framework.
    - Open from 9 November to 18 December on Let's Talk
3. Hard copy survey – placed in Council libraries and used at Victoria University staff and student pop-up event
4. We launched the LTP website on Let's Talk and this will be developed throughout the full engagement process – wgtn.cc/ltp. This included:
    - Tool for users to submit questions
    - Timeline of the LTP process
    - Social media posts promoting the LTP website and survey
5. Emails on the LTP and early engagement survey, including an opportunity to do the card activity were sent to stakeholders. This was an opt-in opportunity as the engagement was conducted in the busy November and December period. Those contacted included, but not limited to:
    - Mana whenua and Tira Poutama iwi networks

- First Retail and Chamber of Commerce
- Residents' Associations
- Community Networks Wellington
- Multicultural Council
- Council advisory groups and community boards
- Arts and Culture sector
- Sport and recreation sector
- Wellington City Council staff

6. Presented on the LTP to those who expressed and interest.
    - Tawa, Kilbirnie and Karori BIDs
    - Advisory Groups
    - Multicultural Council
    - Community Networks Wellington

Overview of engagement results

Background

Information gathered presents **three groups of public feedback** on the Community Outcomes Framework of the Long-term Plan.

1. The first is the submitters views on the **overall importance of the objectives**. This question was asked in the online and hard copy survey. Submitters selected a level of importance for each objective on a 1 to 5 scale – from Very important to Not important.
    - This question did not require them to prioritise one objective against another or select a top objective. The objectives were grouped according to the Community Wellbeings.

2. The second group is the submitters **ranking of the objectives** within a Wellbeing area. This question was asked in the online survey.
    - The intention was to find out what objective was the most important in each area. This was the start of introducing trade-offs to the community.

3. The third group is the **results of the card activities** we ran with various internal and external groups. This asked participants to order the objectives against each other as a full group, rather than just in each Wellbeing/Outcome area.

    - The card activity required participants to rank the objectives into three time frames - significant investment in the next three years, moderate investment over the next 10 years and low investment in 10 to 30 years.

    - It was explained to participants that all the objectives were important and placing them in the "30-year" category was not saying it would not be done or wasn't important, simply that it was ok if change in that area occurred over a longer timeframe.

What the results say – Online and hard copy surveys

Full detailed results of the online and hard copy survey are included from pg 5, including a sample of comments.

The engagement with the public was designed to gather sentiment at this early stage of the process. We received **327 responses** – 184 online and 143 hard copy forms.

a) Overall importance

In the survey, the results were clear and backed up what Wellingtonians have said to us in previous engagements. More than 80 percent of respondents said the following objectives were **Very Important** or **Important**:

- **Environment:**
    - Reliable drinking water, wastewater and stormwater networks;
    - Accessible and maintained green spaces across the city;
    - Increasingly reducing waste and reusing materials; and
    - Improve Wellington's natural eco-system.
- **Economic**
    - Reliable and modern transport networks
- **Social**
    - Affordable and resilient place to live;
    - Safe and accessible for children and young people; and
    - Support services and facilities that provide for older, disabled and vulnerable.

The objectives in Cultural Wellbeing were not given as high an importance rating as the other wellbeing areas. The highest rated objective was 'provide grants and venues including museums, halls and libraries', which was rated Very Important or Important by 66 percent of respondents.

b) Ranking

In Environment, Economic and Social areas, the objectives that were ranked number 1 on average, also received the most number 1 rankings. These were reliable three waters network, modern and reliable transport, and affordable and resilient housing.

Within the Cultural Wellbeing area, increasing the visibility of te reo and te ao Māori received the most number 1 rankings. However, it also received the most last place rankings. On average, providing grants and venues, including museums, libraries and halls was ranked the most important, with Māori partnerships second.

c) Comments

Respondents provided comments on the ranking and importance of the objectives and why they chose their top objective.

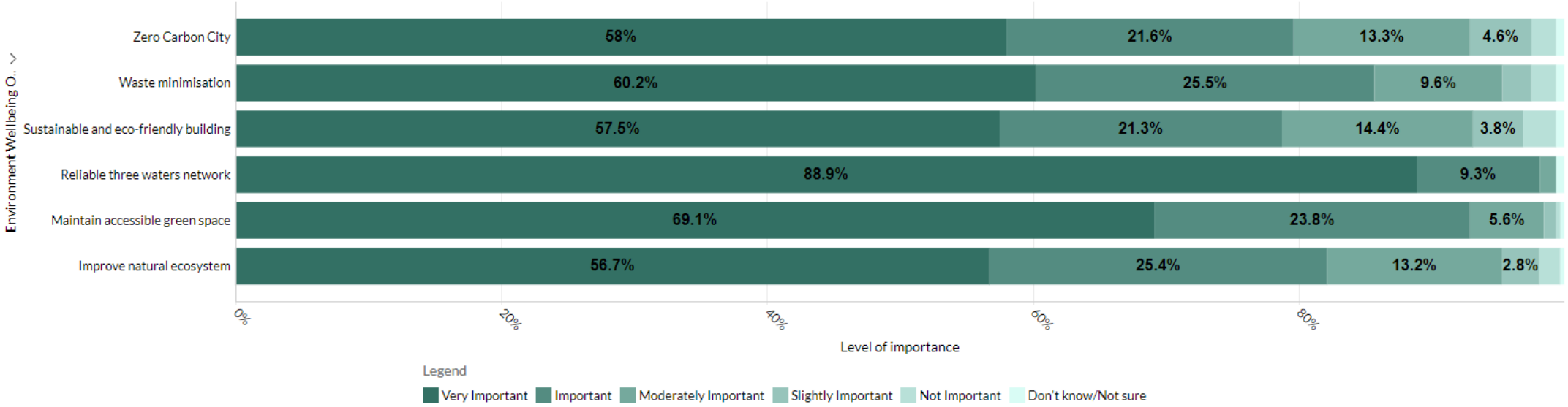
The comments show some understanding of the aim of the survey – to get feedback on the objectives, but also build understanding of the breadth of challenges faced by Council in this LTP and that prioritisation would be needed as part of the LTP. Many made comments that some areas were more important than others, and that the trade-offs were hard.

