

**IN THE MATTER** of the Resource Management Act 1991

**AND**

**IN THE MATTER** of a submission by Hamilton City Council in respect of  
the PROPOSED WAIKATO DISTRICT PLAN pursuant to  
Clause 6 of Schedule 1 to the Act

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**STATEMENT OF EVIDENCE OF LUKE O'DWYER FOR HAMILTON CITY COUNCIL**

**Dated 15 October 2019**

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Hearing 3: Strategic Objectives

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## **INTRODUCTION**

1. My full name is Luke O'Dwyer. I am the City Planning Manager for Hamilton City Council (HCC), a position I have held for approximately one year.
2. Prior to this I was the Waikato / Bay of Plenty Planning and Environment Manager for Beca for approximately 12 months. Between 2013 and 2017, I was the Manager for Economic Growth and Planning for HCC. Before then I was employed in senior planning roles in public and private sector organisations between 2002 and 2012.
3. My qualifications include a Bachelor of Town Planning (hons) from the University of New South Wales, a Graduate Diploma in Environmental Studies (Environmental Management) from Macquarie University, and a Post Graduate Diploma in Management Studies from Waikato University. I am a board member of the New Zealand Planning Institute, a full member of the Planning Institute of Australia, and am also an honorary lecturer in planning at Waikato University.

## **RELEVANT EXPERIENCE**

4. I have more than 19 years of professional planning experience obtained in a variety of roles in New Zealand, Australia and the United Kingdom. My experience spans a wide variety of planning practice including:
  - a) The development and implementation of metropolitan and district /city plans in Australia and the United Kingdom, and district/city plans under the Resource Management Act 1991 in New Zealand ('RMA' or 'the Act');
  - b) Development of major structure plans, large scale strategic planning reviews and urban renewal strategies;

- c) Project feasibility and investigation,
  - d) Option analysis and evaluation,
  - e) Environmental Impact Assessment in the urban development and infrastructure sectors; and
  - f) Project management and stakeholder engagement.
5. Between 2013 to 2016, I led the review of the City's district plan and provided strategic guidance and management throughout all phases of the district plan review. I prepared and presented evidence on a range of topics throughout the course of the review hearings. I also participated in multi-party Environment Court appeal mediations and appeared as an expert witness on behalf of HCC on key strategic planning matters under appeal to the Environment Court throughout 2015 and 2016. I was also the City's lead planning witness for the Ruakura Inland Port Board of Inquiry in 2014.

#### **CODE OF CONDUCT**

6. I have read the Environment Court Code of Conduct for expert witnesses and agree to comply with it. I confirm that the opinions expressed in this statement are within my area of expertise except where I state that I have relied on the evidence of other persons. I have not omitted to consider materials or facts known to me that might alter or detract from the opinions I have expressed.

#### **SCOPE OF EVIDENCE**

7. The purpose of this evidence is to provide a strategic overview for Council's submissions relating to the Strategic Objectives of the Waikato Proposed

District Plan (WPDP). I propose to set the scene, as to why HCC has an interest in the Strategic Objectives and the broad outcomes HCC seek.

8. HCC Principal Planner, Ms Morris, will also be providing more detailed evidence relating to more specific plan provisions and the relief sought.

#### **SUMMARY OF EVIDENCE**

9. The interactions occurring within and across territorial authority areas are strong and need to be managed through collaborative strategic processes but also within the detailed planning at a District Plan level.
10. HCC's submissions will achieve better, integrated, coordinated planning and infrastructure outcomes for communities within the Area of Interest, and will also ensure the WPDP delivers on the requirements of the National Policy Statement on Urban Development Capacity (NPS-UDC).

#### **HAMILTON AREA OF INTEREST**

11. Within HCC's submission and within the opening legal submissions provided by Mr Muldowney to the panel on the 30 September 2019, reference to was made to Hamilton's Area of Interest. I intend to provide some further context and justification for this Area of Interest and Hamilton's interest in the WPDP process more generally.

#### **The Hamilton Urban Area**

12. The precursor of the Area of Interest, from HCC's perspective, was the establishment of the Hamilton Urban Area. In November 2016, the Government released the NPS-UDC. At the time of its release, the Government highlighted the need to support and provide for productive and well-functioning cities. A key element of doing this was the need for

District Plans to “provide adequate opportunities to develop land for business and housing to meet community needs<sup>1</sup>”.

13. The NPS-UDC placed particular requirements on high-growth urban areas, namely the requirement to produce a Future Development Strategy. The Hamilton Urban Growth Area, was one such high growth area, and was defined as such by Statistics New Zealand. This urban area, as defined, was not just within HCC’s boundaries but included parts of both Waikato District Council’s (WDC) and Waipa District Council’s jurisdictional area, as a recognition that urban pressures and opportunities are a force within the City and its surrounds and are ‘blind’ to territorial boundaries. The Hamilton Urban Growth Area as defined by Statistics New Zealand, is included as **Attachment 1**.
14. It is important to note that the map shown in Attachment 1, was the Hamilton Urban Area, at the time the NPS-UDC was released. Since this time, given some changes to the way the census data is and will be collected and grouped, an equivalent map from Statistics NZ today would look slightly different. But for consistency, when I refer to the NPS-UDC ‘Hamilton Urban Area’, it is this 2016 map which is relevant.

### **The Hamilton Area of Interest**

15. In HCC’s submission on the WPDP, an ‘Area of Interest’ was referred to, as providing the geographic basis for Hamilton’s submissions. The intention of HCC was that if it made a submission on issues, objectives, policies and/or methods in the Rural Zone, it is only that part of the Rural Zone which is within the Area of Interest which is pertinent to HCC. Outside of the Area of Interest, HCC acknowledges zoning and land management decisions to be made through the WPDP processes are not of the same

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<sup>1</sup> Ministry for the Environment 2016, National Policy Statement on Urban Development Capacity website.

degree of significance to HCC and it would not be appropriate for HCC to participate. However, the WPDP makes no distinction between the locations of rural zoned land, so narrowing HCC's interest in rural zoned land to an area of interest was intended to assist. For example, HCC has no interest in rural zone provisions at Te Akau, or Maramarua, but it has a close interest in rural zone provisions at Horsham Downs.

16. The Area of Interest is the broad geographic area, near to the boundary with HCC where there is a high potential for land use and subdivision to affect wider strategic planning, including planning for infrastructure needs and on-going maintenance, undertaken by HCC.
17. The Area of Interest, although not a carbon copy, is very similar to the Statistics NZ Hamilton Urban Area. The Area of Interest is shown in **Attachment 2**.
18. The HCC produced Area of Interest extends out to the east where a curved smooth line denotes the boundary rather than land parcels. To the west, the Area of Interest boundary is denoted by the path of the Waipa River, feeling like a more appropriate boundary, than the census area units of 2016. The Area of Interest is a slightly refined version of the Statistics NZ Hamilton Urban Area. Within HCC's primary submission, the Area of Interest was considered a better reflection of geography and local features and was not intended to be land parcel specific.
19. When the submission was made by HCC, the Area of Interest was provided to WDC with some commentary that the geographic extent of this boundary would be refined through data analysis and research. This refinement has not occurred to date. HCC has decided that the collaborative work underway to support the Hamilton to Auckland Corridor Plan (H2A) and in particular, the Metropolitan Spatial Plan, was a more appropriate focus and will shape future integrated planning for the area.

The refinement of the Area of Interest would therefore, at this stage, be unnecessary. The collaborative process is deemed a more appropriate way to determine the extent of this area rather than HCC working in isolation.

20. It is helpful, perhaps rather than focussing on the boundaries of the Area of Interest, to note that all the main areas of growth pressures and opportunities south of Waikato District, namely the towns and villages including Taupiri, Ngaruawahia, Te Kowhai, Horotiu, Tamahere, Matangi, Horsham Downs and Gordonton are within the Area of Interest. Rural areas are also included.

### **Interactions within the Area of Interest**

21. The Area of Interest is the area around Hamilton City where planning, land use, subdivision and infrastructure decisions have the potential to be aligned and coordinated between neighbouring authorities, and thereby achieving a more sustainable urban form.
22. Many of the existing interactions are visible on a day-to-day basis as people commute to Hamilton from outside the city's boundaries to work, study or shop. On the whole, these interactions are mutually beneficial to the City and to surrounding areas, particularly from an economic perspective<sup>2</sup>.
23. These interactions are important from a WPDP perspective, as they are all in some way impacted or are impacted upon by planning and infrastructure. Recent research summarises travel to work data and labour market boundaries in and around Hamilton. As an example, it illustrates that twice as many people living in Ngaruawahia travel to work in Hamilton, than work in Ngaruawahia itself<sup>3</sup>.

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<sup>2</sup> Martin Jenkins. April 2018. *Understanding the Greater Hamilton Area*.

<sup>3</sup> Martin Jenkins. April 2018. *Understanding the Greater Hamilton Area*.pg 24

24. It is unsurprising that the main hub of the region attracts a labour force from surrounding, smaller settlements, however, both Hamilton City and Waikato District need to be cognisant of this in planning and funding the necessary infrastructure to support such patterns.
25. If both Hamilton and Waikato (and other infrastructure agencies) are investing in infrastructure to support those commuters from, to continue the example, Ngaruawahia, then planning and land use decisions elsewhere should not undermine this investment. This is particularly so when impacts of decisions are felt across territorial authority boundaries.
26. Ms Morris in her evidence, will go into detail on the RMA requirements relating to identifying and managing cross boundary impacts. I would however, like to highlight that the Mr Martin Jenkins report<sup>4</sup>, confirms and quantifies some of the interactions within what is effectively the Hamilton Area of Interest. This report is included as **Attachment 3** These interactions demonstrate the need for collaborative working and indeed the work is supportive of the on-going and effective collaboration occurring through Future Proof, and other sub-regional works streams such as Local Authority Shared Services. Waikato District Council is already an active participant in these partnerships.

## INFRASTRUCTURE IMPLICATIONS

27. Development or growth within Hamilton's Area of Interest, of any scale, needs to be carefully managed from an infrastructure point of view. HCC's infrastructure can be placed under pressure by residents outside of the City's boundaries. Also, just as importantly, across boundaries, there lie some real opportunities to deliver benefits to the community, through the provision of shared services, for example, for community and sports facilities.

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<sup>4</sup> Martin Jenkins. April 2018. *Understanding the Greater Hamilton Area*.pgs 19-39



28. Currently, infrastructure within Hamilton City services people who reside outside the City, most notably from within the Area of Interest. Vehicles using the roads to get into and around the City, particularly are peak hours in Hillcrest, from Tamahere/Cambridge and from other key roads into the City, are clearly visible during peak commuter hours. Travel to work data confirms this.
29. Recent analysis<sup>5</sup> highlights that the number of people commuting for work between Hamilton, Waikato and Waipa is steadily increasing. Estimates indicate that approximately:
  - a) 17,200 (19% of the workforce) commute to Hamilton from Waipa, Waikato, and Auckland;
  - b) 4,700 (22% of the workforce) commute to Waikato from Hamilton, Waipa, and Auckland.
30. Analysis of NZTA State Highway counts, shows that in 2017 there was an average of 97,000 vehicle movements per day into and from Hamilton City. Over the last five years there have been significant increases in traffic flows across the greater Hamilton area through all main corridors, including a 28% increase in flows between the Hamilton City-Cambridge-Putaruru corridor and a 26% increase along the Hamilton-Ngaruawahia-Huntly corridor.
31. The information presented clearly indicates increasing connectivity and traffic flows within the Area of Interest and beyond. Labour force trends and retail spend confirm this. All of this suggests that there is an on-going

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<sup>5</sup> Martin Jenkins. April 2018. *Understanding the Greater Hamilton Area*. Pg 24

need, if not an enhanced need, for collaboration and joint working on transport and connectivity across the greater Hamilton area.<sup>6</sup>

32. HCC also supplies parts of the Area of Interest with water supply. During the period April 2018-March 2019, WDC consumed approximately 840,000m<sup>3</sup> of water, which equates to approximately 4% of the total water exported away from the Waikato Water Treatment Plant.<sup>7</sup> This water supply is another example of the interactions across boundaries. Additional growth within Waikato District may have servicing requirements not currently provided for within the existing Strategic Water Supply Agreement between Hamilton City and Waikato District.<sup>8</sup>
33. Over time, as water allocation becomes increasingly constrained, providing for growth in too many locations, could result in local authorities competing against one another for new allocation, and competing with other water users including industrial and employment uses.
34. All of the examples listed above, outline some of the interactions between the areas within Hamilton City and Waikato District, and confirm that each territorial authority is not self-contained. On this basis, each territorial authority should not be planning as though they are 'an island'. Collaborative working through the likes of Future Proof is one element of this, but the implementation side, through the District Plan are critical. If HCC and WDC are planning for growth together (along with other sub-regional partners) more compatible land uses, more efficient infrastructure and the ability to plan together for limited resources such as water, will benefit communities of both areas.

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<sup>6</sup> Martin Jenkins. April 2018. *Understanding the Greater Hamilton Area*.pg 24

<sup>7</sup> Waikato Shared Services Monitoring data

<sup>8</sup> Southern Districts Water Supply Agreement between Hamilton City Council and Waikato District Council.

35. The 'Issues' section, Chapter 1 of the WPDP captures the importance of these interactions well, particularly relating to cross boundary issues and the integrated planning of growth and development. Ms Morris will cover this in detail in her evidence, but essentially, I note strong alignment on the recognition of the 'joint issues' facing both Councils<sup>9</sup>, but this alignment is not always cascading down into a set of strong objectives, policies and methods to address the agreed issues.

#### **BENEFITS OF ADDITIONAL CONTROLS WITHIN THE AREA OF INTEREST**

36. From a sub-regional perspective, the 2005 Strategic Agreement<sup>10</sup> between Hamilton City and Waikato District Council's is a real life example, of the benefits of adopting a collaborative and precautionary approach to planning for the future.
37. Of particular note, are the three areas covered by the Strategic Agreement being WA, R2 and HT1 adjacent to existing Hamilton City boundaries, these areas have not yet been incorporated into the City. The principles established by this Agreement, allowed land within Waikato District to be managed to ensure that the rural/productive nature of the land can be maintained, until such time it is ready to be fully urbanised. An overall goal, and series of principles within the Strategic Agreement, were then translated into the Operative District Plan by way of an Urban Expansion Policy Area (UEPA).
38. Section 25.5 of the Waikato Operative District Plan (WODP) is relevant. This section prohibits the following, within the Urban Expansion Policy Area 25.5 (f):

1. disposal or storage of solid waste (excluding contaminated land remediation under Rule 25.30)

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<sup>9</sup> Section 42A report Waikato District Council – Hearing 1

<sup>10</sup> Strategic Agreement on Future Urban Boundaries between HCC and WDC. 2005.

2. hazardous waste storage, reprocessing or disposal (excluding contaminated land remediation under Rule 25.30)
3. educational, training or correctional facilities involving more than 10 people
4. extractive industries
5. commercial activities (excluding a produce stall)
6. industrial activities
7. traveller's accommodation for more than 5 people,
8. motorised recreation facilities
9. new roads, except in compliance with indicative roads on the planning maps, and excluding upgrading and widening of established roads
10. buildings over 2,000 m<sup>2</sup> gross floor area
11. subdivision of allotments less than 5000 m<sup>2</sup>, or an allotment average below 1.3 ha.

39. Such an approach took pressure off Waikato District to allow continual erosion of high-class soils and productive land on its boundary with HCC, and avoided an ad-hoc settlement pattern that was unsustainable from a strategic land use and infrastructure perspective. In my opinion, these provisions have worked well for the past nearly 20 years. A map of the UEPA overlay area is provided in **Attachment 4**.
40. The UEPA approach outlined above, has provided an accepted and pragmatic approach in managing this area on Hamilton's boundaries, which allows WDC to focus on growth elsewhere. Whilst HCC will, in time, benefit from taking land into its boundaries, that is not highly fragmented or subjected to intensified land uses and accordingly more practical to convert to urban land in due course.
41. It is not the intention of HCC's submissions to blanket the whole Area of Interest with prohibited activities. Nor is HCC requesting that boundary changes be made to increase the size of Hamilton. The purpose for submitting on the Area of Interest is about ensuring growth is directed to identified locations and that the rural land is promoted for rural uses.
42. HCC is however, seeking that the activity status provisions of the UEPA from the WODP are used for the UEA of the WPDP and other detailed points which will be addressed by Ms Morris in her evidence.

43. It is HCC's expectation that the Metropolitan Plan and H2A spatial plans will identify appropriate locations for future growth nodes within the Area of Interest that will be aligned with the Future Development Strategy (FDS) requirements of the NPS-UDC. Importantly the proposed objectives and policies will enable a more integrated and boundaryless land use approach within this area.
44. Future growth nodes will be in greenfield areas, including those on the edge of the City to help the sub-region accommodate projected growth, but also in and around existing towns. Such growth, will of course, need to be accompanied by significant areas of infill and increased densities to meet the requirements of the NPS-UDC, the Waikato Regional Policy Statement and the Future Proof Strategy.

#### **LEGACY ISSUES**

45. In contrast to the approach taken in the aforementioned Strategic Agreement, there are also locations where a lack of forward planning has created issues, both for Waikato District and Hamilton City individually, but also for the wider Hamilton Urban Area.
46. In 2012, as HCC moved through its new District Plan making process, an opportunity to plan and deliver a new Inland Port, associated industrial land, housing and major transport infrastructure was proposed. This potential \$4.4 billion worth of investment included developing large tracts of largely rural land into employment and housing. However, an enclave of lifestyle blocks and homes were located within Waikato District very near to the boundary with Hamilton. Opposition from the residents of this enclave, had a significant impact on the timing and cost of the proposals. Conversely, those residents were left vulnerable to future incompatible land uses, by the fact they had been able to establish in the middle of what was a largely rural area on the edge of the City.

