

Metropolitan Growth Needs Metropolitan Governance

Hamilton City Council's White Paper on Local Government Reform

A case for a differentiated reform pathway for New Zealand's high-growth metro areas

MAYOR'S FOREWORD

Hamilton City Council has participated actively and constructively in the Government's Head Start process because we recognise that local government must evolve to meet the needs of a changing New Zealand.

While Head Start examined structural options for local government, it also highlighted a broader national issue. The challenges facing New Zealand's fastest-growing metropolitan areas are increasingly different from those facing rural and provincial communities. Housing growth, infrastructure delivery, transport networks, economic development and public services now operate across complex urban systems that often extend beyond traditional council boundaries.

Hamilton is New Zealand's fastest-growing city and serves as an economic, educational, health and cultural hub for a much wider metropolitan area. The way people live, work, travel and access services no longer aligns neatly with historical jurisdictional boundaries, yet many planning, funding and decision-making responsibilities remain fragmented across multiple organisations. Hamilton's experience is not unique. It reflects challenges emerging across metropolitan New Zealand.

This paper argues that metropolitan growth should be recognised as a distinct policy issue within local government reform. It makes the case for a dedicated metropolitan reform pathway that examines not only governance arrangements, but also the funding, financing, planning and legislative settings needed to support growth and delivery.

A key lesson from Head Start is that there is no single reform model that will suit all parts of New Zealand. Future reform should focus first on the outcomes communities and the country are seeking to achieve, then provide the tools, institutions and governance arrangements required to deliver them.

Hamilton City Council believes New Zealand now has an opportunity to develop a clearer national framework for metropolitan governance and growth. We look forward to working with Government and other metropolitan centres to help shape a reform pathway that supports stronger housing, infrastructure, productivity and economic outcomes for future generations.

EXECUTIVE SUMMARY

Hamilton City Council supports a national conversation on local government reform. The Head Start process highlighted a broader challenge within New Zealand's local government system: many of the issues facing high-growth metropolitan areas now extend beyond existing council boundaries and are not well served by current governance arrangements.

Hamilton's experience reflects a wider issue emerging across metropolitan New Zealand. Metropolitan areas are not simply larger versions of rural or provincial districts. They concentrate population growth, housing demand, infrastructure investment, economic activity and public services within complex urban systems that often operate across multiple jurisdictions. As a result, they face a distinct set of planning, funding and governance challenges.

A key lesson from Head Start is that structural change alone is unlikely to resolve these challenges. Future reform should be guided by a function-before-form approach that focuses on the planning, funding, financing and legislative tools needed to support metropolitan growth, infrastructure delivery and economic development.

Hamilton City Council considers that a single reform pathway is unlikely to meet the needs of both metropolitan and rural New Zealand. Future reform should recognise metropolitan areas as a distinct policy issue and acknowledge the critical role they play in delivering national housing, infrastructure and productivity outcomes.

Council therefore requests that Government establish a dedicated metropolitan reform pathway as part of local government reform. This should examine the governance, funding and legislative settings needed to support the growth and performance of New Zealand's metropolitan areas and provide a clearer, more consistent framework for future reform.

Metropolitan reform is not simply a local government issue. It is fundamental to New Zealand's ability to deliver housing, infrastructure, productivity and economic growth.

1. PURPOSE OF THIS PAPER

This paper sets out Hamilton City Council's perspective on local government reform and the lessons emerging from the Head Start process. It argues that metropolitan areas face a distinct set of governance, funding and growth challenges and that New Zealand should establish a dedicated metropolitan reform pathway to address them.

2. WHY METROPOLITAN AREAS REQUIRE A DIFFERENT REFORM RESPONSE

Metropolitan areas perform a fundamentally different role within New Zealand's local government system than rural or provincial districts. They accommodate a disproportionate share of population growth, housing demand, economic activity, infrastructure investment and transport movements, while supporting large, complex urban systems that operate across administrative boundaries.

They also provide services, facilities and economic opportunities that extend well beyond their ratepayer base. City centres, major transport corridors, event venues, tertiary institutions, health facilities and employment hubs serve wider regions and contribute significantly to national economic performance.