Many also made comments on the top three objectives, eg:

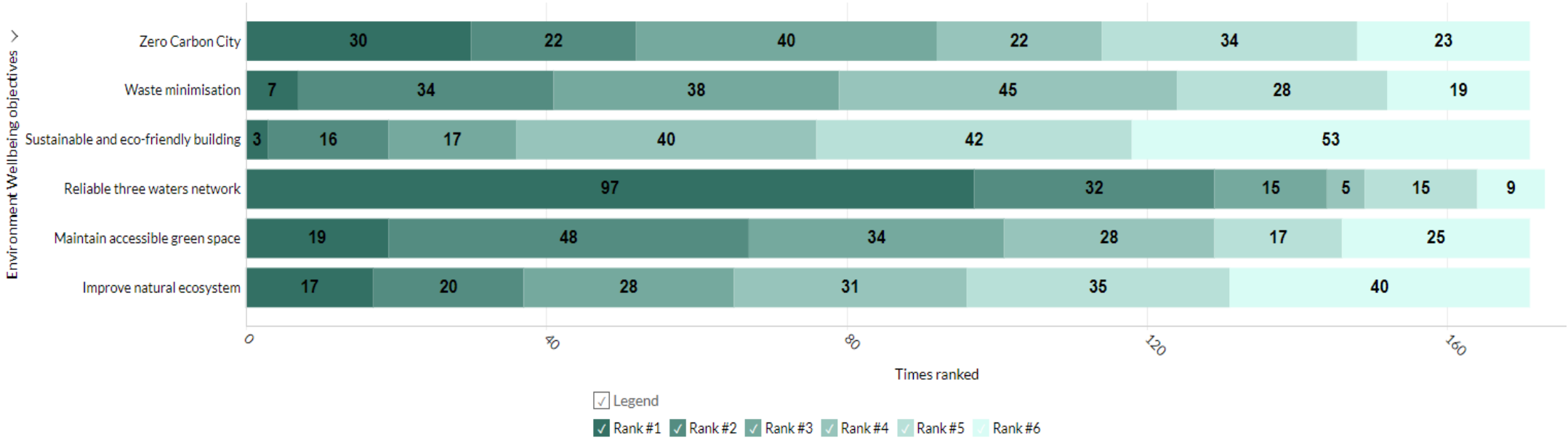
- “It might be unglamorous however reliable drinking water, wastewater and stormwater networks underpin the successful operation of the city.”
- “We need to become a compact, carbon-neutral city so expanding transport options is crucial for enabling that future.”
- “Affordability is essential. Housing costs are spiralling out of control and forcing people further and further out of the city.”

Detailed survey data

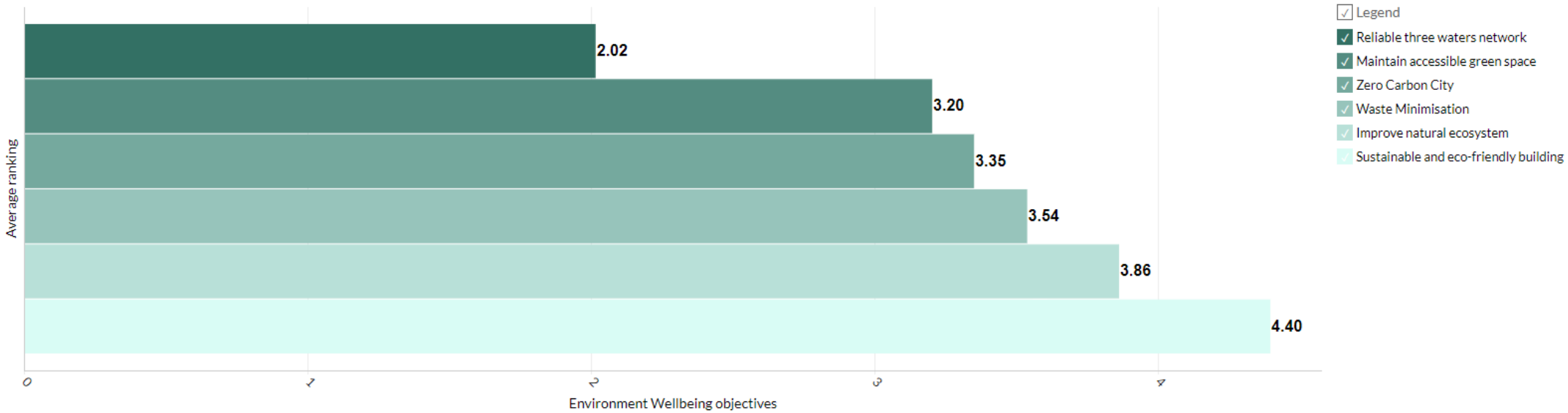
Environment objectives – what is important to you?



Environment objectives – Forced ranking from 1 = most important to 6 = least important



Environment objectives – Average ranking for objectives. Lower number indicates higher importance