47. The quantum and form of development of rural residential development within Tamahere has also created impacts on Hamilton's infrastructure, namely hard infrastructure such as roads/water but also soft infrastructure such as libraries and schools. Importantly, the large expanses of low-density development, will undoubtedly make it impossible or very expensive to ever fully urbanise this area. Also providing urban standard infrastructure such as footpaths and cycleways, water supply, street lighting and roading is expensive for Council and/or residents alike.

#### **RELEVANT HIGHER ORDER DIRECTIVES**

48. Recognition of the cross-boundary issues facing HCC and WDC, and the need for a collaborative approach, is evident in the higher order RMA statutory instruments that guide resource management decision making.
49. The NPS-UDC puts a statutory requirement on both HCC and WDC (also Waipa District) to work collaboratively to not only understand capacity of the area to accommodate growth, but to actively plan for it.
50. The first major step was the production of the Housing and Business Land Capacity Assessment 2017 (HBA)<sup>11</sup>. In simple terms, this document outlines expected housing and business growth demands, current and projected supply of land to meet these demands.
51. The NPS-UDC then directs local authorities to produce an FDS. Policy PC12 of the NPS-UDC defines an FDS as needing to demonstrate "that there will be sufficient, feasible development capacity in -medium and long term". Minimum targets will also be set and incorporated into District Plans.

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<sup>11</sup> Future Proof Partners and Market Economic. 2017. *Housing and Business Capacity Assessment*.

52. Policy PC13 of the NPS-UDC also outlines that an FDS will outline the broad location and sequencing of development capacity. Currently, the Future Proof Strategy – Planning for Growth, is the FDS for the sub-region, with further work on this to unfold as part of the Phase 2 update as the H2A Corridor Plan progresses.
53. Policy PD3 of NPS-UDC strongly encourages cooperation and collaboration to produce the FDS. Guidance released with the NPS-UDC, highlights how collaboration will determine how regional minimum targets can be met and how growth can be addressed at an appropriate scale<sup>12</sup>.
54. HCC's submissions which request that the WPDP clarify the strategic setting of the District, such as what places are to grow and by how much, is to help ensure that the local authorities in the area can meet the requirements of the NPS-UDC. Similarly, to safeguard these outcomes and ensure a joined up approach to strategic land use planning HCC's submissions for greater levels of control over the activities and subdivision within Hamilton's Area of Interest, are to help deliver these NPS-UDC requirements.
55. The H2A Corridor work underway by the Future Proof partners and government agencies, is considered the appropriate collaborative working model to ensure the delivery of NPS-UDC expectations for an FDS.
56. There is a need for this existing and future collaborative spatial planning process to be acknowledged in the Strategic Objectives section to anchor and guide the Plan Users, and then cascade down into appropriate objective, policies and methods for each zone within the Area of Interest much like for the UEA as proposed.

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<sup>12</sup> Ministry for the Environment. 2017. *National Policy Statement on Urban Development Capacity: Responsive Planning - Guide on producing a Future Development Strategy*. Pg 13

## **HCC'S INTEREST IN THE DISTRICT PLAN**

57. The District Plan process is a critical implementation tool for all of the higher level, strategic work. It would seem counter-intuitive for HCC and WDC to work collaboratively in a broad sense on wider strategic projects, but to not follow this through to the 'implementation' side of planning, i.e. the District Plan. HCC's involvement in the submission and further submission process, is the natural progression of the collaborative planning model required under the NPS-UDC, but also the long-standing Future Proof partnership.

## **CONCLUSION**

58. The collaborative processes underway for H2A, Metropolitan Spatial Plan and Future Proof, will ensure the legacy issues outlined above are avoided in the future and the sub-region will be better placed to align and integrate its strategic land use planning and infrastructure for the benefits of its communities. The key outcomes and initiatives of this collaborative work should be imbedded into the WPDP, including the recognition of the Hamilton Area of Interest.
59. It is crucial that the Strategic Objectives of the WPDP best reflect the outcomes of such collaborative work and utilise the good practice from the existing UEPA of the WODP, including targeted prohibited activity status.
60. Ms Morris will cover in more detail specific submission points. In summary, HCC is seeking a WPDP which clearly identifies how much, where and what type of growth will be directed to identified locations within Waikato District.
61. This is a requirement of the FDS to ensure collaborative implementation and allocation of HBAs within High Growth Councils. This should be done

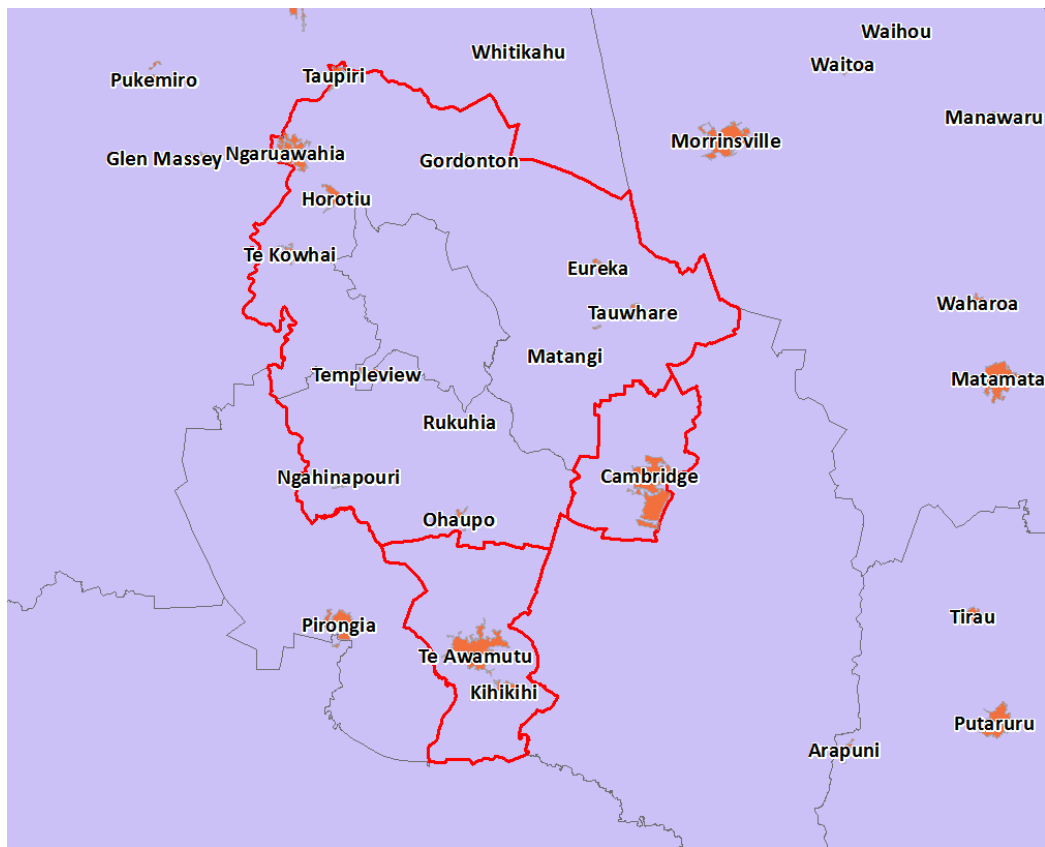


on the basis of implementing the strategic planning currently underway, of which Waikato District is a key participant. Well managed growth within the wider Hamilton Urban Area, will meet the requirements of Central Government and will economically, socially, environmentally and culturally benefit the Waikato District and the wider sub-region.

Dated 15 October 2019

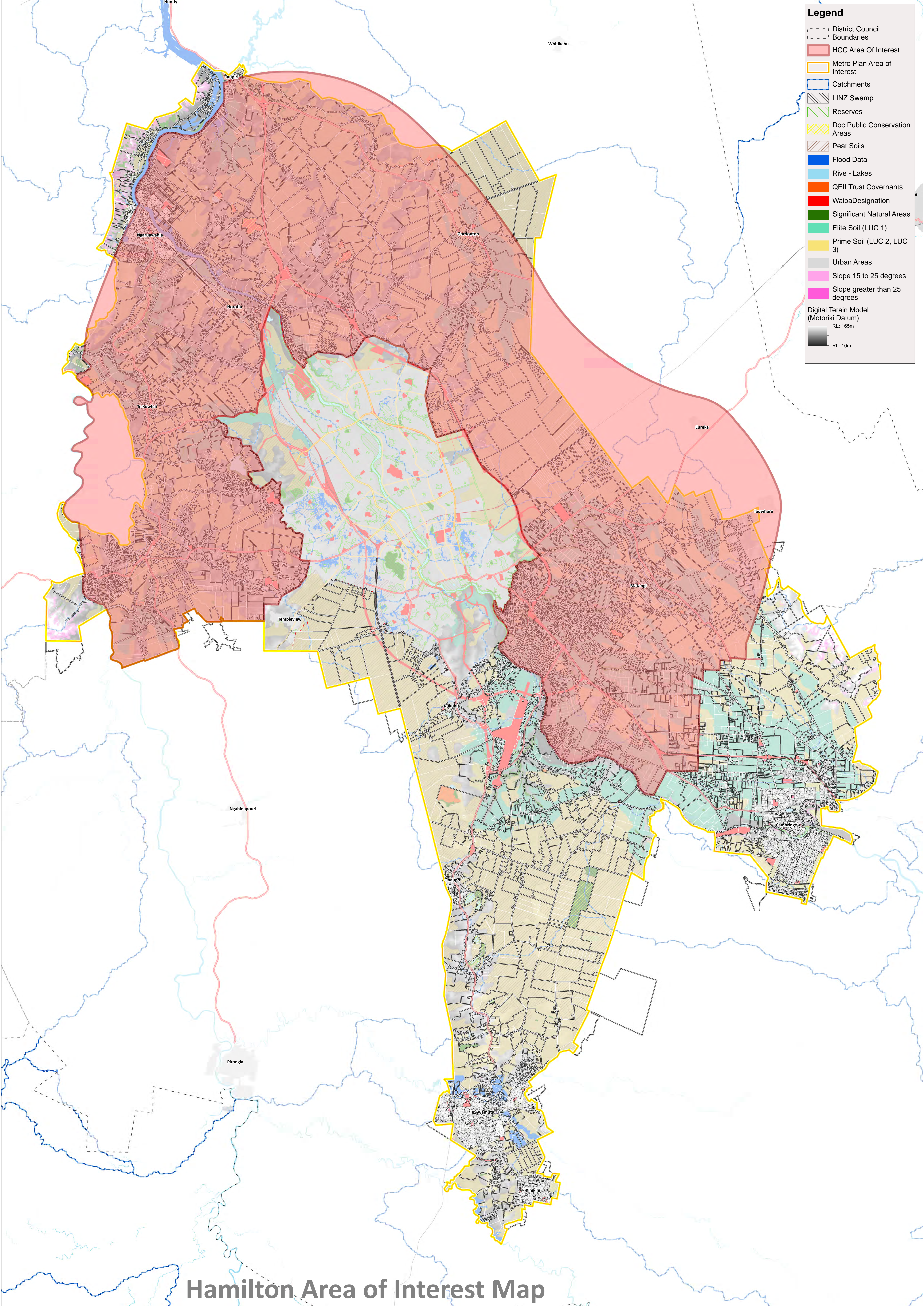
**Luke O'Dwyer**

## **ATTACHMENT 1**



## ATTACHMENT 2





Hamilton Area of Interest Map

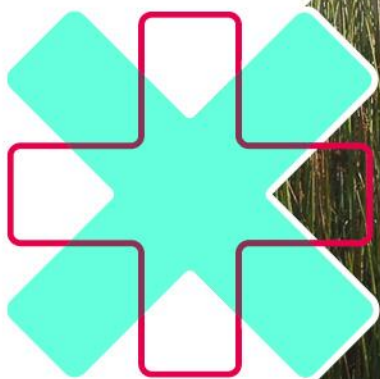


## **ATTACHMENT 3**

# UNDERSTANDING THE GREATER HAMILTON AREA

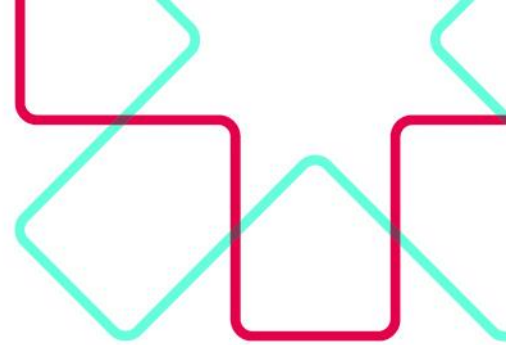
## Final Report

April 2018









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# PREFACE

This report has been prepared for Hamilton City Council by Patrick McVeigh from MartinJenkins (Martin, Jenkins & Associates Limited).

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# EXECUTIVE SUMMARY

## Greater Hamilton – an area of strategic importance

The greater Hamilton area sits at the centre of the Waikato region and encompasses the three territorial authorities of Hamilton City Council, Waipa District Council and Waikato District Council. The combined population of the greater Hamilton area is 298,600, approximately 64% of the Waikato region's total population. The majority of the greater Hamilton population, 57%, resides within the Hamilton City boundaries.

The greater Hamilton area has been identified as an area of significant population growth and a focus for future development. Under the Future Proof mechanism, the three territorial authorities, together with mana whenua and the NZ Transport Agency have developed a growth strategy which includes a focus on the future funding and management of infrastructure such as transport, wastewater, stormwater, recreation and cultural facilities. Future Proof provides a framework for ongoing cooperation and implementation.

Recent years have seen an accelerated phase of growth, fuelled in part by proximity to Auckland but also as a result of wider demographic and migration trends. Recent and ongoing investment in infrastructure, will create further growth pressures and further opportunities.

This strategic importance of the area, and the need for collaboration, is reinforced by the Government's Urban Growth Agenda (UGA) which identifies spatial planning for the Hamilton to Auckland corridor as one of its pillars of the Governments urban growth agenda.

The development of new UGA spatial planning arrangements are in their early inception but are underway. It is understood, that collaborative working arrangements akin to Future Proof, but with membership extended to include wider corridor partners such as Auckland Council and Auckland based iwi representation will develop the spatial plan(s).

It is therefore an opportune time to consider opportunities to enhance collaborative working across the greater Hamilton area.

## Hamilton City – the regional hub

Hamilton City is one of New Zealand's fastest growing cities and acts as a regional hub for commercial and population growth within the wider Waikato region. Hamilton City plays a higher order economic function as the centre for innovation, employment and services, providing 67% of the total jobs, 79% of GDP and being home to 47% of all business units in the greater Hamilton area.

Hamilton City has a number of obvious and well established interactions with its neighbouring territorial authorities and beyond. The movement of residents including workers, students, goods and services across boundaries are commonplace. This reflects the fact that administrative boundaries do not themselves determine how local economies and markets operate.

Hamilton City Council and neighbouring territorial authorities already recognise the importance of these interconnections and the need to work together on both strategic and operational planning



issues. Each of the territorial authorities actively collaborates in resource management planning, growth management, infrastructure provision and infrastructure planning.

Recognising the important interconnections across the greater Hamilton area a range of collaborative arrangements are already in place. These mechanisms appear to be effective, but it is appropriate that they are reviewed from time to time, considering the rapid and ongoing growth of the greater Hamilton area and the apparent pressures this is placing on Hamilton City.

Given the important role that Hamilton City plays in the wider regional economy, Hamilton City Council has identified the need to ensure that:

- there is adequate infrastructure in place to receive and benefit from the growth of not only the greater Hamilton area but also the growth of Auckland
- the Council has a clear idea of its needs and expectations from the Hamilton to Auckland corridor project and the associated Metropolitan Spatial Plan
- as the Council and neighbouring authorities manage Strategic Agreements on the administration of future growth areas, and prepare and consider plan changes, to ensure that opportunities aren't missed to ensure that Hamilton City is well placed to manage future growth.

## Understanding functional relationships

In New Zealand, while administrative regions are clearly defined, little work has been done to understand functional economic areas. This acknowledges that there are economic connections between places that are not constrained by administrative boundaries and better reflect the way in which the economy works. This includes the relationships between where people work and where they live and the scope of service market areas and catchments.

It is not unusual to see two-way interactions between territorial areas. Administrative boundaries rarely capture the complex nature of interactions and interdependencies between adjoining areas, particularly those between cities and their hinterlands. Economic geography is influenced by a wide range of factors, people will frequently live, and work, shop and access services and entertainment in different administrative areas, and place identity and association may not adhere to territorial authority boundaries. Understanding these interactions can support better policy formation and decision making across the functional area, providing a common evidence base and shared understanding of the nature and distribution of economic activity.

Even as a small city, Hamilton plays a central function in the greater Hamilton and wider Waikato regional economy. The economic relationship between Hamilton and its surrounding areas is important. Economic integration between geographic areas is generally associated with greater economic performance for both areas through benefits from trade. The benefit that each area gains from economic integration will be influenced by the nature and strength of the economic linkages between the two areas. Linkages grow from the countless decisions made by individual organisations day-to-day and year after year.