As metropolitan areas grow, decision-making arrangements designed around individual territorial boundaries can struggle to address issues that increasingly operate at a metropolitan scale. This creates challenges for the coordinated planning, funding and delivery of housing, infrastructure, transport and economic development. For this reason, metropolitan areas require governance, funding and legislative arrangements that differ from those appropriate for predominantly rural or provincial communities.

3. WHY WAIKATO MATTERS

The Waikato provides one of New Zealand's clearest examples of the opportunities and challenges facing fast-growing metropolitan areas. Hamilton sits at the centre of a rapidly expanding urban and economic corridor that is becoming increasingly important to both the upper North Island and New Zealand economy.

Strong population growth, significant housing demand, major freight and logistics investment, and increasing integration of labour and housing markets are placing pressure on local government arrangements originally designed for a smaller and less connected region.

While these challenges are increasingly evident across metropolitan New Zealand, the scale of growth occurring in and around Hamilton means Waikato is particularly well placed to help inform future reform settings. Hamilton City Council considers the case for change is well established. The focus should shift to identifying practical solutions that better align governance, planning and funding systems with metropolitan growth patterns.

The Waikato also has a distinctive partnership and economic context that must be reflected in any future reform pathway. Waikato-Tainui, iwi and hapuu are central partners in shaping the metro

area's long-term future, including through Treaty settlement arrangements, co-governance mechanisms, environmental stewardship, housing, investment and economic development. Reform settings need to support effective iwi and hapuu participation while also recognising Hamilton's role as a major contributor to national growth, logistics, employment, education, health services and economic productivity.

The Waikato therefore provides one of New Zealand's clearest test cases for how national reform settings can better support metropolitan growth systems.

BOUNDARY AND FUNCTIONAL METROPOLITAN GROWTH

Hamilton's functional metropolitan area already extends well beyond the city's administrative boundary.

Major growth areas, fast-track developments, Hamilton Airport, Ruakura Inland Port, freight corridors, industrial precincts and surrounding communities such as Tamahere, Matangi and Te Kowhai all operate as part of a connected metropolitan economy. Residents move across council boundaries daily for employment, education, recreation, services and business activity.

The result is that many of the region's most significant growth, infrastructure and transport challenges occur across multiple jurisdictions. Decisions made outside the city boundary have direct implications for transport networks, infrastructure demand and service delivery within Hamilton, while key economic assets often depend on coordinated investment and planning across several councils.

These examples demonstrate a broader issue facing metropolitan New Zealand: functional urban systems increasingly operate as a single geography, while governance, funding and planning arrangements remain fragmented. Bridging that gap is one of the central challenges that reform needs to address.

4. DIFFERENT COMMUNITIES REQUIRE DIFFERENT GOVERNANCE RESPONSES

Metropolitan and rural communities face different governance challenges. Governance arrangements that are effective for one may not always be effective for the other. Reform should therefore be differentiated by function rather than assuming a single model will suit all communities.

Issue	Metropolitan areas	Rural/provincial areas	Reform implication
Growth	High-volume, fast-paced urban growth, often cross-boundary.	Slower or more dispersed growth, often settlement-based.	Metro areas need integrated planning, infrastructure sequencing and funding tools.
Infrastructure	Large network investment, congestion, growth corridors, three waters and community facilities.	Renewal, resilience, local roads and dispersed servicing.	Funding tools need to reflect different cost drivers.
Economy	Major employment, CBD, commercial, industrial and innovation hubs.	Primary production, local town centres, tourism and rural enterprise.	Economic development roles differ.
Services	Regional-scale facilities, events, recreation, housing and social services.	Local facilities spread across wider areas.	Service funding should reflect who benefits and who pays.
Governance	Need for coordinated decision-making across interconnected urban systems.	Need for local voice, identity and subsidiarity.	Reform should allow different governance models.
Central government interface	Strong need for direct partnership on growth, housing, transport and infrastructure.	Strong need for local resilience, rural connectivity and regional wellbeing.	Government should consider metro-specific and rural-specific arrangements.