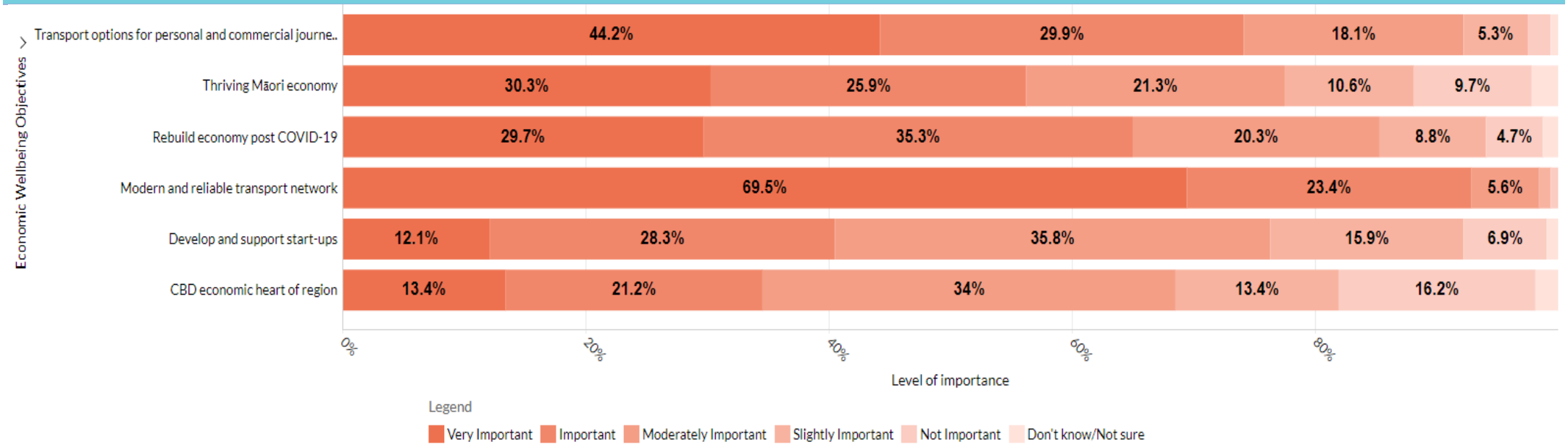


Illustrative comments:

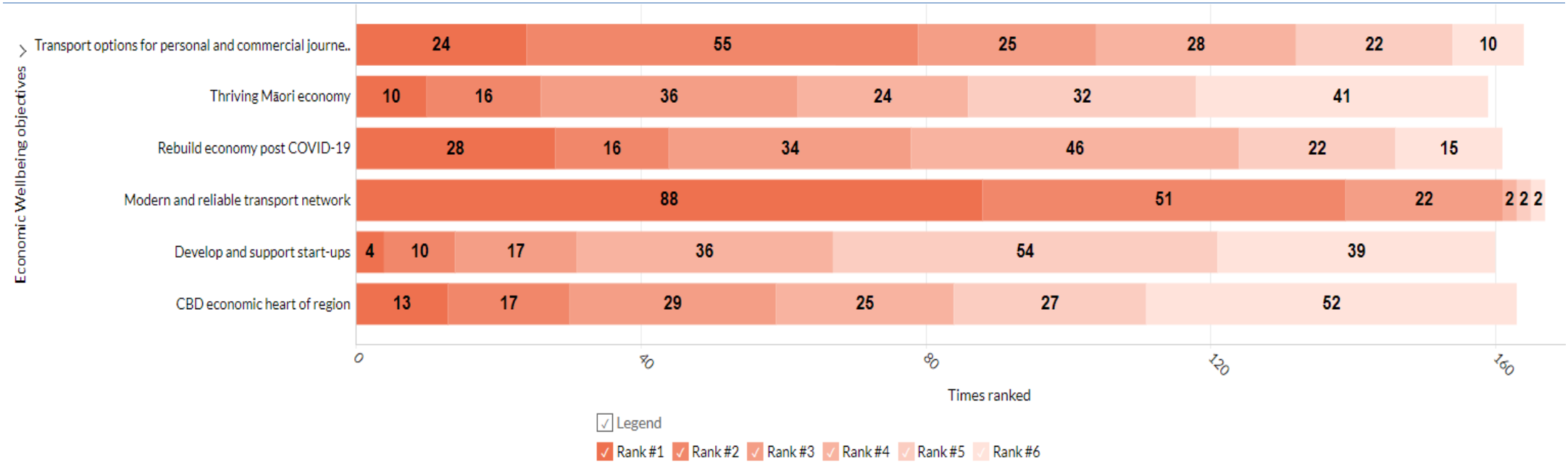
- Provision of water services is a core role of Council. Some of the other objectives are about improving the city and I think it is more important for Council to do their core role well before improving.
- Having quality natural ecosystems close to urban centers is both important to the health well-being of the community and also supports the local indigenous habitats which together make for Wellington being recognized as a livable city.
- Accesibility to sustainable water systems should always be one of the top priorities for local govt. When these systems aren't functioning, people get sick, don't have access to clean water, the enviroment suffers (e.g sewage in the ocean), and we can't keep our property (not that I own any lol) and infrastructure safe from climate events.
- Globally biodiversity loss is entering the sixth extinction, due to human actions. Restoring our natural ecosystems serves several purposes: flourishing wildlife, happy connected less-stressed humans AND emissions reduction
- Climate change is biggest issue facing us so I want us to prioritise the environment and reduce carbon emissions
- Without well managed water infrastructure, there is no city.
- Open spaces become more important for mental and physical health especially as
- Improving our eco system ensures longevity of our country and enables all the other areas to blossom.
- Critical infrastructure must come first before all the nice to do's. The aging infrastructure must be renewed/replaced at a sustainable level without necessarily increasing the level of service.
- Water is a core council responsibility and necessary to enable the other objectives
- We're experiencing a climate crisis and need to half our emissions by 2030. We need to prioritise taking a climate justice approach to reducing emissions.
- Waste is an issue that touches all areas of life and every part of the economy, and action on waste can help to achieve several of the other objectives (e.g. carbon emissions, improve the ecosystem, reduce impact of construction). This is also a hugely pressing issue with the landfill consent due to expire and plans for extension. If Wellington can take big strides to reduce waste, we can be a role model for other parts of NZ
- It might be unglamorous however reliable drinking water, wastewater and stormwater networks underpin the successful operation of the city.
- Historic Places Wellington wants a quality urban environment, with the basic infrastructure appropriate for wellbeing. Clean Water is essential to liveability. The

city density goes up. Natural spaces help clean air and water. • Very important there continues to be green spaces available for sport and recreation both formally and informally organised.	Council must prioritise and focus on the key infrastructure needs plus excellent urban planning. Other goals can be achieved with National direction (zero carbon etc). While that is very important, it is not the fundamental purpose of local government in a financially constrained city.