Looking across the greater Hamilton area there are some obvious interactions that reinforce the need for collaboration and joint working. These include:

- **labour markets** – increased commuting across the greater Hamilton area which suggests that there is an ongoing need to co-ordinate decisions and activities that would impact on how workers access employment and where businesses would locate themselves.
- **housing markets** – emerging functional relationships between each of the three territorial authorities that require further consideration. While housing capacity appears to be sufficient, questions have been raised as to whether the type of housing stock is available in the right locations to support the effective operation of the greater Hamilton area labour market.
- **industrial structure** – while there are some notable differences between each of the three local economies there is a shared interest in ensuring that there is sufficient employment land available in locations. Currently, while there is sufficient zoned industrial land, there appears to be a risk that there is a short to medium-term shortage of development ready industrial land across the greater Hamilton area. The three territorial authorities need to work collaboratively across the greater Hamilton area to balance supply and demand and to ensure that economic development opportunities are not missed.
- **transport networks** - over the last five years there have been significant increases in traffic flows across the greater Hamilton area through all main corridors, including a 28% increase in flows between the Hamilton City-Cambridge-Putaruru corridor and a 26% increase along the Hamilton-Ngaruawahia-Huntly corridor. In 2017 there was an average of 97,000 vehicle movements per day into and from Hamilton City.

## Enhancing collaboration and joint working

This analysis confirms the importance of the three territorial authorities continuing to work together and with other partners to ensure the best possible outcomes for all communities across the greater Hamilton area. For Hamilton City Council, ensuring that established models of collaboration are effectively delivering against the city's priorities and objectives is essential.

It is debatable whether additional mechanisms are required over and above existing and proposed arrangements. Instead, it may be more appropriate to focus on how to use existing mechanisms to best effect.

In considering whether there is a need for new or enhanced forms of coordination across the greater Hamilton area, over and above what is already happening, there is a spectrum of options for service delivery.

For the greater Hamilton area, the issues should be viewed through the lens of the strategic planning exercises that have already been completed or are underway. The implementation of the Future Proof strategy and the development of a shared spatial intent for the Hamilton to Auckland corridor provide a practical and pragmatic framework for considering these issues.



# 1 INTRODUCTION

## 1.1 Project scope

In January 2019, Hamilton City Council (HCC) commissioned MartinJenkins to undertake research on the interactions between Hamilton City and its neighbouring districts, specifically the Waikato District and the Waipa District. For the purposes of this report, we refer to this area as the greater Hamilton area.

The objective of the research was to better understand the dynamics of the relationship between the city and surrounding districts with a view to identifying whether there were opportunities to enhance outcomes for all communities across the greater Hamilton area and the wider Waikato region.

The scope for this assignment acknowledges that as one of New Zealand's fastest growing cities, Hamilton City acts as a regional hub for commercial and population growth within the wider Waikato region. As the regional hub, Hamilton City has a number of obvious and well established interactions with its neighbouring territorial authorities and beyond. The movement of residents including workers, students, goods and services across boundaries are commonplace. This reflects the fact that administrative boundaries do not themselves determine how local economies and markets operate.

Hamilton City Council and neighbouring territorial authorities already recognise the importance of these interconnections and the need to work together on both strategic and operational planning issues. Each of the territorial authorities actively collaborates in resource management planning, growth management, infrastructure provision and infrastructure planning.

One of the most visible and well established expressions of this collaboration is evidenced by Future Proof, a voluntary collaborative network involving Hamilton City Council, Waikato Regional Council, Waipa District Council and Waikato District Council, as well as other partners.

More recently, in response to the Government's Urban Growth Agenda (UGA), HCC and other regional partners are involved in a series of collaborative projects. These projects underpin some of the '5 pillars' of the UGA being spatial planning and infrastructure funding and financing. In addition, there is the Waikato Mayoral Forum, the Waikato Triennial Agreement, which promotes collaboration across the region, and also the Upper North Island Strategic Alliance. At an operational level, there are also a range of shared services that are delivered through the Waikato Local Authorities Shared Services (WLASS) mechanism.

Future Proof in particular, is a mature partnership, and the collaborative arrangements should be seen as good practice, are well established across the sub-region and recognisable in the region and beyond. Collective working has already resulted in positive joint outcomes, most notably securing Government investment in the Waikato Expressway. At an operational level, there have also been efficiencies that have been realised as a result of the implementation of shared services across the three councils.

However, while a number of these mechanisms appear to be effective it is appropriate that they are reviewed from time to time. There are also some factors that need fuller consideration, in terms of the impact on Hamilton City as the urban and economic centre of the greater Hamilton area and the wider region.



Specific issues of immediate concern to Hamilton City Council include ensuring that:

- there is adequate infrastructure in place to receive and benefit from the growth of not only the greater Hamilton area but also the growth of Auckland
- the Council has a clear idea of its needs and expectations from the Hamilton to Auckland corridor project and the associated Metropolitan Spatial Plan
- as the Council and neighbouring authorities manage Strategic Agreements on the administration of future growth areas, and prepare and consider plan changes, to ensure that opportunities aren't missed to ensure that Hamilton City is well placed to manage future growth.

In light of these issues, Hamilton City Council asked MartinJenkins to help them consider the nature of the current interactions between the City and its neighbouring districts, identifying apparent issues and opportunities and examining, whether as a consequence of these interactions there would be benefits from alternative collaboration or administrative arrangements, over and above those associated with the Future Proof mechanism and other existing or new arrangements.

## 1.2 Approach

The approach adopted for this assignment has largely been a desk based review of existing material, coupled with a number of discussions with Hamilton City Council officers. This approach recognises the fact that the Council and the wider group of partners have already undertaken, or commissioned, a considerable amount of research and analysis into the interactions across the greater Hamilton area. In addition, there is significant amount of information arising from Future Proof and other sub-regional planning and strategy processes.

In considering this range of pre-existing information we have critically assessed it with a view to determining whether there is evidence that the nature of interactions across the greater Hamilton area warrants an approach to strategic planning and delivery that goes beyond current collaborative processes, such as Future Proof.

In determining a suitable framework for making this assessment, we considered two frameworks that have been used extensively overseas, primarily in the UK but also elsewhere. Firstly, the city-region concept and whether this could be applied to the Hamilton, Waipa and Waikato area. Secondly, whether there was evidence that the sub-region constituted a Functional Economic Market Area (FEMA). These frameworks were chosen because where they have been applied in other locations, they have been a useful tool for cross boundary strategic planning and decision making.

### 1.2.1 City Region Framework

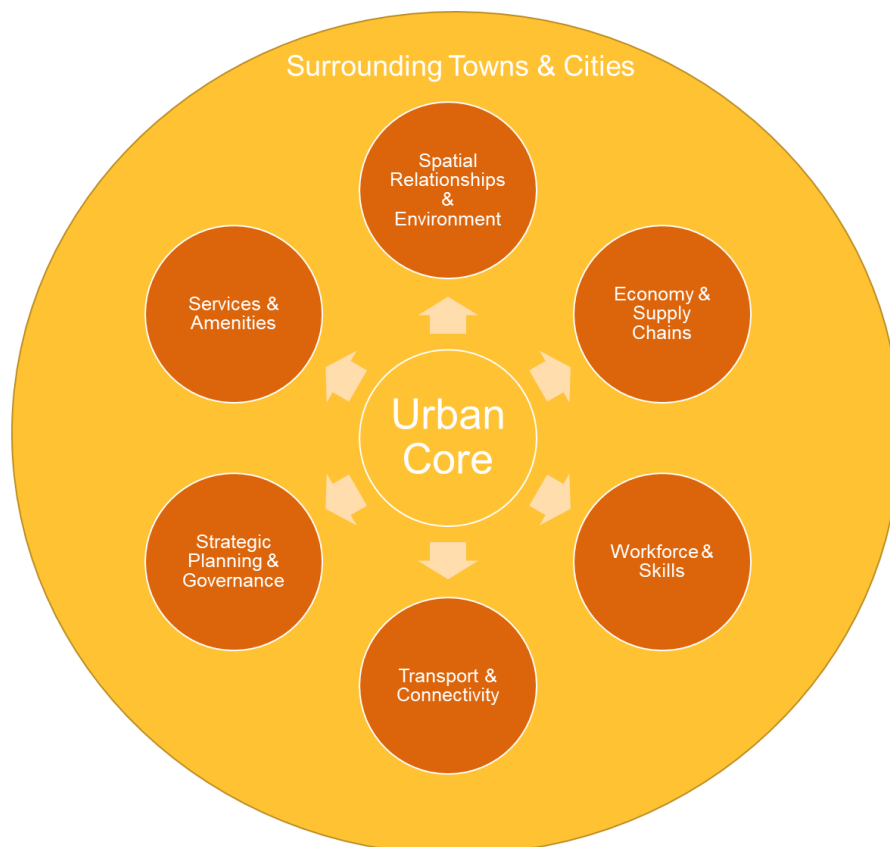
The concept of a city-region has been in existence for several decades and recognises the relationship between urban centres and their hinterlands, acknowledging that there are frequently functional linkages that extend across administrative boundaries. The city-region acts as the area from which urban centres draw upon labour supply and provide services such as shopping, education,





health, leisure and entertainment<sup>1</sup>. The city-region is also seen as important from an economic and business perspective when it comes to the operation of supply chains and access to producer services. Figure 1 highlights the key dimensions of a city-regional relationship, illustrating how a strong urban core drives a series of connections and relationships with surrounding towns and cities.

**Figure 1 Key Dimensions of a City-Region Relationship**



Source: MartinJenkins analysis

The analysis of city-regional linkages has been a useful tool in considering questions of localism, specifically, whether there is a case for the devolution or decentralisation of decision making to a more localised scale. City-regional analysis has also been a tool for identifying opportunities for improving the service delivery and enhancing economic performance. Most notably, the UK and now Australia have typically used the city-region as the level around which to construct city deals, a form of partnership between central and local government to accelerate the delivery of infrastructure that supports economic growth and prosperity in a locality, but which benefits the country as a whole.

<sup>1</sup> Office of the Deputy Prime Minister (February 2006), A Framework for City Regions



In New Zealand, while administrative regions are clearly defined, little work has been done to understand functional economic regions nor city-regions. Although differences between functional and economic regions have been recognised<sup>2</sup>, little work has been done to better understand the nature of functional economic regions or the implications of this for policy and planning. Notable exceptions to this was the work that preceded the establishment of the Auckland Council and also the work of the Greater Wellington Regional Council, which continues to take a city-region approach despite the region rejecting local government amalgamation.

In 2011, the Ministry of Business Innovation and Employment's Core Cities Project looked at the performance of New Zealand's six largest cities, Auckland, Hamilton, Tauranga, Wellington, Dunedin and Christchurch. It acknowledged that each of these urban centres was part of a wider city-regional economy and that if these core cities were supported to grow, they would deliver economic benefits for New Zealand as a whole<sup>3</sup>. The project recommended further research into these issues but to date this does not appear to have been undertaken.

## 1.2.2 Functional Economic Market Areas

Similar to the city-region concept, the notion of a Functional Economic Market Area (FEMA) recognises the fact that there are often economic connections between places that are not constrained by administrative boundaries.

FEMAs are intended to better reflect the way in which the economy works, including the relationships between where people work and where they live and the scope of service market areas and catchments. While there is no single definition of what constitutes a FEMA, the concept has variously been applied at either the local or regional level, in the UK, Australia, the US and Canada.

The reason why identifying these areas, and the underpinning interactions, is useful, is that they can help establish a shared agenda between neighbouring administrative areas to enhance outcomes and service delivery arrangements for local residents and businesses.

Guidance prepared for UK local authorities has previously identified six considerations that should be taken into account when seeking to measure functional boundaries<sup>4</sup>, specifically:

- Labour markets
- Housing markets
- Supply chains and industry and commerce
- Service markets
- Administrative areas
- Transport networks.

<sup>2</sup> See for example NZIER (July 2014), Regional Economies – shape, performance and drivers

<sup>3</sup> Ministry of Business, Innovation and Employment (July 2012), NZ-Core Cities Research Summary

<sup>4</sup> Department of Communities and Local Government (February 2010), Functional Economic Market Areas: An Economic Note



The FEMA guidance recognises that it is not necessary to apply all of the above factors in order to define a FEMA, but also recognises the risk in relying upon one measure<sup>5</sup>. Table 1 summarises each of the key FEMA themes and indicators.

**Table 1: Functional Economic Market Area Framework<sup>6</sup>**

Functional Economic Market Areas							
Theme	Spatial Economic Profile	Travel to Work Areas	Commercial Property Market Areas	Housing Market Areas	Consumer Market Areas	Transport & Infrastructure Networks	Economic Governance & Partnership Areas
Indicators	Jobs & sector mix	Commuting flows	Type & distribution	Migration & commuting	Pop growth	Infrastructure investment	Existing TA boundaries
	Productivity & innovation	Resident & workplace	Development rates & trends	Housing market signals	Retail & leisure catchment	Strategic & local transport connections	Planning policies
	Pop growth	Travel to work areas	Vacancy rates		Cultural participation	Journey times	Other economic partnership areas
	Labour market & skills	Labour self-containment	Competitor locations			Broadband	
	Clustering						

Source: Adapted from NLP FEMApplan Framework

As with the city-region concept, little research has been undertaken in New Zealand to define functional economic market areas. Although, there are some similarities with the Statistics NZ definition of urban areas which highlights the importance of:

- strong economic ties;
- cultural and recreational interaction;
- serviced from the core for major business and professional activities;
- an integrated public transport network;
- significant workplace commuting to and from the central core;
- planned development within the next twenty years, as a dormitory area to, or an extension of, the central core.

When looking at Hamilton City and its surrounding areas, the concept may be helpful as it is more locally focused than the city region framework which is often used to look at city regional economies within a national framework of cities.

### 1.2.3 Selected approach

Both the city region and function economic market area approaches have some common characteristics and could be useful analytical tools for examining the nature of relationships across the

<sup>5</sup> However, it is also noted that commuting and migration data is often the most complete data.

<sup>6</sup> Litchfields, FEMApplan, Defining Functional Economic Market Areas (<https://lichfields.uk/media/1761/femaplan.pdf>)



greater Hamilton area. Our initial review of the data required to apply such a framework found a number of apparent data gaps. In particular, the fact that the 2018 Census data is not yet available makes it challenging to comprehensively examine the interrelationships that exist across the area. However, drawing upon the range of research and data that is available it is possible to consider many of the dimensions that are relevant to both city-region and functional economic market areas.

The following sections, therefore, review the available information and data to explore the nature of interrelationships between Hamilton City and the Waikato and Waipa District Council areas, using functional economic market area framework as a guide, before considering opportunities for further co-operation across the greater Hamilton area.



## 2 UNDERSTANDING THE GREATER HAMILTON AREA

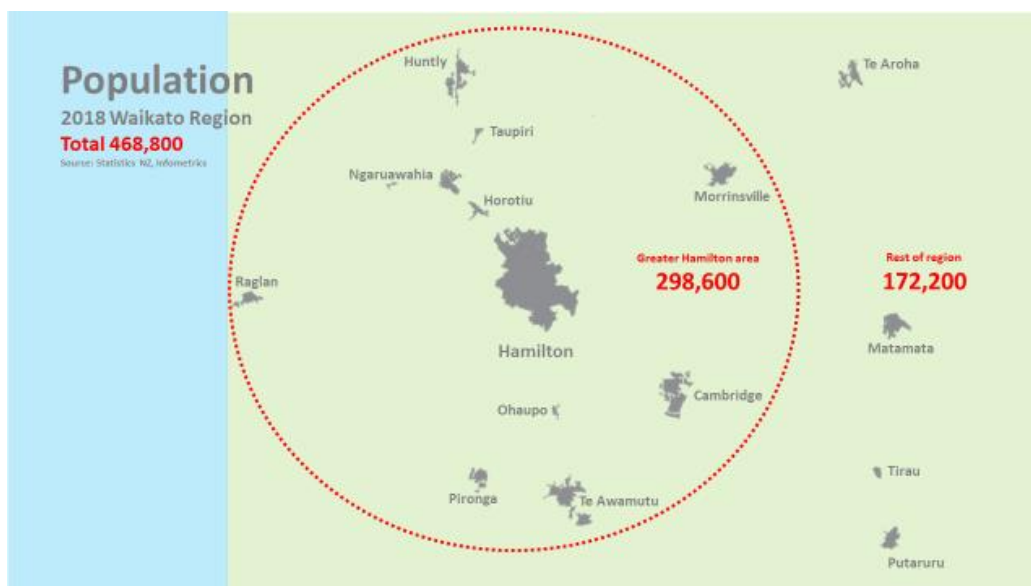
### 2.1 Defining the greater Hamilton area

In this report we refer to the concept of the greater Hamilton area that encompasses the three territorial authorities of Hamilton City Council, Waipa District Council and Waikato District Council. This is not a formal administrative area but recognises that there are important spatial and economic connections between and across the three areas that are agnostic to the individual boundaries of each of the councils.

The greater Hamilton area sits at the centre of the Waikato region and includes the major settlements of Hamilton city, Cambridge and Te Awamutu to the south in the Waipa District, and Ngaruawahia and Huntly in north in the Waikato district. There is also an important spatial corridor running through the area, encompassing the Hamilton Expressway and State Highway 1, running through the greater Hamilton area connecting the area to the Auckland region.

The total population of the region in 2018 was 468,800 and combined the greater Hamilton area population is 298,600, meaning that approximately 64% of the region's population is within the greater Hamilton area (Figure 2). Within the area, the majority of the population, 57% resides within the Hamilton city boundaries (Figure 3).

