

CENTRAL OTAGO DISTRICT

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**ENVIRONMENT  
SCAN**

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**2020**



# Central Otago District Environment Scan 2020

This environment scan compiles a range of data surrounding government, regulations, and demographics such as population trends for Central Otago District. It also looks to the probable future trends to help Council plan for the future. The information presented is intended to help guide discussion and decision making for the 2021-2031 Long Term Plan.

## Current economic and political environment

COVID-19 has had a marked impact on the New Zealand economy, and while the full impact is not yet known, the economy is not predicted to return to its pre-COVID-19 levels until at least 2025. The construction and tourism industries will be the hardest hit in the Central Otago district, with job losses of approximately 1,350 expected over the next 12 months. Residents who commute through to Queenstown and Wanaka for work will be impacted by the severe job losses expected in the Queensland Lakes area. Central Otago residents in the coming years will be faced with increased living costs, with energy costs expected to significantly increase for example. Some residents in the short to medium term will experience financial stress and will have little discretionary funds.

The four well-beings (social, cultural, economic and environmental) were recently re-introduced back into the local government legislation, and in planning for the next 10-years these well-beings are integral to all we do. The New Zealand general election will be held in September 2020, and while it's difficult to predict the result, New Zealand does not have a history of unseating one-term governments. Economic recovery will be a key government priority regardless of who is in government after the election, and environmental and water reforms such as the possible nationalisation of local drinking water schemes, will be high on the agenda if a labour government is returned. These reforms will have significant impacts on the rural sector, which comprises a significant portion of Central Otago's gross domestic product.

## COVID-19 high level impacts

COVID-19 will have an impact on many facets of Central Otago life long after the virus is eradicated. These impacts have been incorporated into the body of this report where possible while acknowledging the additional uncertainty COVID-19 has created. The areas most likely to be affected are:

- **Employment** – Central Otago had some of the lowest unemployment rates in the country with 1.6% in 2019. It is estimated a 10.5% (1,350) reduction in jobs will occur as a result of COVID-19. There is an opportunity for some newly unemployed to be involved in the primary sector which is likely to struggle for sufficient labour due to border restrictions.
- **Tourism** – 23% of Central Otago tourism spending came from international visitors in 2019. The sector is expected to see substantial impacts from reduced demand for many years due to decreased international arrivals and a more competitive domestic market.
- **Construction and house prices** – Residential construction is expected to slow over the short to medium term. House prices are forecasted to fall by 11% in the year to June 2021 which may help offset housing affordability concerns in the short term. It is forecast that the Central Otago market will take approximately five years to recover.
- **Population** – Prior to COVID-19 Central Otago had grown rapidly, and population has increased by 25% since 2013. It is expected that this growth will slow to approximately 1% p.a in the next three years with negative growth being a possibility in the short-medium term.



# National and global trends

In planning for how to respond to the challenges of coming years, it is important to pay attention to both national and global trends. What happens in the rest of the world will have a noticeable impact on people's way of life and Council must remain aware of these, as well as the plans and priorities of central government.

## Economic environment

- China and East Asia will continue to play an increasingly dominant role in the global economy.
- Automation will have a significant effect on New Zealand, with 30% of jobs at a high risk of automation over the next 20 years.
- Protectionism and tariffs are likely to become more common following COVID-19 as will higher levels of government debt.

## Demographic change

- Industries and occupations with relatively low levels of diversity will need to develop strategies to attract and train a broader variety of people.
- Older people are an increasingly large and willing component of the labour market, and training is important to make the most of their contribution to the workforce.
- Auckland, Hamilton, and Tauranga will dominate growth in business activity and could heavily influence government policy. The urban-rural divide is expected to grow ever larger.

## Future of work

- Employers and workers are increasingly demanding skills-based training that is more relevant to the workplace.
- More people will be looking to retrain and enter new industries during their career.
- An increasing number of people will work remotely requiring greater access to high speed internet in rural communities.