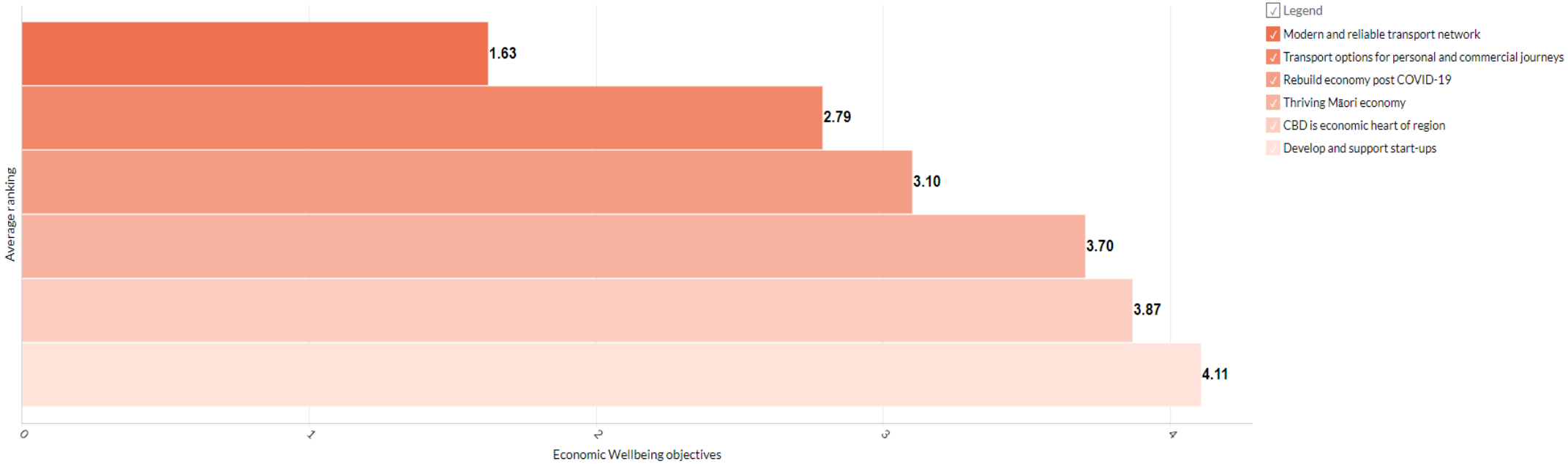
Economic objectives – what is important to you?



Economic objectives – Forced ranking from 1 = most important to 6 = least important



Economic objectives – Average ranking for objectives. Lower number indicates higher importance



Illustrative comments:

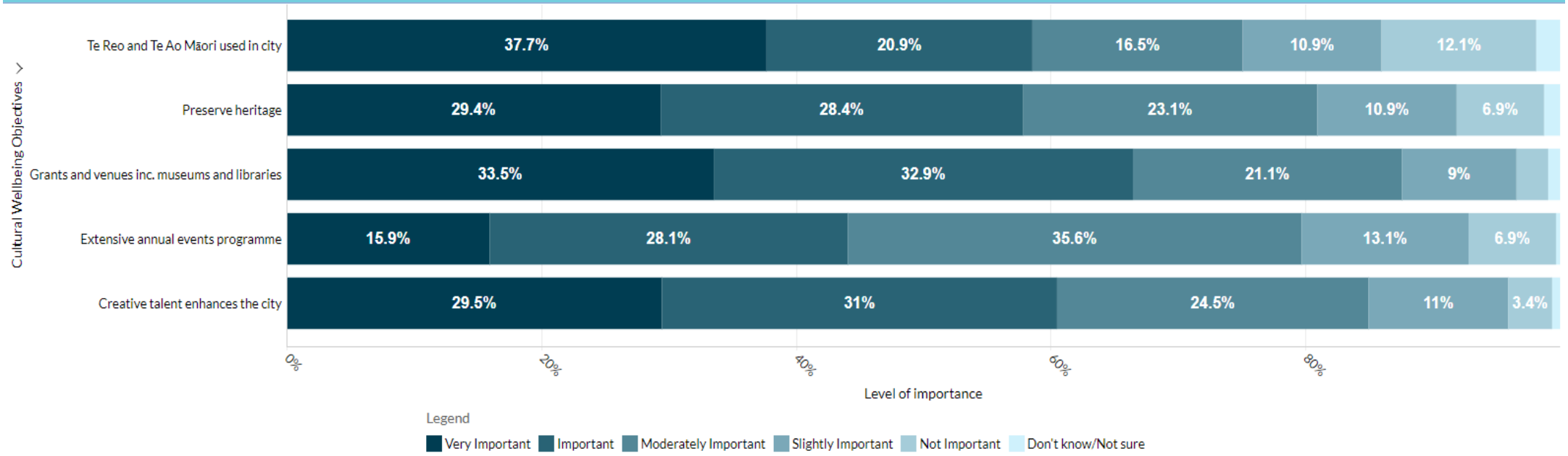
- We need to become a compact, carbon-neutral city so expanding transport options is crucial for enabling that future.
- Ensure Wellington's transport system is modern and reliable is in part a WCC function, (mostly the function of GWRC) and is important for the cities economy. The three objectives I haven't ranked are not territorial authorities core business and should not be funded by WCC.
- I think that removing the traditional cbd model is necessary to reduce pressure on systems and a start up environment is brilliant to allowing more diverse working environment. I think that LTPs should not be race based.
- What is good for Māori, is good for all
- Look after business rather than hindering with more regulation and cost otherwise business will go elsewhere. Support local by removing weekend parking. Dont remove anymore car parks - make it easy fie people to go to the CBD.
- The transport system will be the largest contributor to economic growth throughout the region. Wellington's CBD will remain thriving if it is served by better public
- A thriving Māori economy supports us all, and is led by principles that consider the needs of future generations as well as our current needs.
- I couldn't rate these. For example, it is very important to develop and support start up businesses if they are sustainable and help us move towards a regenerative future. If a start up business is reliant on fossil fuels it is really important not to support them. I feel the same way about the transport options. It is more important to ensure all options are sustainable than it is to provide a range of options. It is more important to me that the transport system is sustainable than modern but I didn't get to choose between these. Rebuilding the economy post covid 19 is important if we do things that are regenerative but if rebuilding means same old same old then I would rank it as unimportant.
- Transport is an issue that has both social and environmental impacts. Efficient, clean and affordable transport systems will go a long way to improving the health of our city, people and environment
- If the transport system is reliable then people use it and that reduces personal car