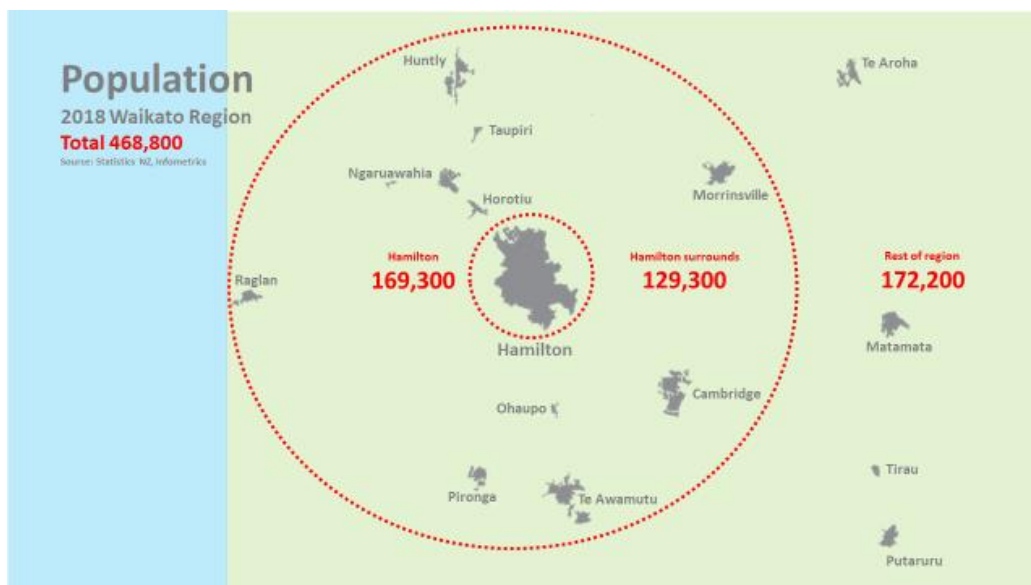
**Figure 2 Population Greater Hamilton and Waikato Region**



Source: Waikato Regional Council (population data updated based on 2018 Infometrics economic profile)



**Figure 3 Population Greater Hamilton Area**



Source: Waikato Regional Council (population data updated based on 2018 Infometrics profile)

The strategic importance of the greater Hamilton area has already been recognised by each of the three territorial authorities. The area has been identified as an area of significant population growth and a focus for future development. Forecasts undertaken in 2016 suggest that the population of the area would increase by between 27% and 33% over the following 30 years<sup>7</sup>. Further analysis of population growth rates suggests that, based on the average 5 year growth rate, the population of Hamilton City and the Waikato District would double in 32 years, and 37 years in Waipa. This is compared to the population of the entire region doubling in 40 years<sup>8</sup>.

## 2.2 Economic profile of the greater Hamilton area

In terms of both population size and population growth, the greater Hamilton area is of particular importance to the Waikato region as a whole. Within the region, Hamilton City also plays a higher order economic function as the centre for innovation, employment and services.

Looking at each of the local areas, Table 2 draws upon the latest Infometrics economic profiles to compare each of the three areas across a number of key indicators. The data highlights some important similarities and differences between the local economies of the greater Hamilton area, and when compared to the Waikato Region as a whole.

The data shows that, at an aggregate level, Hamilton City is dominant local economy in the greater Hamilton area, providing 67% of the total jobs, 79% of GDP and being home to 47% of all business units in the area. However, from an employment growth perspective, the Waipa District experienced a

<sup>7</sup> University of Waikato (2016)

<sup>8</sup> Waikato Regional Council, Population and Traffic, Presentation by Andrew Wilson, Public Transport Manager.



higher rate of job growth than the other local economies or the regional averages. GDP growth was also higher in Waipa than the other areas.

While Hamilton has the strongest economy<sup>9</sup>, which is a function of its size and industry mix, it is worth noting that in terms of labour productivity, measured by GDP per job filled, the best performing local area is the Waikato District, which outperforms both Hamilton and Waipa and the regional average by some way. Waikato District's labour productivity was nearly \$23,000 higher per filled job, a fairly significant difference. An issue of concern across all areas, and for the Waikato region as a whole, is the fact that labour productivity growth has been negative during 2018.

**Table 2: Greater Hamilton Area - Key Indicators 2018**

	Hamilton City	Waikato District	Waipa District	WAIKATO REGION
Population	169,300	75,300	54,000	468,800
Population Growth in 2018	2.4%	2.3%	1.9%	2.7%
Mean Earnings	\$60,280	\$54,623	\$53,697	\$56,944
Mean Earnings Growth in 2018	3.4%	2.5%	3.7%	3.6%
Employment	92,735	22,655	23,325	215,345
Employment Growth 2018	3.6%	3.5%	5.4%	3.4%
Gross Domestic Product*	\$7,921m	\$2,453m	\$2,151m	\$20,363m
GDP Growth in 2018	3.4%	1.8%	4.7%	2.7%
Business Units	15,027	9,420	7,554	56,073
Growth in Business Units in 2018	2.1%	1.2%	1.4%	1%
Productivity**	\$85,414	\$108,275	\$92,239	\$94,558
Productivity Growth in 2018	-0.2%	-1.6%	-0.8%	-0.7%

Source: Infometrics, Economic Profiles (2018)

**Notes**

1 \* GDP 2010 Prices

2 \*\* GDP per filled job

## 2.3 Existing strategic collaboration

As previously highlighted, the importance of the collaboration and joint planning across the greater Hamilton area is already recognised by each of the councils and their key partners. Under the Future Proof mechanism, the partners have worked together to develop a growth strategy specific to the Hamilton, Waipa and Waikato area. The growth strategy has been developed in partnership with tangata whenua and the NZ Transport Agency and provides a framework for ongoing co-operation and implementation. This includes a focus on the funding and management of infrastructure such as transport, wastewater, stormwater, recreation and cultural facilities.

<sup>9</sup> Measured by total GDP generated



The Future Proof collaboration recognises that Hamilton City, and adjoining Waikato and Waipa Districts are home to a significant and fast-growing population, which is expected to double on the next 50 years. In light of this forecast growth and the pressures and opportunities this growth creates, the Future Proof Strategy considers planning and land use factors in light of how greater Hamilton should develop in the future. The original strategy and implementation plan were completed in 2009 and updated in 2017.

The Future Proof Strategy has a focus on five areas of activity, specifically: residential development, rural land, business and industrial land, retail land and settlement patterns. The implementation of the strategy has provided a collaborative framework for responding to key land use planning matters across the sub-region and Future Proof submissions have been made across a wide range of issues and proposed plan changes, from housing, to land capacity, to transport and beyond.

Future Proof submissions have also considered wider Upper North Island and national issues that impact on the sub-region, including matters such as the Auckland Plan, Auckland Unitary Plan and the Auckland Economic Development Strategy as well as the National Policy Statement on Urban Development Capacity.

Accommodating the level of anticipated growth, while also protecting the environment and maintain quality of place, is a priority for the sub-region and for each of the territorial authorities. The Future Proof Strategy recognises this and identifies six significant challenges:

- **cross boundary issues** – managing cross boundary growth pressures arising from the growth of Auckland that impact the northern Waikato
- **water allocation and quality** – managing increasing and competing demands for freshwater in the sub-region and addressing issues of water quality
- **infrastructure levels of service and affordability** – pressure to provide new and enhanced infrastructure and services within constrained local government funding models
- **future land use** – impact on urban form as a result of factors such as the scale and pattern of growth, impact of transport investment and management of conflicts between different types of land use
- **achieving integrated planning** – ensuring that integrated planning continues and is able to respond appropriately and flexible to competing pressures and that it is supported by sufficient infrastructure investment
- **responding to change** – ability to effectively respond to range of changes including demographic change, growth rates, market dynamics, technology and climate changes.

While the Future Proof collaboration provides a process for considering these issues across the greater Hamilton area as a whole, Hamilton City, as the largest urban centre in the Waikato region has a particular interest in ensuring that the city is able to effectively plan for, and manage, future growth. This is not to underplay the importance and effectiveness of the Future Proof arrangements but reflects the fact that in administrative terms the city has constrained boundaries and arguably greater growth pressures, with over 50% of the sub-regional population growth expected to happen within Hamilton. In addition, as the regional hub, Hamilton's economic success is critical to the greater Hamilton area as a whole.





In addition to Future Proof, it is worth noting that Hamilton City Council is also a member of the Upper North Island Strategic Alliance (UNISA), which is a collaborative body that may make recommendations to constituent councils and central government but has no decision-making authority.

The purpose of the UNISA agreement is to establish a long-term collaboration between the Auckland Council, Bay of Plenty Regional Council, Northland Regional Council, Waikato Regional Council, Hamilton City Council, Tauranga City Council and Whangarei District Council for responding to and managing a range of inter-regional and inter-metropolitan issues. Areas of focus have included an: Independent Port Study; Upper North Island Freight Study; Industrial Land Demand Study; and Upper North Island Key Sector Trends and Labour Demand analysis.

There is also a wider Triennial Agreement, a requirement of the Local Government Act 2002 Amendment 2014, which sets out the basis of communication and coordination between Waikato Regional Council, the Hauraki, Matamata-Piako, Otorohanga, Rotorua, South Waikato, Taupō, Thames-Coromandel, Waikato, Waipa, Waitomo District Councils and Hamilton City Council.

Additionally, Central Government have stated its strong interest in the growth of the Auckland to Hamilton Corridor. The newly created Ministry of Housing and Urban Development (MHUD) identifies spatial Planning for the corridor as one of its pillars of the Governments urban growth agenda. The development of such spatial planning tools are in their early inception but are underway. It is understood, that collaborative working arrangements akin to Future Proof, but with membership extended to include wider corridor partners such as Auckland Council and Auckland based iwi representation will develop the spatial plan(s).

At the regional level the creation of the new regional development agency, Te Waka, also provides an opportunity for a dialogue on the region's future economy and the additional infrastructure and investment required to enable growth.

This is a particularly opportune time to consider opportunities to enhance collaborative working across the sub-region. Recent years have seen an accelerated phase of growth, fuelled in part by proximity to Auckland but also as a result of wider demographic and migration trends. Recent and ongoing investment in infrastructure, will create further growth pressures and further opportunities.

Given the opportunities associated with the transport corridor plan and the associated Metropolitan Spatial Plan mean that the time is right to consider the current nature of sub-regional interactions, and whether there is a need for enhancements to joint working arrangements across the greater Hamilton area.

## 2.4 Applying a functional economic market area framework

It is not unusual to see two-way interactions between territorial areas. Administrative boundaries rarely capture the complex nature of interactions and interdependencies between adjoining areas, particularly those between cities and their hinterlands. Economic geography is influenced by a wide range of factors, people will frequently live, and work, shop and access services and entertainment in different administrative areas, and place identity and association may not adhere to territorial authority



boundaries. Understanding functional economic market areas can support better policy formation and decision making across the functional area, providing a common evidence base and shared understanding of the nature and distribution of economic activity.

Even as a small city, Hamilton plays a central function in the sub-regional economy. The economic relationship between Hamilton and its surrounding areas is important. Economic integration between geographic areas is generally associated with greater economic performance for both areas through benefits from trade. The benefit that each area gains from economic integration will be influenced by the nature and strength of the economic linkages between the two areas. Linkages grow from the countless decisions made by individual organisations day-to-day and year after year.

The question from a policy perspective is how to recognise functional relationships in terms of strategic and operational decision making across the territorial authorities and whether arrangements are sufficient and allow Hamilton City to be best placed to accommodate and benefit from growth opportunities. Before addressing this issue there is first a need to determine whether the interactions as they currently exist are sufficient to evidence that there is a functional economic area that does indeed extend beyond administrative boundaries.

While there is no single or universally applied approach to identifying FEMAs. Analysis typically focuses on the fact that economic flows and interdependencies will overlap administrative territorial boundaries. Where markets operate across administrative boundaries, there is often a need for arrangements to be put in place that allow local partners to work together to make strategic decisions and address any challenges that might exist across that functional area. The UK guidance<sup>10</sup> states that while the national or regional level may be too large to address local issues effectively and that...

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**Local authority areas can be too small if they cover a smaller geographical area than their economic markets. Policies designed at a local authority level, for example, may not fully consider the costs and benefits of implementing a policy if this spreads beyond their administrative boundaries. This can make it harder to tackle economic challenges effectively.**

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The guidance goes on to note that that if policies can be formulated at a FEMA level, there is less risk of more localised policies which may be counter to wider sub-regional and national interests. Identifying whether there is evidence of FEMAs across the Hamilton, Waikato and Waipa sub-region would therefore be a helpful step in determining whether there is a need for any alternative forms of collaboration and joint working across the territorial authorities. We have sought to critically assess the available information against each of the six factors commonly associated with a FEMA, as summarised in Table 3.

<sup>10</sup> Department of Communities and Local Government (February 2010), Functional Economic Market Areas: An Economic Note



**Table 3: Factors Used to Define FEMAs**

Factor	Description
1 Labour markets	Travel to Work Areas (TTWAs) are widely accepted as the most common approach to defining a FEMA. The common definition applied is that of the resident economically active population at least 75% work in the area, and of all those working in the area at least 75% also live in the area.
2 Housing markets	FEMAs can be defined on the basis of Housing Market Areas. Housing Market Areas may also be defined on the basis of commuting patterns but could also be defined by migration patterns or a combination of commuting and migration data.
3 Supply chains in industry and commerce	Measuring the flow of goods and services and information across the local economy to understand economic connections. It may also be possible to look at existing or distinctive industrial clustering.
4 Service markets for consumers	FEMAs can be identified by analysing travel patterns to higher order services such as major shopping centres; airports; concert halls; hospitals; the patterns of sub-regional newspaper readership; the audience geography of local radio stations; or travel to learn areas.
5 Administrative areas	It is important to recognise administrative boundaries given the established role they play and there is a case for 'best fitting' FEMAs to administrative boundaries.
6 Transport networks	Transport networks play an important role in enabling connectivity between areas but there is a recognised link between transport network and other factors such as labour markets.

Source: Communities and Local Government (2010)

It should also be noted that it is not necessary to clearly demonstrate evidence of a FEMA across each of the factors for the process to be helpful in identifying issues and opportunities across a sub-region. Typically, the analysis of labour markets is the most widely accepted approach to identifying FEMAs, with a focus on examining Travel to Work data to understand economic interdependencies between areas which often require supporting policies to ensure the smooth functioning of labour markets.

In the following sections, we review the available information to determine whether there is evidence of functional economic relationships that extend beyond Hamilton City's administrative boundaries. In these sections we also highlight any data gaps, which limit our current understanding of the nature of the relationships between Hamilton City and its surrounding districts.

## 2.5 Current nature of sub-regional interactions

A considerable amount of work has already been done to understand the nature of the interactions between Hamilton and the surrounding districts of Waipa and Waikato<sup>11</sup>, often as part of wider strategic planning exercises, such as Future Proof, or the Waikato Plan. In these instances, the research that has been undertaken has typically focused on specific issues, such as housing or

<sup>11</sup> Hamilton City Council provided MartinJenkins with a series of background documents that in some way provided insights to the nature of interactions across the sub-region. These documents are variously referred to in subsequent sections of this report.



business land capacity. In other instances, the research has sought to establish an up-to-date assessment of the nature of interactions across all relevant domains.

It would be impractical to try and re-present all of the supporting research and data in this report. However, in the following sections we draw upon the available information and use it to assess whether there is evidence of functional economic market areas that extend beyond existing administrative boundaries.

In the following sections, we draw upon the available evidence to consider:

- nature of labour market interactions
- housing market characteristics
- industrial structure
- service markets
- administrative areas
- transport networks.

### 2.5.1 Labour markets

Supporting employment growth across the greater Hamilton area will depend on the ability of employers to access the local labour force, which has implications for employment sites and premises as well as housing supply and choice. In addition, where people live and work has an impact on commuting patterns and consequently, transport infrastructure requirements.

Understanding the nature of labour market interactions across the greater Hamilton area is particularly important as the ability for residents of all three territorial authorities to access employment opportunities is central to economic wellbeing. The availability of labour is important to achieving economic development outcomes and there is also a close connection between labour markets, employment land and housing markets. The ability to identify functional relationships is helpful to joint planning and implementation of activities that support labour market outcomes.

As a result of administrative boundaries and data availability, identifying functional labour market areas can be challenging. Typically, Census data is the primary source of evidence on where people live and work and therefore the nature of labour market interactions and travel to work patterns. The results of the 2018 Census are not yet available so there is a requirement to rely on the 2013 Census which is now somewhat out of date and is unlikely to reflect the current situation<sup>12</sup>.