## Current central government priorities

- Economic development that improves all New Zealander's wellbeing and living standards.
- The four capitals (resources needed to lift living standards) – natural, human, social, financial/physical.
- Commitment to the principles of Te Tiriti o Waitangi.
- Five dimensions of higher living standards - sustainability, equity, risk, economic growth, social cohesion.
- Other priorities and policy – such as climate change, water quality and housing.



# Central Otago at a glance

## Population

- 2019 estimated population 23,100
- Increase of 22% since the previous Census
- Population is projected to grow to 28,000 by 2043
- Cromwell has now overtaken Alexandra as the most populous area.

## Age

- Median age of 46.5 years
- In the next 10 years, the number of older people (aged 65 years and over) is projected to rise by 45% from 5,100 to 7,400
- As a proportion of the population, this cohort will increase from 24% to 35%
- Under 15s will decrease from 18% to 15% of the population although numerically they will slightly increase given the growth expected.

## Cultural Diversity

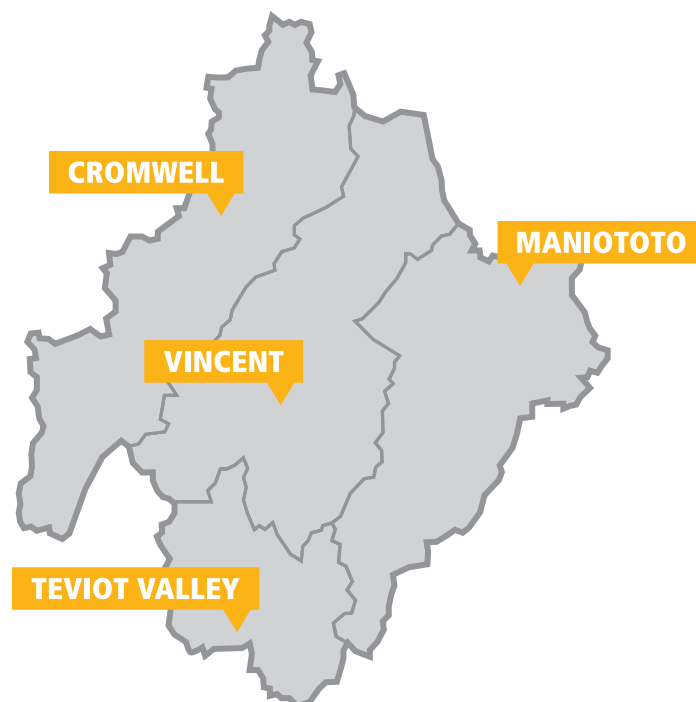
- The Māori population living in Central Otago was 1,815 at 2018 Census
- European/Other is the largest ethnic group at 90% of the population
- Māori 8%
- Pacific 2%.

## Income and Deprivation

- Median earnings of \$52,309 (2019)
- Alexandra and Roxburgh are the areas with the highest levels of deprivation, Clyde has the least.

## Economy

- In 2019 the District employed 13,155 people across 3,708 businesses
- Top 5 industries by number of employees:
  - Agriculture, forestry and fishing 2,610
  - Construction 1,893
  - Tourism 1,522
  - Retail trade 1,241
  - Administrative and support services 1,008
- Tourism contributed \$107 million to the district's Gross Domestic Product (GDP) and visitors to Central Otago spent \$208 million in 2019.