transport. And remember, roads are not evil! The adoption of electric vehicles will increasingly mean that private automobile transport becomes carbon neutral.

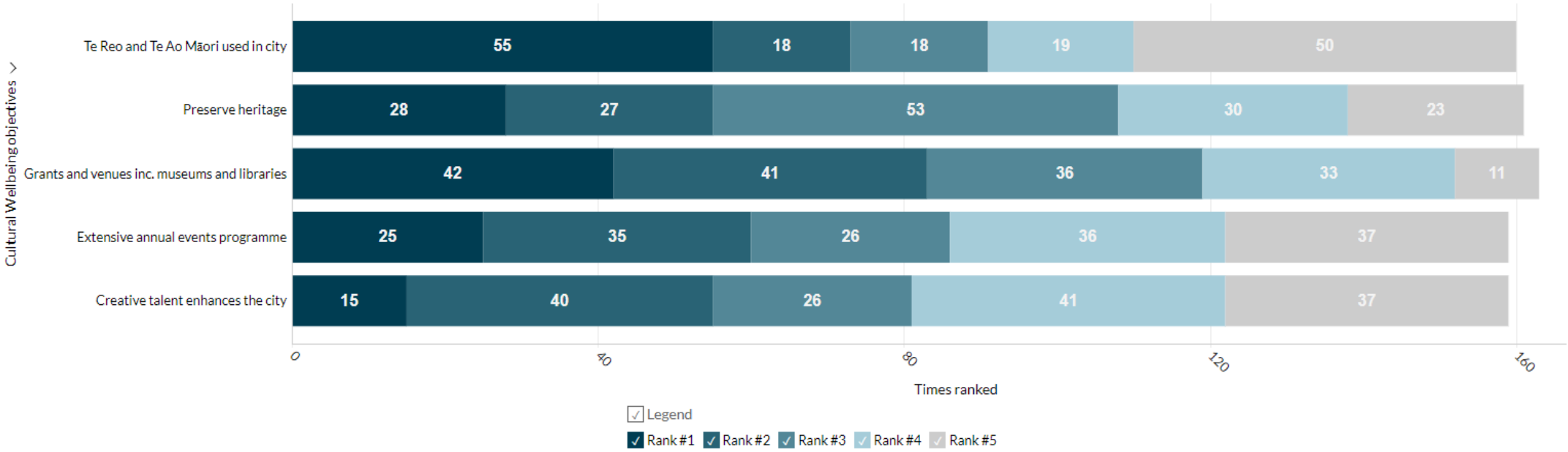
use.

- If you can't get anywhere you can't do anything else

Cultural objectives – what is important to you?



Cultural objectives – Forced ranking from 1 = most important to 6 = least important



Cultural objectives – Average ranking for objectives. Lower number indicates higher importance

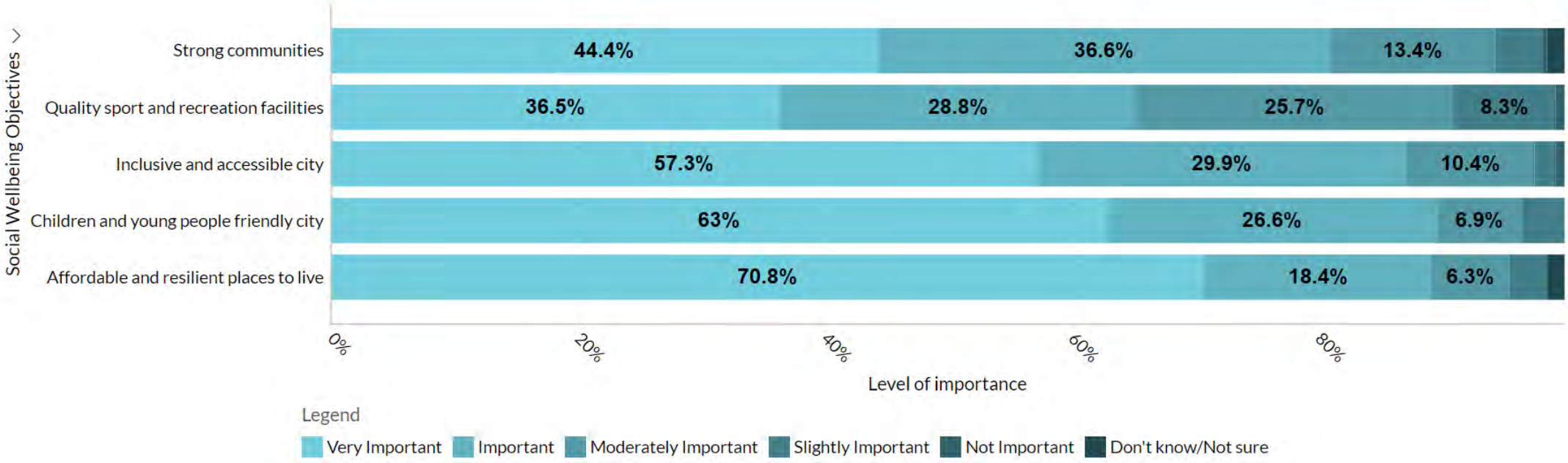
Illustrative comments:

- A city requires important Civic Buildings especially the library which with over 1 million visits per year was clearly the most important building in Wellington
- Libraries and museums are key facilities to encourage learning and spread of knowledge. Venues such as Community Centres enable social interaction, especially for older people. They also permit performers, participants and artists space to develop their talents. Grants enable groups to develop their facilities and services to their communities, such as Scout halls, gymnasiums, ethnic groups etc.
- I think we need to focus on providing the infrastructure for arts, and cultural events to take place. All good pumping money into annual events, but they fall over if we don't have any where for them to happen in
- If we are to continue to show that Te Reo and Ta Ao Maori are core parts of what it is to be a Wellingtonian then we need to visibly recognize this. Interim options could include a policy of billingual signage and audio messages in all council controlled areas such as roads and stations.
- The Treaty is a cornerstone of our constitutional makeup and should be a starting point for all Council activities. Council should not have this as an option to be
- Maori culture is central to who we are, and again flows into community wellbeing. We know we have to make choices, and some of the less essential services might have to take a temporary back seat, or be funded through business partnerships / alternatives.
- All of these are essential and important. Cultural and arts have never been more important than now when people are feeling disconnected from their communities and lives due to lockdown and covid fears
- It is important to preserve a sense of history and to look after beautiful spaces. You can't get a building back once it has been demo'd.
- Facilities are important so that there are venues to use however any spending on 1-5 should sit well down the list
- Actually I would rather prioritise health and physical well-being being over arts and culture
- The annual events programme is important for the local economy and for Wellington's sense of vibrancy as a great place to live and work.
- Grants important to kick start community initiatives (support creatives and the culture scene) - community buildings (libraries and museums) have been made more relevant

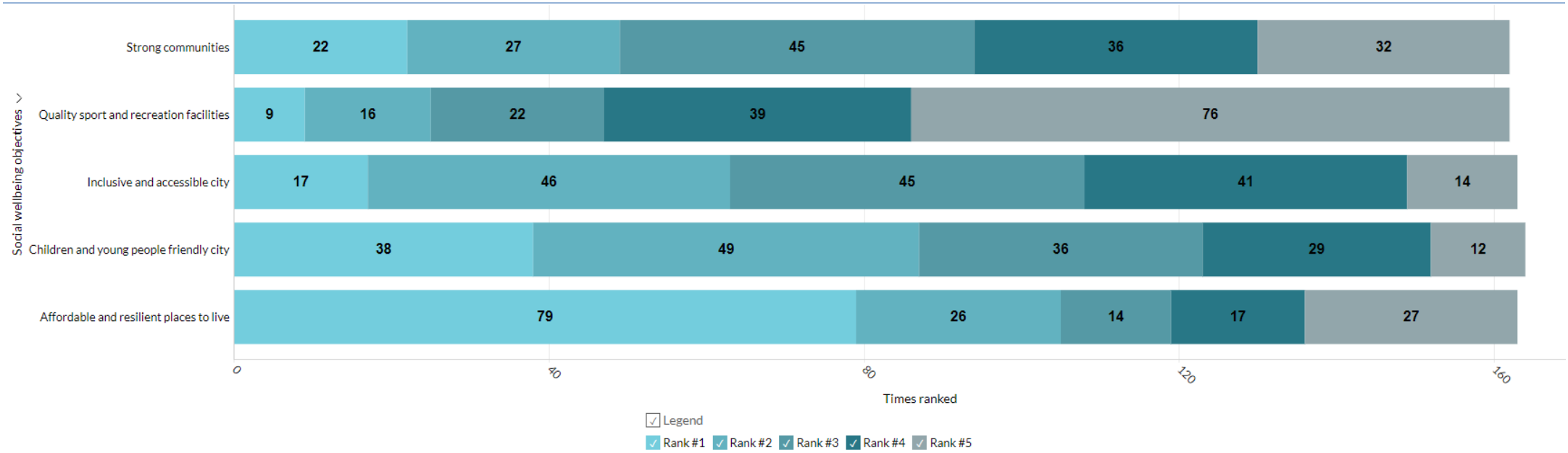
traded off here, but since it is it needs to be ranked first as partnership should inform the approach to all other activities.
- I want to see more support for opera in Wellington so that Wellingtonians can see perfomances by our wonderfully talented singers without having to travel.

since COVID and lockdowns.
- As much as I like these thing they are nice to haves once the important things have been funded.
- None of these are as important as maintaining our failing infrastructure.

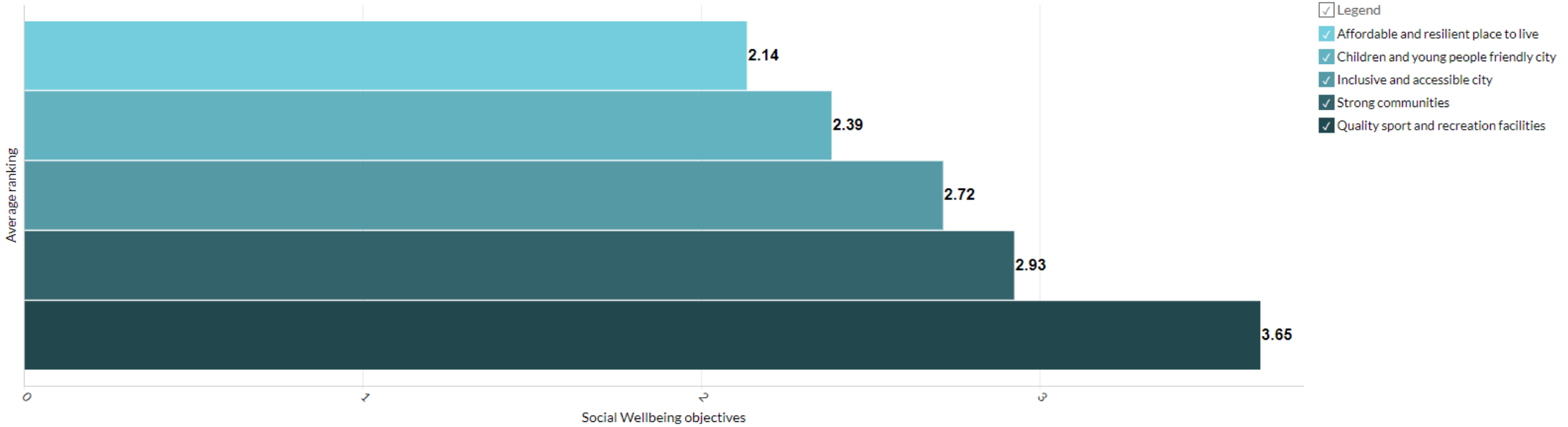
Social objectives – what is important to you?