5. WHAT WE LEARNED THROUGH HEAD START

The Head Start process confirmed that structural reform cannot be assessed simply by combining existing boundaries. The critical question is whether a proposed model can address the problems communities are seeking to solve. For Hamilton, the clearest challenge is the growing mismatch between metropolitan growth and fragmented governance.

One of the most significant findings from Head Start was that metropolitan outcomes and regional consensus were not always aligned. Reform pathways that appeared to provide the strongest response to metropolitan growth pressures did not attract broad regional support. Equally, proposals that accommodated regional interests did not deliver the same level of metropolitan integration. This tension reflects the reality that metropolitan and regional communities often face different challenges, priorities and expectations. Future reform should recognise this and explicitly consider whether metropolitan areas require distinct governance, funding and legislative responses.

The process also reinforced the importance of protecting existing Treaty settlement arrangements and Maaori representation mechanisms, including Maaori wards and appointed Maaori representatives, regardless of the structural model ultimately pursued.

Head Start also highlighted the importance of clear and transparent reform processes with fair participation rules. Where councils or communities may be affected by proposals they have not initiated or supported, there must be clarity about how evidence is developed and tested, how local views are considered, and how councils, iwi and hapuu, communities and stakeholders can participate meaningfully in decision-making.

The process also demonstrated that significant reform requires sufficient time for evidence gathering, analysis, engagement and option development. Councils and communities should be provided with adequate information and opportunity to understand the implications of change before being asked to form views on major reform proposals.

6. MATTERS REQUIRING FURTHER CONSIDERATION

REGIONAL COUNCIL FUNCTIONS

- Further work is required to understand the implications of disestablishing regional councils and redistributing regional functions.
- Particular attention should be given to environmental management, catchment management, flood protection, public transport, civil defence and biosecurity responsibilities.

TREATY SETTLEMENT ARRANGEMENTS AND MAAORI PARTICIPATION

- Existing Treaty settlement arrangements, co-governance mechanisms and statutory obligations must be protected.
- Future governance arrangements should support effective iwi and hapuu participation in decision-making and ensure Maaori representation is appropriately considered.
- Existing Maaori wards, Maaori constituency arrangements, appointed Maaori representatives (maangai), and statutory mechanisms supporting Maaori representation should be protected through any future reform process.

METROPOLITAN GOVERNANCE AND GROWTH MANAGEMENT

- Further work is required to determine how metropolitan growth areas should be identified and governed.
- Consideration should be given to the alignment of governance arrangements, spatial planning, infrastructure investment and economic development functions.
- The relationship between metropolitan areas and surrounding regional communities should be carefully considered to ensure both metropolitan and regional interests are appropriately reflected.

GOVERNANCE AND REPRESENTATION

- Further work is required on local representation arrangements, community voice, subsidiarity, Maaori representation, local boards, community boards and delegated decision-making mechanisms.

FINANCIAL IMPLICATIONS

Council has significant concerns regarding the current level of understanding of:

- Rates harmonisation impacts
- Debt harmonisation
- Asset ownership and allocation
- Strategic investments and shareholdings
- Community-owned assets
- Transition costs
- Long-term financial sustainability.

These matters require substantially more analysis before informed decisions can be made.

PROCESS SAFEGUARDS AND PARTICIPATION

- Future reform processes should clearly set out how councils, iwi and hapuu, communities and stakeholders will participate where they are affected by proposals they have not initiated.

EVIDENCE AND IMPLEMENTATION

- Major structural reform should only proceed where robust evidence demonstrates clear and enduring benefits that outweigh costs, risks and implementation challenges.

7. LEGISLATIVE AND FUNDING REFORM

If metropolitan areas are to successfully accommodate growth, deliver infrastructure, improve productivity and support communities, they require legislative and funding settings that are designed for the scale and complexity of those challenges. Hamilton's experience suggests that the next phase of reform should focus as much on the tools available to councils as on the structure of local government itself.

GROWTH FUNDING SHOULD FOLLOW GROWTH

High-growth metropolitan areas require funding mechanisms that better align the costs of growth with those who benefit from it. Growth centres such as Hamilton are expected to accommodate substantial population and employment growth and require significant investment in transport, water and community infrastructure.