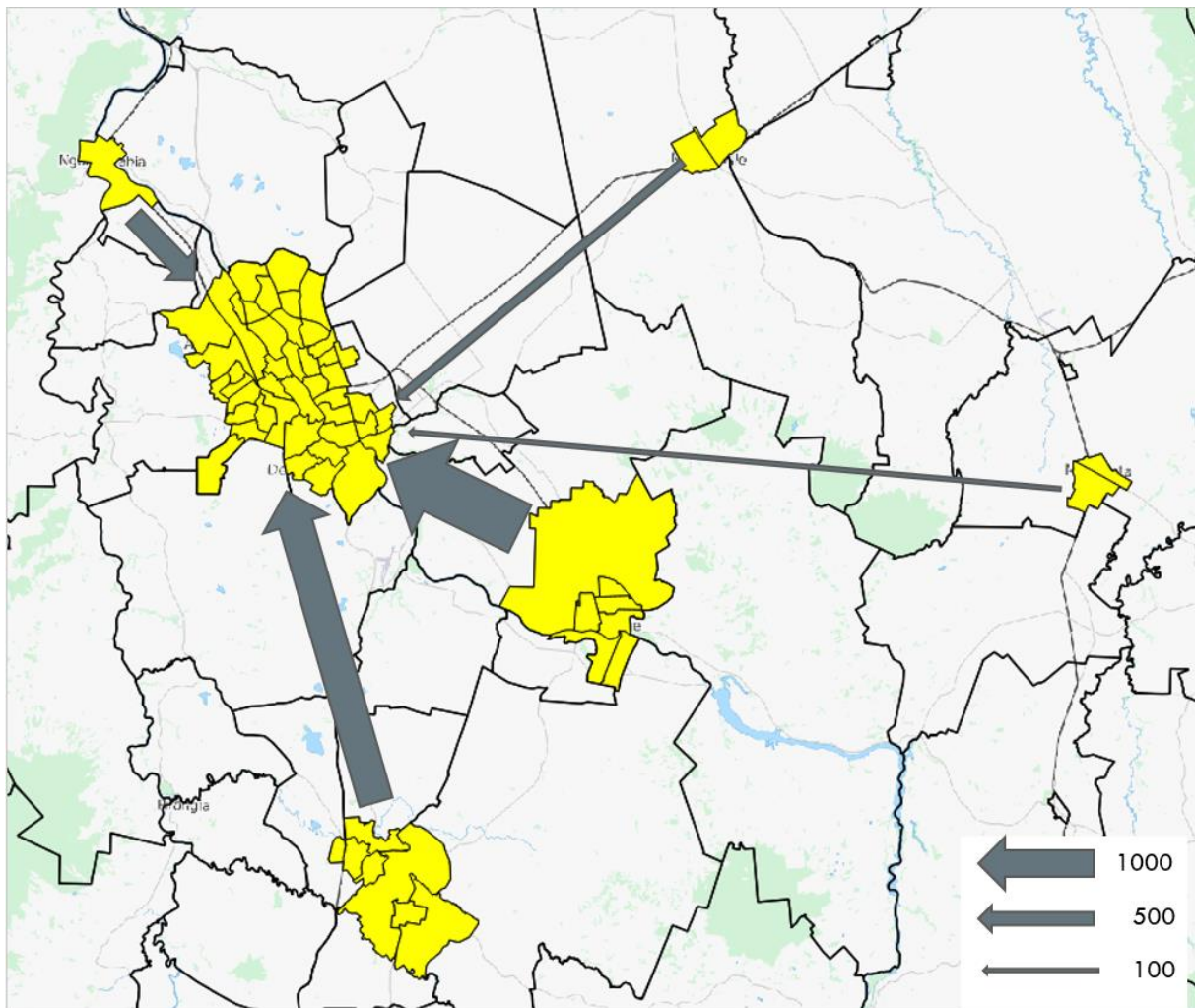
However, a network analysis of functional labour markets, using 2013 Census data, suggests that Hamilton City is a key employment location for commuters from neighbouring districts, with the greatest numbers of commuters to Hamilton City originating from Cambridge, Te Awamutu and

<sup>12</sup> Data from the 2018 New Zealand Census is not yet available and there have already been several delays in the release of the data. Currently, Statistics New Zealand are still analysing the 2018 results and preparing a dataset for public release. No firm date has been provided for the release, but an update is expected in April 2019. The reason for the delay in the release of the data is the fact that overall individual response rate to the Census was lower than anticipated and more work is required to model the results



Ngaruawahia<sup>13</sup>. Figure 4 illustrates the scale and pattern of these interactions and provides further detail on commuting flows.

**Figure 4 Labour Market Network Analysis**



Source: University of Waikato (5 May 2015), Functional Labour Market Areas, NIDEA Seminar Series

<sup>13</sup> University of Waikato (5 May 2015), Functional Labour Market Areas, NIDEA Seminar Series



**Table 4: Travel to Work Commuting Matrix (2013)**

Destination						
Origin	Hamilton	Cambridge	Te Awamutu	Ngaruawahia	Morrinsville	Matamata
Hamilton	-	630	837	270	291	57
Cambridge	2016	-	294	6	48	51
Te Awamutu	1329	126	-	6	12	12
Ngaruawahia	768	0	9	-	6	0
Morrinsville	489	42	12	9	-	30
Matamata	93	36	9	0	57	-
Commute as a Percent of Origin						
Origin	Hamilton	Cambridge	Te Awamutu	Ngaruawahia	Morrinsville	Matamata
Hamilton	95.8	1.3	1.7	0.5	0.6	0.1
Cambridge	32.2	61.4	4.7	0.1	0.8	0.8
Te Awamutu	30.3	2.9	66.2	0.1	0.3	0.3
Ngaruawahia	68.1	0.0	0.8	30.6	0.5	0.0
Morrinsville	25.1	2.2	0.6	0.5	70.1	1.5
Matamata	5.0	1.9	0.5	0.0	3.1	89.5
Commute as a Percent of Destination						
Origin	Hamilton	Cambridge	Te Awamutu	Ngaruawahia	Morrinsville	Matamata
Hamilton	91.0	13.5	20.6	42.5	16.4	3.1
Cambridge	3.8	82.2	7.2	0.9	2.7	2.8
Te Awamutu	2.5	2.7	71.5	0.9	0.7	0.7
Ngaruawahia	1.5	0.0	0.2	54.2	0.3	0.0
Morrinsville	0.9	0.9	0.3	1.4	76.7	1.6
Matamata	0.2	0.8	0.2	0.0	3.2	91.8

Source: University of Waikato (5 May 2015) Functional Labour Market Areas, NIDEA Seminar Series

Research undertaken on behalf of Hamilton City Council<sup>14</sup>, also stated that rural areas to the south of Pukekohe, and surrounding the Hamilton, Cambridge, Te Awamutu area, have 'significant' proportions of their resident population working in nearby urban areas. Recent analysis<sup>15</sup> also highlights that the number of people commuting for work between Hamilton, Waikato, Waipa, and Auckland is steadily increasing. Estimates for 2018 indicate that around:

- 17,200 (19% of the workforce) commute to Hamilton from Waipa, Waikato, and Auckland
- 4,700 (22% of the workforce) commute to Waikato from Hamilton, Waipa, and Auckland

<sup>14</sup> Waikato Plan Research, Urban Rural Linkages in the Waikato - Literature Review

<sup>15</sup> Paragahawewa U (2018) Interdependencies and economic performance within the Hamilton area. Working Paper, Economic Growth and Urban Policy Unit, Hamilton City Council





- 3,400 (16% of the workforce) commute to Waipa from Hamilton, Waikato, and Auckland
- 8,700 (1% of the workforce) commute to Auckland from Hamilton, Waipa and Waikato.

These estimates show that there is a significant amount of commuting across the greater Hamilton area. In terms of total commuting numbers, Hamilton City clearly provides employment opportunities for workers who are not residents of Hamilton City itself, but the relationship is not one way and there are Hamilton City residents working in both the Waikato and Waipa Districts and in Auckland.

The available data show some clear and increasing labour market interactions across the greater Hamilton area which suggests that there is an ongoing need for the three territorial authorities to co-ordinate decisions and activities that would impact on how workers access employment and where businesses would locate themselves.

Previous research has also suggested that an up-to-date comprehensive statistical analysis and modelling would be very useful given the amount of change that has been seen over the last ten years<sup>16</sup>. As 2018 Census data becomes available it would be useful to revisit the greater Hamilton area functional labour market interactions and boundaries.

In summary, there is clear evidence of labour market connectivity across the greater Hamilton area. Given Hamilton's City's economic role and size it is not surprising that it provides employment opportunities for residents from other areas, however until data is available from the 2018 Census is difficult to draw any firm conclusions on whether the dynamics of the labour market interactions are changing and what this might mean in terms of travel to work patterns and whether there is a need for any specific policy responses that require collaboration across the greater Hamilton area.

## 2.5.2 Housing markets

Housing availability and affordability is a significant issue across the greater Hamilton area and significant research has been undertaken to understand the demand, capacity, and sufficiency of housing within Hamilton City and the surrounding districts.

In 2017 a comprehensive assessment of housing development capacity was undertaken to fulfil the requirements of the National Policy Statement on Urban Development Capacity (NPS-UDC)<sup>17</sup>. The assessment indicates that the sub-region is not likely to have any projected shortfalls in capacity for either housing or business capacity over the short (1-3 years), medium (3-10 years) or long term (10-30 years). Rather, it has sufficient feasible development capacity, under current market conditions, to meet demand in the short and medium term.

Trends in housing indicators were further summarised in the assessment and found that house prices across the sub-region broadly follow similar trends, suggesting an underlying interdependency and the influence of similar growth pressures, most notably the influence of Auckland to the north.

Looking at current house values across each district, compared to the regional and national averages, Figure 5 shows that the average prices for Hamilton City and the Waipa District are broadly similar and are both above the regional averages. Average prices in the Waikato District are somewhat lower.

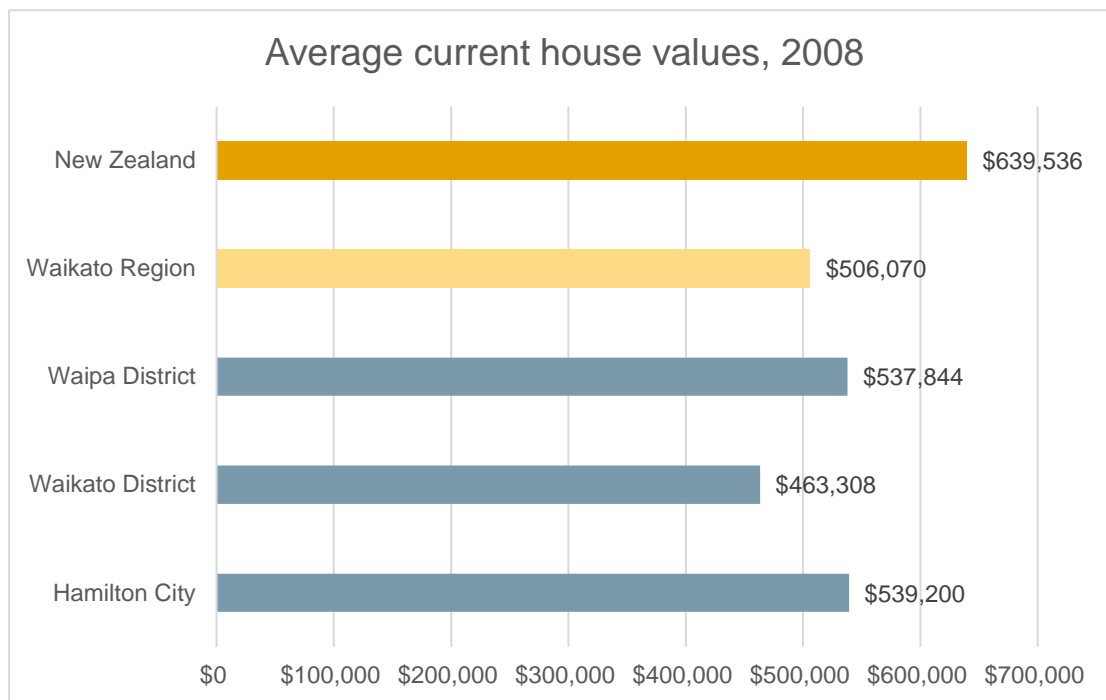
<sup>16</sup> Waikato Plan Research, Urban Rural Linkages in the Waikato - Literature Review

<sup>17</sup> Market Economics (2017), Housing Development Capacity Assessment



Average prices in the Waikato District are 9% lower than the regional average, 16% lower than the Waipa District and Hamilton City averages.

**Figure 5 House Values Across the Greater Hamilton Area**



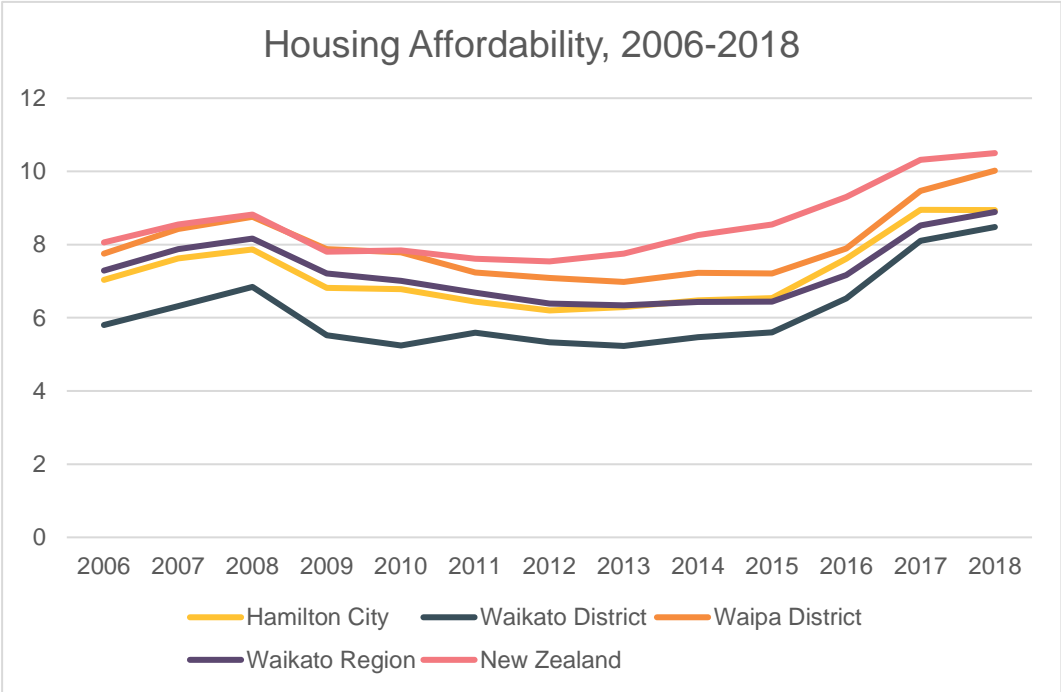
Source: Infometrics (2018), Economic Profiles

In terms of housing affordability, which considers not only average housing costs but also average incomes, the data in Figure 6 tells a similar story. The Waikato District is the most affordable, affordability in Hamilton City is on par with the regional average and Waipa is somewhat less affordable than the other areas but still more affordable than the national average.





Figure 6 Housing Affordability Across the Greater Hamilton Area



Source: Infometrics (2018), Economic Profiles

While significant research has been undertaken, housing development capacity and housing indicators do not in themselves define housing markets and none of the available research identify specific, geographically defined housing market areas within the greater Hamilton area. While it is noted that urban areas across the greater Hamilton area different offerings and operate as different housing sub-markets, the specific nature and geographic boundaries of these housing markets are not clearly defined.

However, the labour market interactions described above, together with the transport data described later in this report, suggest that there are a number of functional relationships emerging between each of the three territorial authorities that require further consideration. Analysis undertaken on behalf of Hamilton City Council<sup>18</sup> indicates that there are significant population flows between the Auckland-Tauranga- Waikato triangle of economic growth, however the exact level and location of these population flows is not documented. In general terms, the review of rural-urban linkages identifies that some of Auckland’s workforce is relocating to cheaper residential areas in the Waikato, significant movements of Māori from Auckland to the Waikato are occurring, and that Auckland’s retirees are contributing to the growth of the Thames-Coromandel District.

<sup>18</sup> Waikato Plan Research, Urban Rural Linkages in the Waikato - Literature Review



Anecdotally, this is also said to be happening within the greater Hamilton, with Hamilton City Council noting examples of residents relocating from Hamilton City to the Waikato and Waipa Districts but continuing to commute to jobs within the Hamilton City boundaries. It has also been shown that around 70% of the population growth in the Waikato in the past year has been from new migration<sup>19</sup>.

While housing capacity assessments suggest there is sufficient capacity across the greater Hamilton area, discussions with Hamilton City Council officers have highlighted some questions as to whether the type of housing stock is available in the right locations to support the effective operation of the greater Hamilton area labour market. This is an important issue and one where further co-ordination of activities and decisions would be beneficial.

### 2.5.3 Industrial structure

For most industries and individual businesses, administrative boundaries do not correlate closely with how businesses operate, co-operate or compete. Location decisions will be informed by a variety of factors including access to an appropriate labour force, proximity to housing, connectivity to key markets and supply chains, and availability of suitable sites and premises. Different sectors have different requirements, but how markets respond to demand drivers will not necessarily be a function of narrowly defined administrative boundaries.

Understanding functional relationships is therefore important to ensuring that the business environment is conducive to enabling economic growth. Where functional areas extend beyond administrative boundaries, there may be a need for joint planning arrangements to ensure that local business needs are considered.

Looking at the key sectors that are driving each of the local economies across the greater Hamilton area, Table 5 shows that there are some notable differences between each of the three local economies, most obviously between Hamilton City and other two districts. Hamilton is also different from the Waikato regional profile, which is more similar to the structure of the Waikato and Waipa Districts.