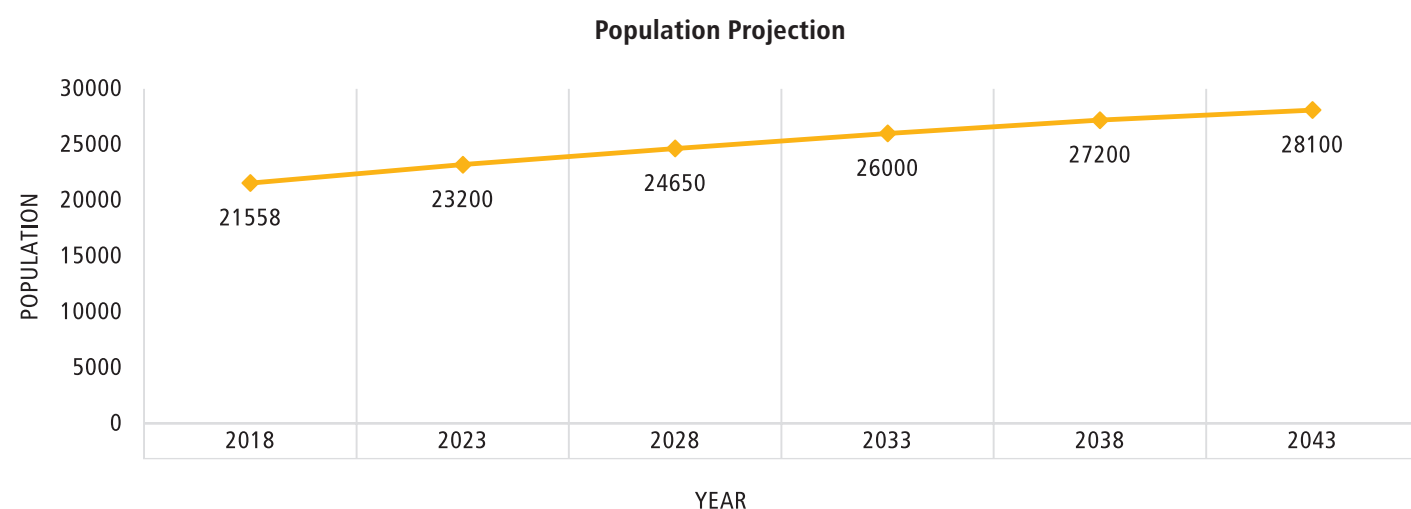
# Social & cultural wellbeing

## District Demographics

Central Otago has experienced an unprecedented period of population growth over the last five years. Between the 2013 and 2018 Censuses, population grew by 21.3% and as of 30 June 2019, the estimated population is 23,100 people. While Central Otago is projected to continue to grow, growth rates will slow. Statistics New Zealand projection models predict Central Otago’s population to grow by 30.3% between 2018 and 2043. It is expected that this figure will be revised due to the impacts of COVID-19 on migration to the District.

Age Range	Percentage Change 2018-2043
0-14	+ 10.53%
15-39	+ 18.00%
40-64	+ 6.94%
65+	+ 90.20%

A significant change across the age profiles is projected to occur with the sharpest growth being seen in the 65+ cohort.



## Regulatory Environment

Some aspects of the regulatory environment have become tougher, which will lead to changes in the way Council delivers its services. Two of the areas most impacted are health and safety and the management of values associated with water. The extent of change and investment planned in Council’s water services in the next ten years is unprecedented and adds to the challenges presented by climate change. Pressure for change has come at both the national and regional level with new national policy statements and environmental standards. Some changes have the potential to bring about greater efficiencies such as upcoming reforms to the Building Act 2004 which remove the requirement for buildings less than 30 square meters to obtain building consent.