Reform should strengthen funding mechanisms that better align the costs of growth with those who benefit from it. This includes continued development of growth-related revenue tools, infrastructure funding and financing mechanisms, city and regional deal arrangements, and long-term funding partnerships between local and central government. Communities that accommodate growth should not be financially disadvantaged by doing so.

INFRASTRUCTURE FINANCING AT METROPOLITAN SCALE

Metropolitan areas require significant long-term investment in transport, water, and community infrastructure. While the challenge is often described as an infrastructure deficit, the issue is equally one of financing capacity. Existing funding and borrowing settings can make it difficult for councils to deliver the infrastructure needed to support growth at the pace required.

Future reform should provide financing frameworks that better reflect the long life of infrastructure assets and align costs with those who benefit from investment over time (noting that some change has already occurred through the IFF Amendment Act). Greater flexibility is needed to enable metropolitan areas to invest in growth-supporting infrastructure without placing unsustainable pressure on rates or council balance sheets.

A CLEARER CENTRAL-LOCAL FUNDING PARTNERSHIP

Many of the outcomes councils are increasingly expected to deliver extend beyond local interests, however, funding arrangements have not evolved at the same pace as these expectations. Local government remains heavily reliant on property rates despite being asked to support outcomes that deliver significant benefits beyond council boundaries.

Future reform should include a clearer discussion about the respective roles of central and local government, and how those responsibilities are funded. Where councils are delivering nationally significant outcomes, there should be stronger alignment between responsibility, decision-making and funding support. Metropolitan areas in particular require a more strategic partnership with central government that reflects their role in supporting national growth and productivity.

8. CONCLUSIONS AND REQUESTS TO GOVERNMENT

Hamilton's experience demonstrates that many of New Zealand's most significant local government challenges are metropolitan challenges. The Head Start process highlighted a growing mismatch between the scale at which housing, infrastructure, economic development and growth management operate, and the governance, funding and planning arrangements used to support them. As metropolitan areas continue to drive a significant share of New Zealand's population and economic growth, future reform should recognise metropolitan governance as a distinct policy issue and establish a dedicated reform pathway capable of delivering more integrated and enduring solutions.

To help address the identified metropolitan challenges, Hamilton City Council requests that Government:

- **Establish a dedicated metropolitan reform pathway**
Government should create a specific reform pathway for high-growth urban areas that recognises functional metropolitan areas as a distinct national policy issue. This pathway should examine governance, funding, financing, planning and legislative tools tailored to metropolitan growth systems.
- **Move beyond boundaries and focus on the tools needed to deliver growth**
Future reform needs to address the practical settings required to support housing, infrastructure, transport, economic productivity and service delivery. Structural change alone will not resolve metropolitan challenges unless councils also have the funding, financing, planning and legislative tools needed to deliver.
- **Develop growth funding and infrastructure financing mechanisms that reflect who benefits**
High-growth metropolitan areas require funding and financing tools that better align the costs of growth with those who benefit from it. Communities that accommodate growth should not be financially disadvantaged by doing so.

Hamilton City Council also requests that the Government:

- **Provide clear process safeguards for affected councils and communities**
Where councils or communities may be included in proposals they have not initiated or supported, the reform process must be clear about how they will participate, what evidence will be used, how options will be tested, and how local views will inform future decisions.
- **Allow sufficient time for informed community views**
Major structural reform must have sufficient time and process to establish informed community views. Participants should be supported by independent expertise, evaluation criteria should be transparent, and reform processes should enable options to be developed, tested and refined as evidence emerges rather than requiring premature commitment to specific structural outcomes.
- **Protect Treaty settlement arrangements, Maaori representation and regional functions**
Treaty settlement arrangements, co-governance mechanisms, Maaori wards, Maaori constituency arrangements, appointed Maaori representatives (maangai), Maaori participation mechanisms, regional council functions and environmental responsibilities must remain key considerations throughout any future reform process.

Ultimately, local government reform should move beyond a debate about boundaries and focus on the governance, funding, planning and delivery tools needed to support thriving metropolitan areas. Hamilton City Council considers that a differentiated metropolitan reform pathway would provide a practical and evidence-based foundation for achieving this outcome.