<sup>19</sup> Future Proof (2017), Housing and Business Development Capacity Assessment, Summary Report



**Table 5: Contribution to Economic Growth, 2008-2018**

Hamilton City		Waikato District	
Health Care and Social Assistance	\$236m	Agriculture, Forestry and Fishing	\$89m
Professional, Scientific and Technical Services	\$178m	Rental, Hiring and Real Estate Services	\$79m
Retail Trade	\$133m	Manufacturing	\$50m
Electricity, Gas, Water and Waste Services	\$132m	Construction	\$41m
Public Administration and Safety	\$95m	Public Administration and Safety	\$38m
All other industries	\$571	All other industries	-\$17m
<b>Total increase in GDP</b>	<b>\$1,346m</b>	<b>Total increase in GDP</b>	<b>\$281m</b>
Waipa District		WAIKATO REGION	
Agriculture, Forestry and Fishing	\$118m	Agriculture, Forestry and Fishing	\$400m
Rental, Hiring and Real Estate Services	\$85m	Health Care and Social Assistance	\$376m
Construction	\$57m	Professional, Scientific and Technical Services	\$290m
Retail Trade	\$49m	Rental, Hiring and Real Estate Services	\$280m
Professional, Scientific and Technical Services	\$49m	Retail Trade	\$279m
All other industries	\$283m	All other industries	\$1,670m
<b>Total increase in GDP</b>	<b>\$642m</b>	<b>Total increase in GDP</b>	<b>\$3,295m</b>

Source: Infometrics (2018), Economic Profiles

Table 5 also shows that:

- the Health Care and Social Assistance sector is a significant sector for Hamilton City but does not feature in the top growth sectors in either Waipa or Waikato Districts. In Hamilton, the sector which has made the most significant contribution to economic growth over the 2008-2018 period, accounting for nearly 20% of total growth in GDP within the city. The growth of the sector in Hamilton is responsible for 41% of the total growth in the Health Care and Social Assistance sector across the region as a whole.
- in Waikato and Waipa, the Agriculture, Forestry and Fishing sector has been the top performing sector over the period, accounting for 32% of the Waikato and 18% of the Waipa District's GDP growth. This is similar to the picture for the Waikato Region as a whole, where Agriculture, Forestry and Fishing is also the top performing sector, albeit only accounting for 12% of total regional GDP growth over that period. Together the Waikato and Waipa Districts accounted for nearly 52% of the total regional growth in that sector over the 2008-2018 period.
- Professional, Scientific and Technical Services have been important in Hamilton and the Waipa District, accounting for 13% of Hamilton's and 8% of Waipa's GDP growth. Together, Hamilton and Waipa accounted for 78% of the region's total growth in that sector.
- Retail Trade has also been important in Hamilton and Waipa, accounting for 65% of the growth in that sector across the whole of the Waikato Region.



- while not featuring strongly at a region level, Public Administration and Safety have been important sectors in Hamilton and the Waikato District, accounting for 13% of Waikato's and 7% of Hamilton's total GDP growth.
- Rental, Hiring and Real Estate Services have been important in the Waikato and Waipa Districts. The Rental, Hiring and Real Estate Services Sectors accounted for 28% of the Waikato District's GDP Growth and 13% of the Waipa District's growth. Together, the growth of these sectors in the Waikato and Waipa District's account for nearly 59% of the total regional growth in those sectors.
- the Construction sector has also been an important source of economic growth in the Waikato and Waipa Districts, growing by \$41m over the ten years in the Waikato District, 20% of total growth and by \$57m in the Waipa District, 6% of total growth.
- The Waikato District was the only district where Manufacturing made an important contribution to economic growth, accounting for 18% of total growth in the district. The Waikato District was also the only area where all other industries experienced net negative growth over the period.

Looking at the sectors that have made the biggest contribution to the growth of business units Table 6 shows the growth in business units in each area and at the regional level. Looking at information on business units can be helpful in considering the type of employment land and premises required across the region, assuming any apparent trends were to continue.

The data contained in Table 6 again suggests some differences between Hamilton City and the Waikato and Waipa Districts. However, in contrast to the economic growth data, there are two particular sectors where there has been strong growth in all three territorial authorities across the greater Hamilton area, specifically Professional, Scientific and Technical Services and Financial and Insurances Services.

In all three territorial authorities these two sectors have been amongst the top three contributors to growth in the number of business units over the 2008-2018 period. Combined, the greater Hamilton area has contributed to 71% of the total regional growth in business units in the Rental, Hiring and Real Estate Services Sector and 54% of the regional growth in the Financial and Insurance Services Sector.



**Table 6: Biggest contributors to growth in business units, 2008-2018**

Hamilton City		Waikato District	
Rental, Hiring and Real Estate Services	414	Rental, Hiring and Real Estate Services	381
Professional, Scientific and Technical Services	297	Financial and Insurance Services	237
Financial and Insurance Services	255	Professional, Scientific and Technical Services	186
Accommodation and Food Services	186	Construction	174
Health Care and Social Assistance	144	Other Services	93
All other industries	396	All other industries	-162
<b>Total increase in GDP</b>	<b>1,692</b>	<b>Total increase in GDP</b>	<b>909</b>
Waipa District		WAIKATO REGION	
Financial and Insurance Services	198	Financial and Insurance Services	1,272
Rental, Hiring and Real Estate Services	165	Rental, Hiring and Real Estate Services	1,170
Professional, Scientific and Technical Services	108	Professional, Scientific and Technical Services	828
Construction	72	Construction	399
Other Services	69	Health Care and Social Assistance	363
All other industries	-24	All other industries	-708
<b>Total increase in business units</b>	<b>588</b>	<b>Total increase in business units</b>	<b>3,324</b>

Source: Infometrics (2018), Economic Profiles

Growth in business units does not necessarily equate to growth in employment. Looking at which industries created the most employment over the 2008-2018 period Table 7 again shows more differences than similarities between each of the territorial authorities across the greater Hamilton area.



**Table 7: Industries Which Created the Most Employment, 2008-2018**

Hamilton City		Waikato District	
Health Care and Social Assistance	3,678	Construction	727
Professional, Scientific and Technical Services	1,983	Manufacturing	533
Education and Training	1,833	Education and Training	497
Public Administration and Safety	1,164	Health Care and Social Assistance	468
Construction	742	Public Administration and Safety	440
All other industries	446	All other industries	1,595
<b>Total increase in employment</b>	<b>9,845</b>	<b>Total increase in employment</b>	<b>4,258</b>
Waipa District		WAIKATO REGION	
Construction	1,024	Health Care and Social Assistance	5,883
Manufacturing	1635	Professional, Scientific and Technical Services	3,168
Agriculture, Forestry and Fishing	605	Education and Training	3,087
Professional, Scientific and Technical Services	597	Construction	2,441
Retail Trade	536	Manufacturing	2,089
All other industries	2,687	All other industries	6,720
<b>Total increase in employment</b>	<b>6,086</b>	<b>Total increase in employment</b>	<b>23,388</b>

Source: Infometrics (2018), Economic Profiles

The review of the latest Infometrics economic profiles is consistent with the analysis contained in previous research on the wider region, which found that the Waikato region has several different sectoral specialisms concentrated in different places. Drawing upon this information it can be seen that:

- Hamilton's main role is to provide business, public and consumer services for the region. It also produces some medium tech manufactured inputs to New Zealand agriculture and for export. Most other parts of the region undertake resource-based activities and simple manufacturing for export
- most districts are heavily involved in dairy farming, and there are dairy processing plants in Hamilton and Waikato, Waipa, Matamata-Piako, South Waikato and Taupo districts
- forestry and wood processing are concentrated in Taupo and South Waikato
- energy production is concentrated in Taupo, South Waikato and Waitomo
- mining is concentrated in Hauraki and Waikato districts
- horticulture is strong in Waikato and Thames-Coromandel districts
- aquaculture is primarily located in Thames-Coromandel and Hauraki
- tourism is concentrated in Thames-Coromandel, Taupo, Otorohanga and Waipa.



Research in 2017<sup>20</sup>, found that across the sub-region, while employment was forecast to grow by an average of 1.8% annually over the 2016 to 2051 period, there was sufficient identified capacity across the sub-region to meet demand. However, discussions with Hamilton City Council suggest that there are some challenges in responding to current demand, in particular while there is sufficient zoned industrial land, there appears to be a risk that there is a short to medium-term shortage of development ready industrial land across the greater Hamilton area. The three territorial authorities need to work collaboratively across the greater Hamilton area to balance supply and demand and to ensure that economic development opportunities are not missed.

Taken together, the information on the industrial structure and patterns of growth suggest that across the greater Hamilton area, each of the territorial authorities have different economic structures and growth dynamics. This suggests that each of the region's local economies are somewhat self-contained, although there would undoubtedly be supply chain linkages that span administrative boundaries.

## 2.5.4 Service markets for consumers

Functional linkages between areas can also be identified by analysing travel patterns to higher order services such as major shopping centres, airports, concert halls, hospitals, or travel to learn areas. While service markets are often an outcome of other factors, particularly proximity to a larger urban centre, they can also be important in understanding relationships and interdependencies between territorial authorities.

Analysis of Marketview spending data for Hamilton City<sup>21</sup>, identified retail spending by people from the rest of the Waikato region has been increasing. The Council's analysis shows that the total amount spent in the city has been growing at a rate of 2.7 per cent in 2017. Approximately, \$1.8 billion was spent, and of this, around 27 per cent was spent by people from rest of the Waikato. The spend data for the people from Waipa and Waikato districts is available only from 2015. People from Waikato spent around \$220 million per year in 2016 and 2017, and people from Waipa spent approximately \$116 million, and this was about 4 per cent decrease from the previous year (\$120 million).

The Marketview data highlights the important, but not unexpected role that the city plays in providing a retail offering for the greater Hamilton area, but also highlights the important revenue that flows from the Waikato and Waipa districts to retailers in Hamilton City.

Hamilton City Council has also undertaken an analysis of recently released 2018 data on the origin of electronic spending data within the city. Figure 7 shows that:

- total electronic spending in Hamilton City in 2018 amounted to approximately \$1.9 billion
- of this a total of 48% of all electronic spending within Hamilton City originated from outside of the city's administrative boundaries

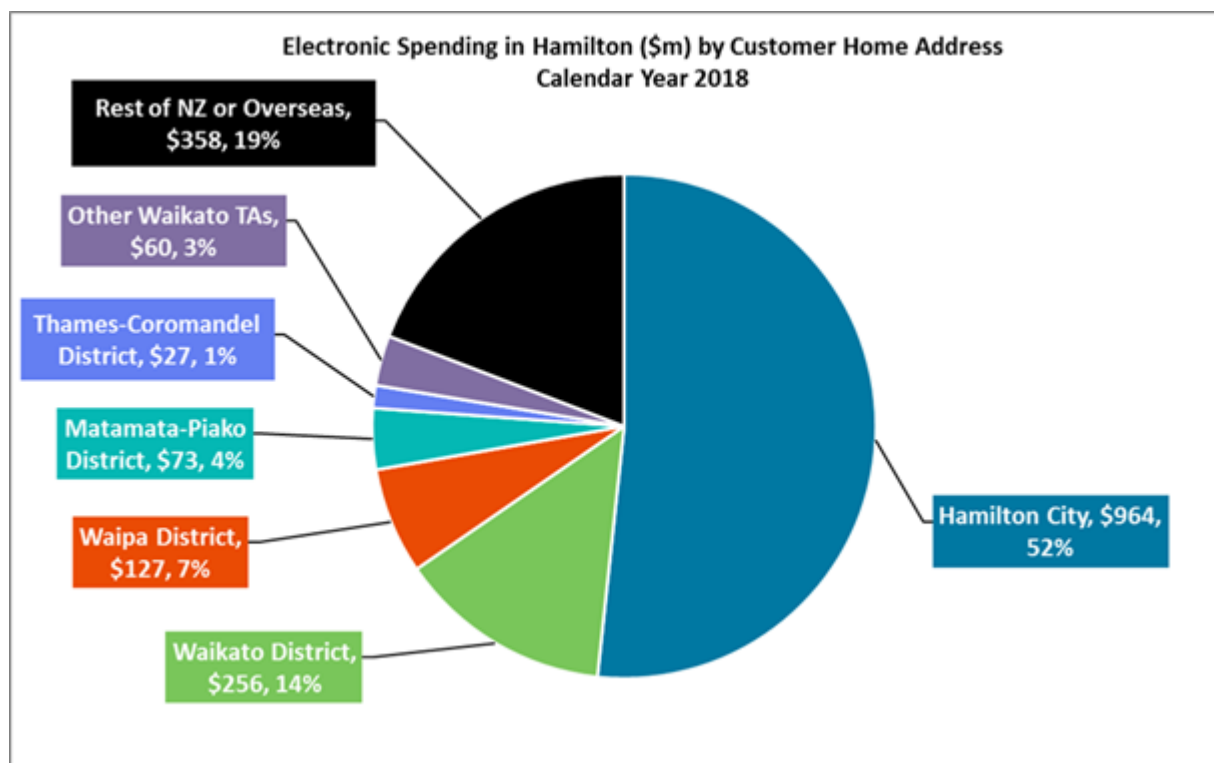
<sup>20</sup> Market Economics (2017), Business Development Capacity Assessment

<sup>21</sup> Paragahawewa U (2018) Interdependencies and economic performance within the Hamilton area. Working Paper, Economic Growth and Urban Policy Unit, Hamilton City Council



- spending from the rest of the Waikato region accounted for 29% or \$543 million of total expenditure
- Waikato and Waipa District residents accounted for 21% or \$383 million of expenditure in Hamilton City.

**Figure 7 Origin of Electronic Spending (2018)**



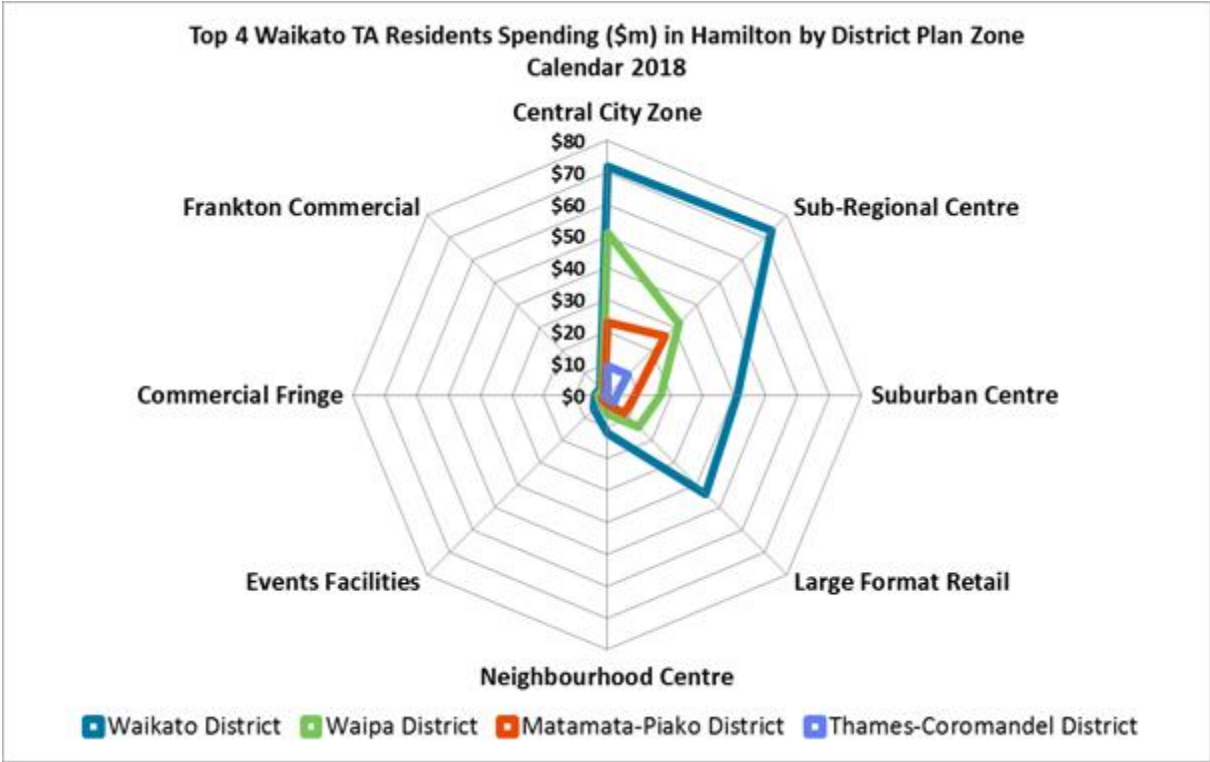
Source: Hamilton City Council

In terms of the destination of this expenditure within Hamilton City, Figure 8 shows that the Hamilton's central city zone and sub-regional centre are the most popular retail destinations, followed by the large format retail locations and the suburban centres.





Figure 8 Electronic Spending by Destination



Source: Hamilton City Council

This data, which follows a similar trend as previous growth, emphasises the important role Hamilton City plays as a retail destination but also the extent to which non-residents support the City’s retail sector.

2.5.5 Administrative areas

Given the important role that local government plays in planning and delivering services to their ratepayers, there is a case for adopting a best fit approach to identifying functional areas, so as not to create unnecessary complexity.

In the case of the greater Hamilton area, the analysis of labour markets, as well as the distinctive nature of each of the local economies detailed above, seems to suggest that the current administrative boundaries do broadly correlate with functional areas but there are some emerging issues, particularly in terms of labour market interactions, the nature of housing markets, and the supply and demand for industrial land, that suggest the need for further co-ordination and collaboration across the three territorial authorities.

In considering these issues, there is a need to take into account the Strategic Agreement between Hamilton City and Waikato District Council, regarding land that over time will be transferred into the



City to accommodate long term growth. The presence of the Agreement provides a level of certainty for the Council's and the public, and also places some parameters on how the land will be managed to ensure long term urban development is possible. This Agreement dates back to 2005 and for the most part, the transfer of land, is controlled by a date-based trigger.

Given the age of these documents and the relatively rigid date-based triggers for transfer, there is an opportunity to revisit this Strategy and test whether any changes are required, including the addition of any other areas. The Future Proof Strategy also includes an action regarding entering into such an Agreement with Waipa District Council, which has not yet been undertaken.

## 2.5.6 Transport networks

Transport networks play an important role in enabling connectivity between areas but there is a recognised link between transport network and other factors, such as labour markets. The greater Hamilton area plays a key role as a transport hub, with corridors linking other regions to the Ports of Auckland and Tauranga. Major investment has also been made in these transport networks, including the Waikato Expressway between Auckland and Cambridge, and the Ruakura inland port<sup>22</sup>.