## Increasing Diversity

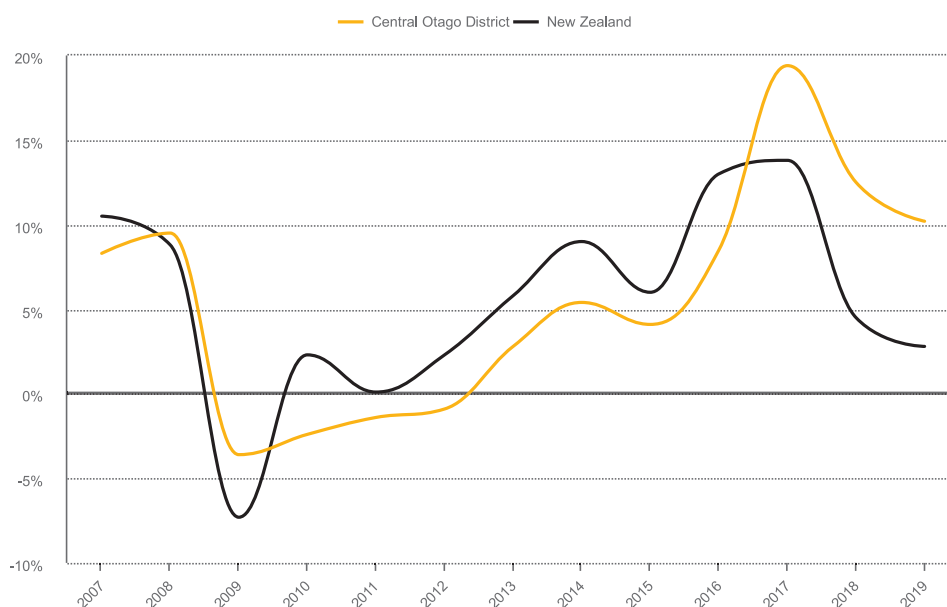
Central Otago has seen a significant increase in the number of people identifying as Māori and Pacific Islander. The number of Māori in the district grew by 39% between the 2013 and 2018 censuses while the number of Pacific Peoples grew by 116% during the same time period.

## Housing

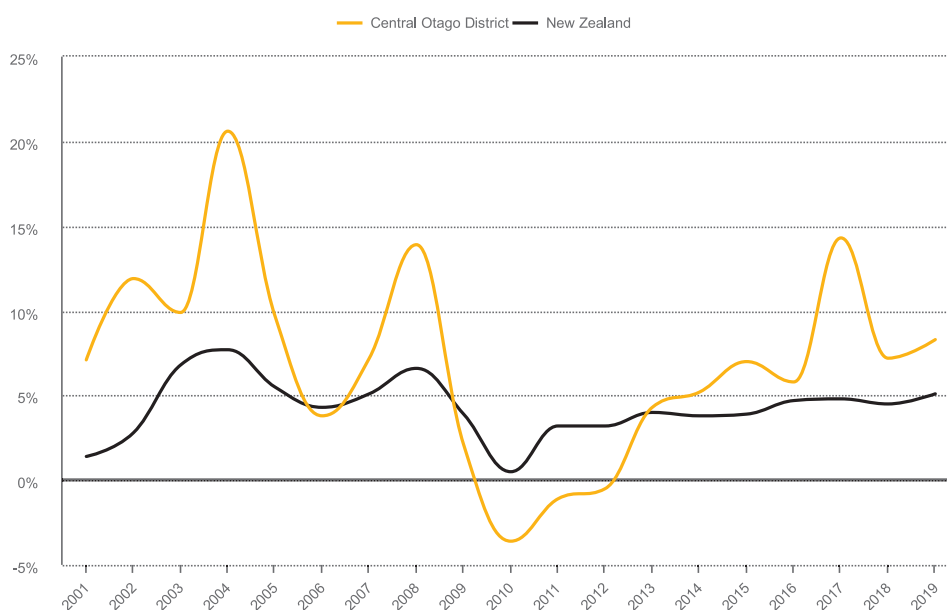
Central Otago, like much of the country has seen property values increase sharply over the past 5 years. Average house values in Central Otago have doubled since 2008 and during the same time period, there has been a noticeable decrease in the average household size with there now being an average of 2.2 people per household. It is anticipated that property values will undergo a sharp downward correction in the next 12 months with recovery expected by 2025.