Social objectives – Forced ranking from 1 = most important to 6 = least important



Social objectives – Average ranking for objectives. Lower number indicates higher importance



Illustrative comments:

- A society can be judged by how it provides for its most vulnerable groups - all the other options here would be served to some extent by providing this one as "vulnerable" would encompass children and young people, poorer residents, people living alone, residents threatened by flooding or slips etc.
- Making Wellington affordable & resilient underpins the provision of services & development of community.
- Unfortunately, Wellington is no longer an affordable place to live. The high cost of rates and insurance, plus the apparent lack of any plan to improve the city's housing stock have had a serious impact on Wellington's vibrancy, identity and culture. There is a great need to zone areas for building smaller detached houses alongside townhouses, units and apartments which could develop as communities comprised of different ethnicities and age groups.
- No point living here if it's unaffordable and falling apart
- In an increasingly sedentary society we have to actively encourage people to engage physically.
- Wellington is a wonderful place to live, but it is increasingly unaffordable and needs a lot of work to become resilient to future challenges. There are a lot of social and
- Children are our future and communities should encourage families and young people to use their local areas to their fullest potential
- The point of living in a city is to gain from the proximity of people and social connection. Our ability to be a healthy, sustainable, and happy people depends on how well we all get along.
- Affordable housing, the climate crisis and the pipes are the biggest issues facing Wellington at the moment and we'll need to mobilize everything to address them. If housing is still unaffordable all the issues mentioned here will not be real. How can kids be safe in a city if they aren't warm, dry and fed at home? How can the elderly be safe and enjoy an accessible city if they are also not warm, dry and fed at home?
- Affordability is essential. Housing costs are spiralling out of control and forcing people further and further out of the city.
  Other parts of the region and other regions now house young Wellingtonians because it is too expensive here. 25% rates increase will only make it worse.
- Supporting the full participation of all people, disabled, older and been younger in our communities is important for inclusiveness in our communities.

environmental issues we face, including the prospect of a major earthquake, and at present I feel that the city is relatively unprepared to be able to cope with times of difficulty and scarcity. It would be great to see a focus on infrastructure that will boost our resilience and ability to get through hard times, whether that be with water, food, housing and more	• Affordability is a HUGE issue in Wellington. Rising rents and property prices have a knock-on effect on employers - we cannot afford to raise wages each year to keep pace with the huge rise in what is most households' largest expense. • Feeling connected to your community is what helps us have purpose and good wellbeing. We need it to encourage civic engagement, responsibility and purpose. We need to reduce social isolation.

What the results say – Card activity

Observations from activity

This activity was based off a similar one completed by Councillors earlier in the Long-term Plan process, which was used to create the Community Outcomes Framework.

The aim of the activity was to test the draft framework with the public, help them understand the challenges we face in this LTP, and share their concerns and ideas with us.

We asked people to place a set of cards into their preferred order of priority across three timeframes – 3 years, 10 years and 30 years. Each card represented one of the objectives from the framework.

Most groups took about 20 to 30 minutes to complete the activity, depending on how fast they came to a consensus. If groups had radically different viewpoints, this often took a bit longer. Many commented that making decisions across these areas was hard and that there were many areas that seemed to impact others.

The hardest parts of the activity seemed to be allocating only five objectives to the short-term timeframe and putting at least ten in the on-going timeframe. This was part of the reason staff facilitated all the sessions – enabling us to explain that putting something in the third group didn't make it unimportant, it was simply saying it could be changed or invested in over a longer period. Whereas those at the top were objectives that needed significant change now to succeed or help the city in the long-term.

Summary of results

About **250 people** participated in the activity, including key stakeholders, advisory groups and members of the public.

Different groups brought different objectives to the top, but overall there were some consistent objectives in each area as below:

First timeframe: Five objectives that are important to invest or focus on in the next 1 to 3 years

A reliable water network and affordable housing were the objectives that were most consistently placed in this group. This is backed up by many of the survey comments, which put these two areas as areas that need change and focus now.

The other three objectives consistently in the top five were:

- rebuilding the economy after COVID impacts;
- reliable and modern transport; and
- ensuring there are sustainable and eco-friendly building and development practices.

However, these three also featured often in the 1 to 10 year category.

Second timeframe: 7 objectives that are important to invest or focus on in the next 1 to 10 years

Four objectives were consistently placed in this category. These were:

- ensuring the city is inclusive and accessible for the disabled, vulnerable and elderly;

- diverse transport options for personal and commercial use;
- reducing emissions, and creating energy efficient facilities; and
- reducing waste, and increase the reuse of materials.

Alongside these four, participants most often selected: strong and resilient communities; and improving the city's natural ecosystem. A thriving arts and cultural sector and a children and young people friendly city were allocated almost equally in this group and in the 30-year group.

Third timeframe: 10 objectives that are important for on-going investment or change over 30 years

The objectives below were consistently placed in the On-going category. This category was presented as important in the long-term - where objectives could be improved over 1 to 30 years.