Analysis of heavy vehicle movements<sup>23</sup> shows that the rate of movement of heavy vehicles to Hamilton City from Waikato districts and Auckland and from Hamilton City to Waikato districts and Auckland have steadily increased from 2014 and the rate of increase in the year 2018 is approximately 15% and 11% respectively. The rate of movement of heavy vehicles to the Waipa district from Hamilton city has increased as has the rate of heavy vehicle movement from Hamilton to Waipa.

Analysis of traffic flows<sup>24</sup> shows a continued growth in average daily traffic on Hamilton roads. Figure 9 shows that following a period of fairly static traffic flows there has been year on year growth since 2013 with forecast growth set to continue.

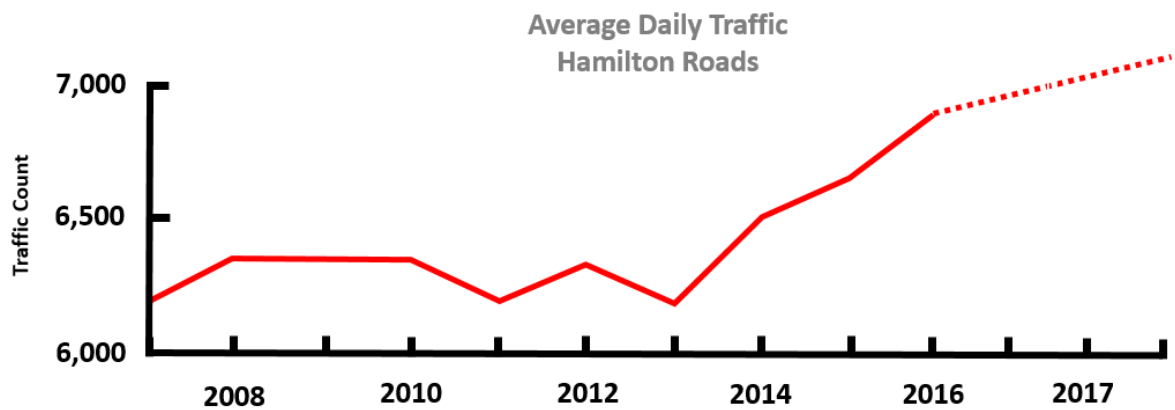
<sup>22</sup> Waikato Plan Research, Urban Rural Linkages in the Waikato - Literature Review

<sup>23</sup> Paragahawewa U (2018) Interdependencies and economic performance within the Hamilton area. Working Paper, Economic Growth and Urban Policy Unit, Hamilton City Council

<sup>24</sup> Waikato Regional Council, Population and Traffic, Presentation by Andrew Wilson, Public Transport Manager



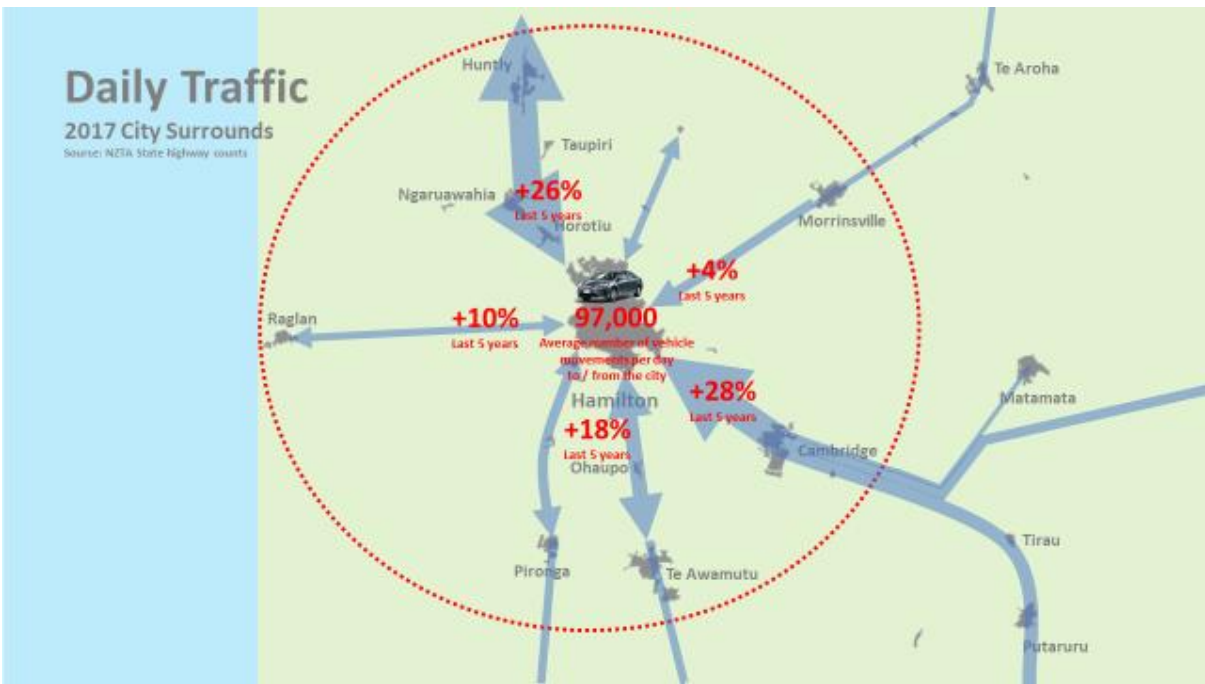
Figure 9 Average Daily Traffic



Source: Waikato Regional Council

Analysis of NZTA State Highway counts, shows that in 2017 there was an average of 97,000 vehicle movements per day into and from Hamilton City. Figure 10 shows that over the last five years there have been significant increases in traffic flows across the greater Hamilton area through all main corridors, including a 28% increase in flows between the Hamilton City-Cambridge-Putaruru corridor and a 26% increase along the Hamilton-Ngaruawahia-Huntly corridor.

Figure 10 Daily Traffic Flows



Source: Waikato Regional Council



While the information presented does not identify the final points of destination or origin, or the purpose of journey, it does clearly indicate increasing connectivity and traffic flows across the greater Hamilton area. All of this suggests that there is an on-going need, if not an enhanced need, for collaboration and joint working on transport and connectivity across the greater Hamilton area.

The significance of transport connectivity across the greater Hamilton area and beyond is also central to the current work to develop a shared spatial intent for the Hamilton to Auckland Corridor<sup>25</sup>. This work, which is not yet finalised for formally adopted as government policy, recognises the critical long-term strategic importance of the Hamilton to Auckland Corridor and the need for an integrated spatial plan across the corridor and the need to establish an ongoing growth management partnership for the corridor.

This includes a focus on:

- accelerating identified transformational opportunities
- outlining key housing, employment, social, environmental and network infrastructure priorities for the corridor over the next 30 years to successfully accommodate growth and also address levels of service, remedial or renewal needs
- identifies planning, development, infrastructure, mitigation and restoration works required, and funding and legislative projects partners may take in the short term for implementation of a long-term vision

While this is primarily a spatial planning exercise being undertaken as part of the government's Urban Growth Agenda (UGA) to improve housing affordability, the work will be supported by wider objectives to:

- improve choices for the location and type of housing
- improve access to employment education and services
- assist emission reductions and build climate resilience
- enable quality-built environments, while avoiding unnecessary urban sprawl.

Available data on transport movements and flows suggests increasing connectivity across the greater Hamilton area. Given the prospect of additional infrastructure investment, and the increased policy focus on the area as part of the wider spatial corridor, it is likely that there will be an enhanced and ongoing need for collaboration and co-ordination across each of the three territorial authorities.

## 2.6 Key findings and observations

Understanding interactions between neighbouring territorial authorities and the implications of these interactions is important, as is understanding the extent to which these are part of a wider functional economy. Evidence of this is critical to determining the need and case for any alternative planning and decision-making structures.

<sup>25</sup> Hei Awarua ki te Oranga (21 February 2019), Corridor for Wellbeing



The purpose of looking more closely at the nature of functional relationships between Hamilton City and the Waikato and Waipa Districts was to better understand the need for alternative collaboration or administrative arrangements, over and above Future Proof and other collaborative work currently underway.

Looking at the nature of functional relationships across the greater Hamilton area, while there are some issues of data currency, given the delay in the released of the 2018 Census, there is evidence of emerging or changing functional relationships, across a number of dimensions reviewed. In particular there appear to be important and increasing interactions occurring in terms of commuting to work and traffic movements. These interactions also have implications for housing markets and the demand and supply of industrial land.

This confirms the importance of the three territorial authorities continuing to work together and with other partners to ensure the best possible outcomes for all communities across the greater Hamilton area.

In terms of joint working, it is apparent that a number of mechanisms already exist or are in the process of being introduced. It is therefore debatable whether additional mechanisms are required over and above these existing arrangements. Instead, it may be more appropriate to focus on how to use existing mechanisms to best effect. In the following sections we look more closely and the issue of joint working and collaboration between territorial authorities.



## 3 JOINT WORKING AND COLLABORATION

### 3.1 Context

The Local Government Act sets out minimum requirements for the coordination of responsibilities. This includes all councils within a region entering into a triennial agreement setting out how the councils will work together. It also includes a requirement that councils review the cost effectiveness of service delivery, considering options available for governance, funding and delivery of services (section 17A requirement).

The Act also sets out the purpose of the Local Government Commission, being to promote good local government as defined in the Act. The Commission is an independent statutory body whose main role is to make decisions on the structure of local authorities for their electoral representation.

Under the Act, there is an increased focus on encouraging more collaboration and shared services between local authorities, this included changes to provide for greater encouragement to local authorities to collaborate and co-operate and to broaden the scope of the triennial agreement between councils within each region. In addition, as previously highlighted, the Government's Urban Growth Agenda places a further impetus and creates more opportunities for joint working and collaboration.

### 3.2 Why co-ordination matters

For Hamilton City Council, ensuring that established models of collaboration are effectively delivering against the city's priorities and objectives is essential. Councils are responsible for local issues and services, responding to the local needs and priorities of their communities. Typically, each council will deliver these services directly to their communities. However, some issues and functions cross council boundaries within an area, for example a city or a region. For such functions, there may be a case for greater coordination across councils.

Done well, coordination can offer a range of potential benefits. Done poorly or for the wrong services, coordination creates a number of risks and negative impacts. Reflecting the expectations of section 17A, there needs to be careful consideration of the effectiveness of a range of delivery options, where there may be a case for greater coordination. This assessment would include, and is not limited to, considerations of the risks to customer service, local participation, local service level influence and direct community involvement in decision-making.

#### 3.2.1 Benefits of coordination

More often than not, the big issues that councils have to grapple with - such as facilitating economic development - are issues that cross council boundaries. While direct evidence of cross boundary functional economic market areas is limited, the clear interconnections across the sub-region mean that the decisions of one council in one part of the area can impact directly on others in an area.



These issues also have long-term dimensions, not least through the need to invest in infrastructure, and require sustainable, strategic solutions.

A good example, highlighted by Hamilton City Council officers, is the significant increase in traffic flows described earlier in this report, which will have been, at least in part influenced by zoning decisions that have led to significant impacts on the roading network across south Hamilton.

Through coordination, councils can reach agreement on priorities and consider the trade-offs of costs and benefits between jurisdictions, working to achieve the best outcomes for the combined area for the longer term. Examples of interconnections within an area include:

- roading: decisions in an area's main city can affect the ease of access that a resident in a small but neighbouring town has to an airport, potentially affecting that resident's decision to live in a small town
- large scale capital investment: decisions on large scale investment which may result in cross boundary impacts and benefits
- fresh water: decisions made in different parts of a catchment have a collective impact on a catchment
- affordable housing: one council may be constrained in how much it can increase the supply of housing to meet demand and may need to work with a neighbouring council to help meet this demand
- regional amenities, for example sports stadia and leisure facilities.

For such interconnected issues and functions, coordination can generate a number of benefits. In some cases, these benefits may also be achievable for functions that have similar features – for example, investment in long-lived assets or the purchase of standardised services. The benefits of coordination include:

- improving strategic planning and prioritisation, delivering more sustainable decisions
- allowing the coordination of investments and projects, for example, planning strategically where and when to invest in housing and transport to maximum effect
- pool budgets, giving councils economies of scale in their purchasing, coordinate a larger investment portfolio, using economies of scale to sequence investment, ensure synergies, and enable more effective risk management across a region
- making the best use of scarce capability, ensuring capability is sustainable, managed efficiently and that career pathways are available
- for local communities, access to quality services that represent value for money and that reflect their needs and priorities.

### 3.2.2 Risks of coordination

New Zealanders value local autonomy and representation. The current model of local government offers the potential for services tailored to the needs and priorities of the community, and a close connection and engagement between the local authority and community. There is also an increased



focus on the importance of localism and the case for decisions to be made by the level of government closest to the people they affect.

In that context, there is a risk that greater coordination of specific functions across locations can undermine this connection between the services and their users, as well as offering the potential for better quality services delivered more cost-effectively. Proposals to enhance coordination need to carefully manage these risks to ensure they do not outweigh the benefits of greater coordination.

Potential risks of greater coordination include:

- diminished responsiveness of councils and the delivery of specific services to particular community needs and priorities
- reduced autonomy, with a council potentially relying on staff and services being delivered from outside of their locality and politicians fearing a loss of influence or control over them
- time and effort to align objectives and reconcile competing priorities across localities (and councils) in the short term for longer term benefit
- time and effort to reconcile differences in culture between organisations
- time and effort to identify and meet the objectives of different stakeholder groups and requirements of different funders across localities
- less integration across functions, losing synergies across services (more likely if coordination takes place on a function-by-function basis)
- navigating complexity, including initial costs and expertise achieving coordination in a context of multiple process and systems and a range of legal requirements.

### 3.3 Different types of coordination

In considering whether there is a need for new forms of coordination across the greater Hamilton area, over and above what is already happening, it is worth acknowledging that there is no one right way to achieve coordination and benefits and costs will vary depending on how each of the territorial authorities decide to work together. Table 8 illustrates a spectrum of options for service delivery – ranging from no coordination through to full integration<sup>26</sup> that could be considered.

<sup>26</sup> Informed by Wilcox et al, (2014) and Australian Centre of Excellence for Local Government (May 2011)





**Table 8: Spectrum of Service Delivery Models**

<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg);">No coordination</div> <div style="flex-grow: 1; border-left: 2px solid black; position: relative;"> <div style="position: absolute; top: 0; left: -10px; width: 10px; height: 100%; background: white; border: 1px solid black; transform: rotate(90deg);"></div> </div> </div>	Delivery Model
	<b>Independent delivery</b> Councils deliver functions independently. They may choose to contract this delivery to a third part provider but do so independently, not jointly with other councils
	<b>Voluntary collaborative networks</b> Councils collaborate without financial integration, each bearing its own costs. Minimum coordination based on legal requirements on councils
	<b>Joint contracting of services</b> Councils contract services from a party at arm's length (a commercial provider or a not for profit established by the councils for the purpose) where a high level of specificity required in contract. Or where councils contract from related parties (another council or council-controlled organisation – controlled jointly or by another council) where they can influence governance.
	<b>Shared management of services</b> Jointly managing and sharing staff and resources to deliver one or more functions
	<b>Combined authority</b> Individual councils represented on the board of a combined authority (for example Greater Manchester or Metro Vancouver). The authority has a regional strategy role and can take on a range of functions. They are active decisions by councils on which functions are managed regionally by the combined authority
<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg);">Full integration</div> <div style="flex-grow: 1; border-left: 2px solid black; position: relative;"> <div style="position: absolute; top: 0; left: -10px; width: 10px; height: 100%; background: white; border: 1px solid black; transform: rotate(90deg);"></div> </div> </div>	<b>Full amalgamation</b> All functions are delivered regionally (for example Auckland Council or the Greater London Authority) unless delegated to a second tier, for example Local Boards

Source: Adapted from Wilcox et al (2014)

Along this spectrum, models that deliver more integration tend to also have greater impacts on councils' management and governance arrangements. More integrated models tend to require stronger management and governance arrangements to sustain their successful operation. For example, joint contracting creates formal arrangements that limit the autonomy of individual councils and mechanisms to resolve disputes between councils. Whereas a combined authority (or amalgamation) creates new government and management arrangements for the functions that are being delivered at the collective level.

While, most councils deliver most of their functions independently. Councils are responsible for local issues and services, having regard to local needs and priorities of their communities. In doing so, councils collectively employ around 25,000 people with the relevant skills and expertise, and have fixed assets – including buildings, facilities and infrastructure – valued at around \$100 billion. Councils also perform a wide range of regulatory functions that interact with households and businesses.

Council services are often provided by internal departments, stand-alone business units or Council Controlled Organisations (CCOs). CCOs are public companies owned by one or more councils, typically used to operate trading activities, so that these activities are at arms-length from the council itself. For example, Auckland Council has seven CCOs to run a wide range of activities from transport and water to economic development and events.

In addition, for some components of these functions, councils may choose to contract with a third party to deliver on their behalf, with services provided by the private sector, a not-for-profit, or another



council. Councils may also work with central government agencies, to coordinate their activities and purchasing. The Waikato Road Asset Technical Accord (RATA) is an example of this type of arrangement as is Marlborough District Council's joint venture with the NZ Transport Agency to provide a single purpose office that manages the State Highway and district road networks in the Marlborough region.

Beyond independent delivery, looking at the more collaborative models summarised in Table 8, Table 9 provides further details on each of these models, highlighting their key features, conditions for success and examples of how the model has been applied in New Zealand and internationally. Most of the options can readily be implemented through current provisions of the Local Government Amendment Act 2014. Delivery models which borrow heavily from overseas case studies, in particular the combined authority model, would require further investigation, if there were to be considered in the greater Hamilton area.