### Growth in average house prices



### Growth in average rent



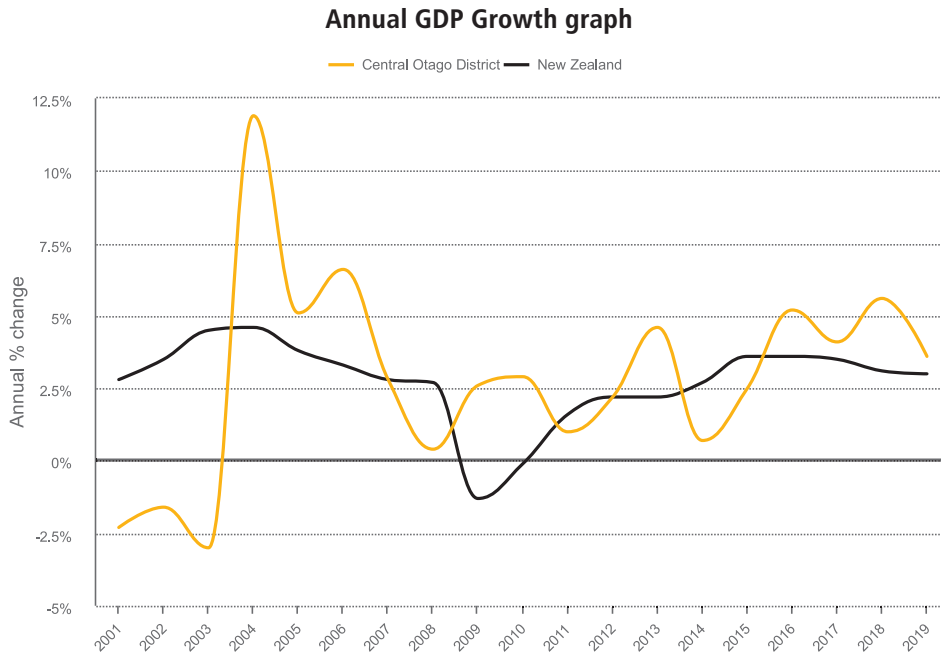
## Implications for Central Otago – Areas for Council influence and action

- Age friendly towns — With the increased over 65 demographic having reduced mobility over time, consideration of accessibility to services and amenities is needed. A greater proportion of the population will require increased accessibility to services.
- Increased demand for housing — With an increasing number of people potentially becoming unemployed, the demand for rental accommodation and social housing will likely increase.
- Creative engagement —The ways in which people receive information and engage with the wider world is changing. Council will need to adapt to changing expectations when it engages with its residents.
- Water and wastewater services — Future growth and new government regulation will place increasing pressure on water and wastewater services. The population increase has been substantial and when combined with the capital costs associated with infrastructure improvement, early planning is both necessary and prudent.
- Access to health service and aged care — An increase in the over 65 demographic will see increasing demand for health care as well as retirement villages and nursing home facilities.
- Recreational opportunities — Council will need to consider how it caters to the needs of older people for recreation and social interaction with the types of facilities it provides. At the same time, thought will need to be given on what amenities need to be developed to attract younger people to live and work in Central Otago.