- Support for start-up businesses;
- An economically thriving central city supported by strong suburban centres
- Supporting a thriving Māori economy through economic development opportunities
- Supporting partnerships to ensure te reo and te ao Māori are used through the city
- Encouraging healthy and active lifestyles
- Preserving heritage and sites of significance to mana whenua
- Providing grants and venues, including libraries, halls and museums
- Providing a diverse annual events programme
- Supporting a thriving arts and culture sector
- Children and young people friendly city
- Providing accessible green space across the city

Comments included how many of these objectives were ones that would occur if the others were achieved as well. For example, Youth Council noted that improving transport, housing affordability and a strong economy would make life easier for young people in the city.

Who we have heard from:

We received 327 submissions on the LTP pre-engagement survey – 184 via the online survey and 143 hard copy submission forms. We had also held the card activity with 250 people across a variety of internal and external groups.

We have collected demographic data through Let's Talk and some is presented below.

Age

Wellington has a young population compared to the rest of New Zealand with 51.4% of the population under 35 years. Of those who provided us with age data, 45% were under 40. We also had 54 people at Victoria University complete a hard copy survey, the majority of which were young students. Connecting with and encouraging feedback from the young people of Wellington is a key on-going goal of the LTP engagement.

Connection to Wellington

The Let's Talk submitters were also asked about their main connection to Wellington i.e. did they live, own a business, visit, work, study or pay rates in Wellington. The majority of the 142 submitters responding to this question both live and work in Wellington. Just over half of respondents were ratepayers (54%). We only received a small number who indicated they own a business or study. However, we had 54 hard copy forms completed at Victoria University and 19 respondents completed the survey on behalf of organisations, including from the sports, arts and business sectors.

Appendix 1: Long-term Plan Community Outcomes Framework

2021-31 LONG-TERM PLAN COMMUNITY OUTCOMES FRAMEWORK

Absolutely Positively Wellington City Council
Me Heke Ki Pōneke

Vision

Wellington 2040:
An inclusive, sustainable and creative capital for people to live, work and play

Community Outcomes - environmental, social, cultural and economic

A sustainable, natural eco city *(Environmental wellbeing)*	*A people friendly, compact, safe and accessible capital city* *(Social wellbeing)*	*An innovative, inclusive and creative city* *(Cultural wellbeing)*	*A dynamic and sustainable economy* *(Economic wellbeing)*
A city where the natural environment is being preserved, biodiversity improved, natural resources are used sustainably, and the city is adapting to climate change – for now and future generations	An inclusive, liveable and resilient city where people and communities can learn, are connected, well housed, safe and healthy	Wellington is a vibrant, creative city with the energy and opportunity to connect, collaborate, explore identities and openly express, preserve and enjoy arts, culture and heritage.	The city is attracting and developing creative talent to enterprises across the city, creating jobs through innovation and growth while working towards a sustainable future.

Longer-term Direction - Strategic Objectives

Strong partnerships with mana whenua weaving Te Reo and Te Ao Māori into the social, cultural, environmental and economic development of our city and restoring our city's connection with Papatūānuku

Wellington has a culture of creativity and innovation integrated into the social, economic and sustainable development of the city

An accelerating zero carbon transition with communities adapting to climate change and the city economy developing a low carbon infrastructure and buildings

Environmental	***Social***	***Cultural***	***Economic***
• Our natural ecosystem health is being restored, with a growing native biodiversity and innovative nature-based solutions to climate change	• Children and young people are thriving in diverse and inclusive neighbourhoods • Communities and cultures are connected, thriving, have a sense of	• Our cultures, community diversity and inclusive city life are nurtured celebrated and enriched • Wellington's history and built heritage is celebrated and supports	• A recovering city economy is diversified, growing sustainably, and resilient • Talent and businesses are attracted and retained to the city

Longer-term Direction - Strategic Objectives

• An increasingly waste free city with more responsible disposal and accelerating reuse • A functioning, resilient and reliable three waters network with improving harbour and waterway quality and, reducing water usage and waste. • A sustainable urban environment incorporating water sensitive urban design • A quality natural environment is attractive and accessible to all Wellingtonians and visitors	identity and enjoy access to open public spaces • Access to affordable, good quality and resilient homes • Our older, disabled or most vulnerable communities are supported , financially secure and connected • Residents can develop healthy and active lifestyles with access to quality community, sport and recreation facilities • Wellington is an affordable and resilient place to live with an accessible, compact and connected city	a strong sense of identity and place • Sites of significance to mana whenua are preserved and recognised as part of city's identity • There is a vibrant, thriving, and creative, arts and cultural sector with pathways for emerging creative talent • The city has resilient and fit-for-purpose community, creative and cultural spaces for people to connect, develop and express their arts, culture and heritage	where it is easy to start, develop skills, innovate and grow • A compact central city that is the economic heart of the region with thriving suburban centres • The city offers opportunities for education, employment and experiences that contribute to residents' high quality of life • The city's core transport infrastructure is a safe, resilient, reliable and efficient network that supports active transport choices, and an efficient, productive and sustainable economy • A thriving Māori economy is generating incomes, jobs, and opportunities for rangatahi, iwi, hapū and whānau Māori to grow

Priority Objectives for next three years

A functioning, resilient and reliable three waters infrastructure **-** *with improving harbour and waterway quality and, reducing water usage and waste*
Wellington is an affordable, resilient and safe place to live - with an accessible, connected, and compact city
The city's core transport infrastructure is a safe, resilient, reliable network - that supports active transport choices, and an efficient, productive and sustainable economy
The city has resilient and fit-for-purpose community, creative and cultural spaces – including libraries, museums and community halls, where people connect, develop and express their arts, culture and heritage
An accelerating zero-carbon and waste-free transition **-** with communities and the city economy adapting to climate change, development of low carbon infrastructure and buildings, and increased waste minimisation.
Strong partnerships with mana whenua **-** weaving Te Reo and Te Ao Māori into the social, environmental and economic development of our city and, restore the city's connection with Papatūānuku