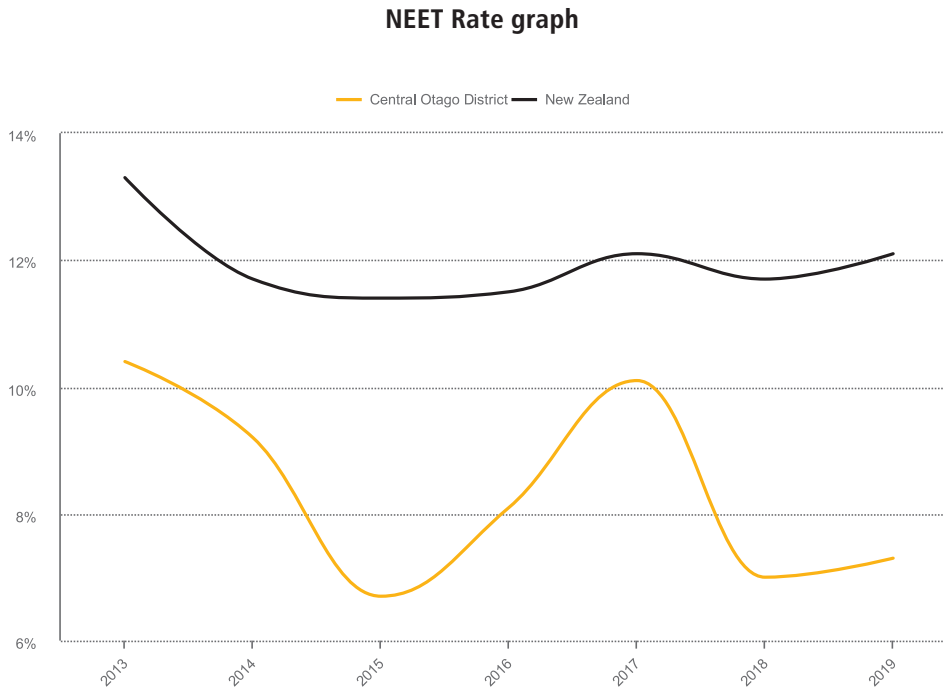
# Economic wellbeing

The Central Otago District's Gross Domestic Product (GDP) grew by 3.6% in 2019. Economic growth averaged 3.2% over the last 10 years compared to an average of 2.5% across the New Zealand economy.



## Consistent economic growth

Central Otago has experienced consistent and steady growth in GDP over the past 15 years. This is likely to be challenged in the short term due to the impacts of COVID-19





**Below average unemployment rates**

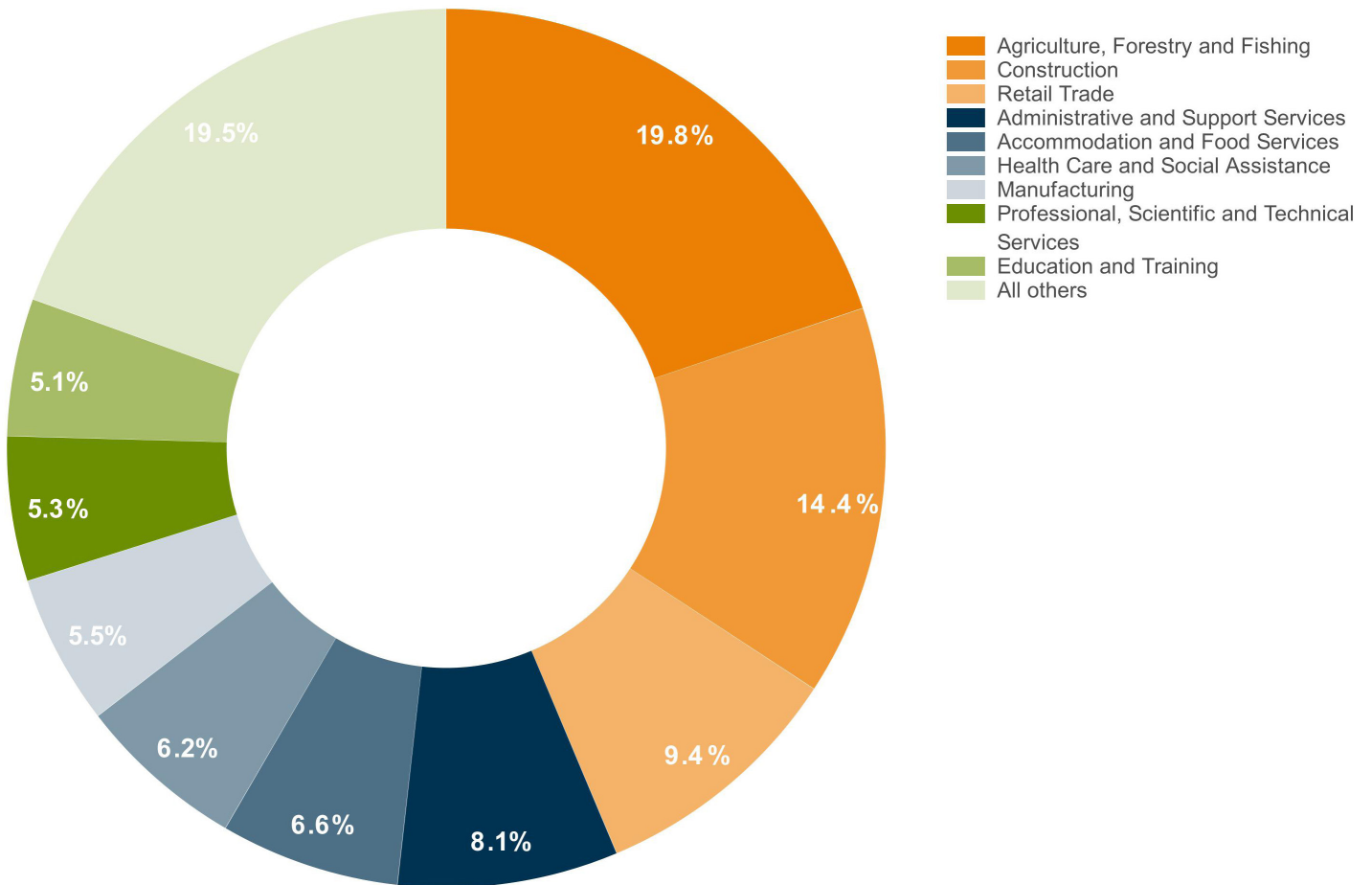
Central Otago has maintained its high levels of employment over time and the rate of people not in employment, education or training is 8.2%. This will increase sharply in the next two years before returning to near normal levels by the end of the decade.

Employment, 2019		
LEVEL	REGIONAL GROWTH	NATIONAL GROWTH
<b>13,155</b>	<b>3.3%</b>	<b>1.9%</b>
Filled jobs	Central Otago District	New Zealand

Mean income, 2019		
LEVEL	REGIONAL GROWTH	NATIONAL GROWTH
<b>52,309</b>	<b>5.4%</b>	<b>3.8%</b>
Mean earnings	Central Otago District	New Zealand

**Central Otago Industry Composition**



## Industry profile

The Central Otago economy is heavily reliant on the primary industries. The majority of employment and output comes from agriculture, horticulture and viticulture. The construction and retail trade proportions of employment will likely decrease over the short term with increases in jobs occurring in the primary sector.

## Implications for Central Otago – Areas for Council influence and action

- **Urban development**—Central Otago will need to continue to modernise amenities and services. These could involve good business precincts, collaborative workspaces and communications and energy connectivity. Particularly important will be measures which support innovation and increase productivity, as well as tools such as the District Plan and spatial plans.
- **Water management**—Increasing the water take from water schemes for irrigation will require a robust management and modelling solution to monitor recharge, water take, water levels and water quality. Freshwater reform and sustainable water use will continue to be of importance for Central Otago.
- **Transport infrastructure**—Connecting people, goods and services with markets is key for the district’s economic development. Transport connections and capacity will need to increase over the long term in order to ensure goods can reach markets and visitors can enter and enjoy the district.
- **Changing focus**—Changing international markets coupled with climate change factors will require innovation and change in what is produced.
- **Attracting skilled labour**—Attracting skilled workers to the district will become increasingly important in order for the local economy to produce the innovation required to maintain success.
- **Accommodation**—Given the seasonal nature of Central Otago’s workforce, accommodation demand fluctuates throughout the year. With short term accommodation already a concern and demand likely to increase as the primary sector grows, more short term accommodation capacity will be required.





# Environmental wellbeing

The New Zealand government has committed to achieving net zero carbon emissions by 2050. Without significant global action, average temperatures are predicted to increase by more than two degrees celsius, a threshold at which significant and potentially irreversible environmental changes will occur.

New Zealand will experience higher temperatures with an increase of between 0.7°C (low emissions scenario) and 3.0°C (high emissions scenario) by 2100, with the greatest warming expected to occur in the northeast of the country. Changing rainfall patterns and a growing global population will see demand for water increase by almost 40% by 2040.

## Environmental trends for the region

### Temperature

- By 2100, Central Otago can expect see average high temperatures rise between 3.7 and 5.8 degrees from where they were in the year 2000. There will also be between 18-53 fewer frost days each year and conversely Central Otago can expect to see between 10-61 more summer days (days where the temperature exceeds 25 degrees Celsius) per annum.

### Rainfall

- Over the course of this century, the Alexandra and Cromwell regions can expect an increase of 42 - 190mm of rain each year. Conversely, Ranfurly and surrounding areas are projected to experience a slight reduction in annual precipitation amounts. The rainfall Central Otago does receive will be experienced through an increase in heavy rainfall events with the number of heavy rainfall days to increase by 7 days by 2100.

### Snow

- Central Otago has experienced a reduction in snowfall levels in recent years and this trend is likely to continue. A significant reduction in the water storage of snowpacks is expected by the end of the century as well as earlier onset of melt each year (mid-July compared to the beginning of August). Related to this will be an increase in average river levels during winter and a corresponding decrease during the summer months.

### Earthquakes

- Central Otago is at risk of significant damage from an earthquake caused by a rupture of the Alpine Fault. It has been calculated that there is a 30% likelihood of the fault line rupturing in the next 50 years. An earthquake along the alpine fault will cause significant disruption to essential infrastructure with any recovery efforts likely to take an extended period of time.

### Natural Hazards

- Climate change is likely to lead an increase in the frequency of extreme weather events over the next century. The increased likelihood of extreme rainfall events lead to a parallel increase in the likelihood of flooding. Central Otago can also expect to see an increase in erosion bought about through a reduction in the volume of water stored as snow over the winter months.
- Conversely, the increased temperatures being forecast coupled with drought conditions, heighten the risk associated with wild-fire. The primary risk is forest fire and is increased in forested area in close proximity to settlements (e.g., Naseby).

## Implications for Central Otago – areas for Council influence and action

- Sustainable growth – Growth in Central Otago will need to be managed in a way which is not only consistent with our A World of Difference values, but in a way which supports the Sustainability Strategy. Robust spatial planning will be important for this as will measures which promote energy security and the transition to an active green economy.
- Freshwater values – The demand for freshwater, both in growing communities and in supporting the primary sector, is predicted to increase in the coming years. Council will need to engage with the community to ensure water use balances economic imperatives with community and iwi values and expectations. This will be important to ensure waterway health is maintained while the primary sector is supported.
- Planting and erosion control – With erosion projected to increase, there is the opportunity for greater coordination of Council planting activities. This would not only seek to mitigate erosion but would help offset emissions in the district. Such work could be done in partnership with the Otago Regional Council.
- Climate leadership – Council should expect to face greater scrutiny from the community with regards to its actions and their environmental consequences. Council has the opportunity to look for areas where it can display leadership in its business model.
- Advocacy – New and challenging environmental regulations are likely from central and regional government in the coming years. Council has the opportunity to advocate on behalf of the primary sector to ensure regulations are properly considered and in the best interests of our residents.

# Long-term Plan 2018-2028: Vision, values and long-term projects.

The current Plan was centred on delivering to three community outcomes:

1. Thriving economy
2. Sustainable development
3. Safe and healthy community

The Plan also was cognisant of and integrated the nine World of Difference values:

1. Making a difference
2. Respecting others
3. Embracing diversity
4. Adding value
5. Having integrity
6. Learning from the past
7. Making a sustainable difference
8. Protecting our rich heritage
9. Meeting obligations

The Plan outlined significant projects, many of which have been either completed or will be significantly advanced in the first three years of this 10-year plan. Key on-going and future projects include:

- Clyde wastewater system, staged over 25 years
- Lake Dunstan drinking water project
- Improvement of water treatment standards for Cromwell, Ranfurly and Patearoa from 2021
- District Plan review
- Pool liner replacement at Molyneux Aquatic Centre 2025/26
- Cromwell town centre redevelopment
- Continuing refurbishment of elderly persons units (8-10 per year)







1 Dunorling Street, PO Box 122, Alexandra  
03 440 0056 | [info@codc.govt.nz](mailto:info@codc.govt.nz) | [www.codc.govt.nz](http://www.codc.govt.nz)