The information contained in Table 9 shows that across the greater Hamilton area, there are already a number of forms of collaboration operating. While it is beyond the scope of this assignment to review the effectiveness of these various arrangements, there is already a solid platform in place for coordination of activities across the area. This suggests that there may be further opportunities to enhance existing arrangements before determining that new arrangements are required.

If there are concerns regarding the effectiveness of any of the current arrangements then it these could be more formally reviewed as part of a section 17A review, which would require consideration of the effectiveness and value for money of current arrangements and whether alternative models are required.



**Table 9: Key Features of Different Models of Coordination**

Type of Coordination	Key Features	Conditions for Success	Examples
<p><b>Voluntary collaborative networks</b></p> <p>Reflect a broad range of relatively informal collaboration among territorial authorities.</p> <p>There will often be a foundation set of provisions, as a basis for collaboration, for example through the legally required triennial agreements.</p> <p>Beyond this, however, the actual level of collaboration can vary significantly.</p>	<ul style="list-style-type: none"> <li>• Basic agreement on how councils will work together (terms for collaboration)</li> <li>• Councils maintain autonomy and councils' governance and management largely remaining unaffected</li> <li>• Resource sharing is likely to be minimal, for example may include a secretariat for a collaborative forum and, potentially, some pooling of budgets on a case-by-case basis</li> <li>• Areas of collaboration agreed case-by-case and often the initiative of a single council or individual</li> <li>• Often fragile, works best when there is strong commitment by local leaders and the community but can be easily affected by political change.</li> </ul>	<ul style="list-style-type: none"> <li>• Strong commitment by local leaders, in particular from individuals willing to drive and coordinate the collaboration</li> <li>• Shared objectives, often that are mutually beneficial (rather than involving trade-offs or where the benefits are not evenly shared)</li> <li>• History and experience of successful collaboration on other issues (and a foundation of good relationships, as a result)</li> <li>• Underlying culture of collaboration, so that the minimum requirements are seen as tool to achieve wider coordination, not as compliance.</li> </ul>	<ul style="list-style-type: none"> <li>• Future Proof is a clear example of a voluntary collaborative network.</li> <li>• In the Bay of Plenty region Collaboration Bay of Plenty (COBOP) and SmartGrowth provide a regular forum for joined up thinking and action, and relationships and understanding between central government and local government (COBOP). SmartGrowth is a similar arrangement to Future Proof for the western Bay of Plenty area.</li> <li>• Internationally, similar models in Australia where a comparative assessment found that the most important variables for performance are an organisation's own priority setting processes, the level of resources provided by their member councils and the amount of funding they can attract from other sources.</li> </ul>



Type of Coordination	Key Features	Conditions for Success	Examples
<p><b>Joint contracting of services</b></p> <p>This involves councils jointly procuring services from a third party. This might take the form of contracting a private sector provider, contracting a council with known capability and capacity to provide a service, or contracting through a vehicle such as a jointly owned council controlled organisation.</p> <p>All three options provide ‘arm’s length’ arrangements where councils must ensure that outputs and outcomes that they are commissioning are adequately captured within their contracts with the provider. Where a jointly owned CCO is providing a trading activity, there is greater reliance on the councils’ ownership of the CCO to influence its behaviour (for example, to ensure affordable, universal coverage for an essential service).</p> <p>Many shared service arrangements in New Zealand are examples of contractual arrangements with a private sector provider and/or through a council controlled organisation. These shared services that resemble contractual arrangements tend to be council support functions that sit away from the frontline.</p>	<ul style="list-style-type: none"> <li>• Coordination occurs on a function-by-function basis and can be a lengthy process</li> <li>• Councils have significant control over the contracted terms and conditions that are established, specific decision-making may be delegated (in a formal and contained way), and councils’ governance and management are largely unaffected</li> <li>• Allows a better use of scarce capability with councils jointly contracting providers with known capability and capacity</li> <li>• Allows councils to pool their budgets for economies of scale</li> <li>• Depending on the function, placing services at arm’s length risks them being less responsive to the needs of specific communities.</li> </ul>	<ul style="list-style-type: none"> <li>• Shared and consistent objectives for the service across the participating councils</li> <li>• Contracts and governance arrangements that ensure performance and accountability, and activities that are able to be contracted (e.g. clear service standards and specifications)</li> <li>• functions or groups of functions that can be delivered relatively independently (not highly interconnected to other council functions).</li> </ul>	<ul style="list-style-type: none"> <li>• Hamilton City Council and the Waikato and Waipa District’s jointly procure trade waste and laboratory services.</li> <li>• The Waikato Road Asset Technical Accord (RATA), provides a high and consistent level of asset management services and resource to roading managers across the Waikato councils.</li> <li>• Christchurch City Council had previously contracted parts of its building consent function to other councils to help meet exceptional demand for (and backlogs in) consenting caused by the earthquake recovery.</li> </ul>



Type of Coordination	Key Features	Conditions for Success	Examples
<p><b>Shared Management of Services</b></p> <p>Pooling of resources or the joint management of resources to achieve coordinated service delivery. Joint management requires councils to give up some autonomy to gain benefits of greater coordination.</p> <p>Sharing management can support councils to be more strategic and get momentum behind coordination efforts. However, as councils' core governance arrangements are unaffected it does require broad support of politicians and common goals and objectives.</p> <p>Shared management can be put in place for a single function or may sit across functions. This may be management by committee, for example, in the case of councils forming an alliance for a function area. It may also see key management personnel appointed to multiple councils, for example, a chief executive or specialist officer, with councils sharing salary costs.</p> <p>Shared management is more likely to be chosen over joint contracting as a tool to achieve coordination for functions that are more difficult to ring-fence and place at arm's length, or where the activity is fundamental to and intertwined with more than one council's operations, meaning that jointly contracting out would have been more difficult and less appropriate</p>	<ul style="list-style-type: none"> <li>• Functions with shared management are intertwined with other aspects of councils' day-to-day operation, impacting on councils' management</li> <li>• Councils maintain their autonomy outside of the shared service(s) and have explicit joint governance arrangements for the shared service</li> <li>• Risk of tensions for a single management team and service working to multiple councils, especially if councils' objectives do not align</li> <li>• Makes better use of scarce resources, bringing together the best people, systems and processes, also helping to attract top talent (by providing a larger, more challenging organisation, larger roles, and greater career opportunities)</li> </ul>	<ul style="list-style-type: none"> <li>• Community and political support, and a broader culture of collaboration</li> <li>• Shared objectives for the service(s) under shared management</li> <li>• Stable and relatively balanced power and influence between the partners so that all feel their interests are represented (i.e. not a takeover and typically harder to sustain the more parties are involved)</li> <li>• Functions or groups of functions that cannot be delivered relatively independently and that can benefit from collaboration within council structures (not at arm's length)</li> </ul>	<ul style="list-style-type: none"> <li>• The Waikato Local Authority Shared Services (WLASS) Initiative provides a comprehensive set of shared services. Established in 2005 as a company owned by twelve council across the region, WLASS facilitates shared services across a wide range of services including procurement, tradewaste, Smart Water and Laboratory services. Future Proof is a WLASS initiative, given the collaborative Funding arrangements. WLASS is overseen by a Board consisting of each of the Chief Executives.</li> <li>• Internationally, there are examples in Australia, for example Lower Macquarie councils formed an alliance for managing water, allowing pooled resources, knowledge sharing, joint projects and staff development. Councils maintain ownership of their assets.</li> <li>• Neighbouring councils in the UK are increasingly choosing to share chief executives and senior management teams, with some 45 councils sharing chief executives. This arrangement is often chosen to help facilitate the formation of shared services and can also lead to some joining up of officer arrangements below top tier management.</li> </ul>



Type of Coordination	Key Features	Conditions for Success	Examples
<p><b>Combined Authority</b></p> <p>A combined authority is a formal legal structure comprising councils across an area. It delivers a number of functions at a collective level for its member councils, providing for structured coordination and governance.</p> <p>It can also receive additional functions devolved from central government (UK experience). This differs from full integration or amalgamation as local councils continue in existence and continue to deliver a range of functions at a local level – where the costs and benefits of local action outweigh those of coordinated action at the collective level. Combined authorities tend to be built on a history of collaboration between councils within an area, for example a city or region.</p>	<ul style="list-style-type: none"> <li>Allows a range of functions to be strategically planned and delivered at the collective level, providing for better coordination across functions compared to function-by-function arrangements</li> <li>Requires councils to surrender more of their autonomy, as there is joint governance of the collective level, the extent of this depends on the range of functions and how governance and voting arrangements are established</li> <li>Allows budgets to be pooled and capability across the area to be better managed</li> <li>'Bottom-up' nature ensures strong community engagement for a wide range of functions and decisions better delivered at a local level while allowing communities representation in collective governance, this may extend to a single directly elected mayor for the area.</li> </ul>	<ul style="list-style-type: none"> <li>Culture and history of collaboration, often including a broader identification with the city or region as well as local communities</li> <li>Shared objectives for the area, that can be advanced by the delivery of functions at a collective level</li> <li>Governance arrangements (e.g. representation and voting arrangements for the combined authority) that ensure representative decision-making while preventing impasse on issues</li> <li>Range of functions where there is recognised benefit of coordination and greater benefits from a fully integrated approach.</li> </ul>	<ul style="list-style-type: none"> <li>No direct equivalent of a combined authority in New Zealand, although regional councils perform some of the same functions – in particular, in respect of transport and the environment – and typically cover a region that comprises a number of city and/or district councils.</li> <li>Model can be seen in English (Greater Manchester Combined Authority) and Canadian cities (Metro Vancouver).</li> <li>The Greater Manchester Combined Authority (GMCA) was established in 2011 to carry out economic development, transport and regeneration functions on behalf of its 10 constituent councils. The combined authority is a separate legal entity and public body.</li> <li>In Vancouver, Metro Vancouver and previous collaborative governance arrangements have helped guide the city's development and provide cost-effective services in what is one of the world's most liveable cities.</li> </ul>



Type of Coordination	Key Features	Conditions for Success	Examples
<p><b>Amalgamation</b></p> <p>Amalgamation involves the full integration of functions through the creation of a single council with a single management structure and governance arrangements. This does not necessarily mean that all functions are carried out at the amalgamated level and it is possible that some functions may be delivered at a local level within the single council (for example, working to local boards).</p> <p>Joint research by Australian and New Zealand local government associations with the Australian Centre of Excellence for Local Government found limits to the benefits that can be achieved under different scenarios. For example, they found that merging councils separated by large travel distances can decrease the effectiveness and make democratic representation onerous. This suggests that there may be upper limits to the size of councils for effective amalgamation.</p>	<ul style="list-style-type: none"> <li>• Allows a range of functions to be strategically planned and delivered at the level of the whole area, providing for better coordination across functions if compared to function-by-function arrangements</li> <li>• Allows budgets to be pooled and capability across the area to be best managed</li> <li>• May diminish effective representation and community engagement.</li> </ul>	<ul style="list-style-type: none"> <li>• Cohesive area with shared values, common objectives and a collective identity</li> <li>• Balance of functions that can be delivered more effectively (or not less effectively) at the regional/collective level</li> <li>• Key challenges that demand a collective response</li> <li>• Structure and processes that ensure effective community engagement, and that maintain a local connection to the local delivery of local services.</li> </ul>	<ul style="list-style-type: none"> <li>• In New Zealand, there are six unitary authorities – where district or city council also have the powers of a regional council. These unitary authorities range in size from Auckland Council to the Chatham Islands Council. While unitary authorities have been part of the landscape for at least 25 years, the amalgamation of the seven city councils and the regional council in Auckland is the most well-known example.</li> <li>• Internationally, amalgamations more often than not involve only a small number of councils that have strong interconnections. In Australia, reforms across different states have resulted in a reduction in the number of councils. One of these, the creation of Greater Geraldton City in Western Australia, while opposed by residents, demonstrates how amalgamation can better position councils to address growth through increased strategic planning and prioritisation.</li> </ul>



## 3.4 Ensuring successful coordination

Where coordination is appropriate, the models discussed in this report all have the potential for success. Likewise, they all have the potential for failure. For lower degrees of collaboration, models which do not structurally change councils' management and/or governance structures can work, but they often involve significant personal investment and commitment by leaders to drive what can be lengthy establishment processes. They also require strong commitment to achieving coordination from the respective councils across election cycles. Councils that succeed here have a good history of collaboration and have a shared vision for what they want to achieve for the area.

Towards the integration end of the spectrum, benefits of coordination increase but so do risks to democratic representation. The examples of combined authorities and amalgamation highlight that there remains a need to deliver a number of services at a local level, either through existing councils or local boards. Councils that succeed in protecting democratic representation have a lower tier that is effectively delivering local functions where it makes sense for them to do so and effectively representing their constituents within the governance for the broader area.

More broadly, recognising that coordination is not a short term exercise, key considerations for success include:

- what is the long term vision for the area?
- is coordination around discrete functions or does it involve a bundle of functions impacting on much of councils' core services? Models that do not structurally change councils' management and/or governance structures are likely to be less successful for significant coordination undertakings.
- what else could be done? Or what could be done better? Coordination models affect economies of scale different. Greater economies of scale can lead to efficiencies and more effective service delivery.
- how much autonomy are councils and communities willing to give up? Strategic planning and prioritisation across a region require give and take and a mandate to implement.
- what capability do councils have now? Capability can be scarce, especially for smaller councils. Securing (and making best use of) capability for the future is an important driver for coordination.
- how do the costs of transition stack up? Does it make financial sense to coordinate? While a short to medium term cost, transition costs should not be underestimated.
- what do constituents' value? Coordination involves trade-offs based on judgements about costs and benefits.

For the greater Hamilton area, the issues should be viewed through the lens of the strategic planning exercises that have already been completed or are underway. The implementation of the Future Proof strategy and the development of a shared spatial intent for the Hamilton to Auckland corridor provide a practical and pragmatic framework for considering these issues. Taking the above insights into account, the final section of this report draws out our key conclusions and recommendations.





## 4 CONCLUSIONS AND RECOMMENDATIONS

### 4.1 Conclusions

This report set out to consider the nature of the interactions and dependencies across the greater Hamilton area. In particular, Hamilton City Council wished to understand whether the dynamics of the relationship between Hamilton and the surrounding districts required any form of enhanced cooperation and collaboration arrangements, to ensure that the City is able to effectively plan for the future and deliver the required services to support local ratepayers and businesses.

As one of New Zealand's fastest growing cities, Hamilton City acts as a regional hub for commercial and population growth within the wider Waikato region. As the regional hub, Hamilton City has a number of obvious and well established interactions with our neighbouring territorial authorities and beyond. The movement of residents including workers, students, goods and services across boundaries are commonplace. This reflects the fact that administrative boundaries do not themselves determine how local economies and markets operate.

In this regard, there are already a number of formal collaboration and coordination mechanisms in place across the greater Hamilton area and the wider region. These arrangements include the Waikato Triennial Agreement, the Upper North Island Strategy Alliance, Future Proof and the emerging arrangements under the Government's Urban Growth Agenda, and specifically the Hamilton to Auckland Corridor. Given some of the growth pressures that Hamilton City is experiencing, the Hamilton City Council has questioned whether these current arrangements are sufficient or whether there would be benefits from alternative administrative arrangements.

In addition to these strategic collaboration mechanisms, there are also a number of well-established shared service arrangements and long standing agreement with Waikato District Council regarding future urban boundaries.

Looking at the nature of the interactions, across a number of key dimensions, including labour markets, housing markets and transport flows. While there are some data gaps, primarily as a result of delays in the publication of the 2018 Census, it is clear that there are important and growing interactions between Hamilton City and the Waikato and Waipa Districts.

These interactions emphasise the importance of each of the territorial authorities continuing to work together, and with other partners, to ensure the best outcomes for all communities. It is less immediately apparent that there is a need for any further or new forms of collaboration, although there seems to be a case for refining some of the existing mechanisms to ensure that they are fit for the future and delivering the best possible outcomes for Hamilton City and the greater Hamilton area as a whole. The report describes a spectrum of joint working arrangements, many of which are already evident across the greater Hamilton area, but could be considered further as current arrangements are kept under review.



## 4.2 Recommendations

Taking all of the information into account, we make the following recommendations for Hamilton City Council to consider as it seeks to ensure the arrangements for collaboration across the sub-region are fit for purpose:

### Enhancing data on functional relationships

Continue to examine the detail of functional relationships across the greater Hamilton area in order to better understand whether there are cross boundary issues that need to be resolved collaboratively, this should include:

- Undertaking detailed analysis of the results of the 2018 Census when they are available. This should include a particular focus on labour market and commuting data.
- Beyond 2018 Census data continue to collect and monitor other relevant data and information, for example the demand, supply and vacancy rates of industrial land, that helps build a fuller picture of functional interactions across the greater Hamilton area, with a view to identifying issues where further collaboration may be beneficial.

### Understanding the cross boundary demand and supply of employment and industrial land

In order to better respond to anticipated demand for employment and industrial land across the greater Hamilton area consider the need for a targeted study to better understand and respond to issues relating to:

- business growth plans and barriers to growth.
- supply chain and trading linkages.
- workforce catchment.
- location related operating conditions and challenges.

### Enhancing joint working arrangements

Given the spectrum of collaborative working arrangements, consider whether:

- at an operational level, current arrangements are delivering the anticipate benefits of coordination.
- there are opportunities to move some activities further along the coordination spectrum to further enhance the outcomes of collaboration and joint working.
- there are more opportunities to jointly contract or manage shared services across the greater Hamilton area that are not already covered by WLASS.
- consider the need for a more formal Section 17A Review of activities delivered under current shared service arrangements to ensure that they are adequately meeting growth pressures across the greater Hamilton area.



## Strategic alignment

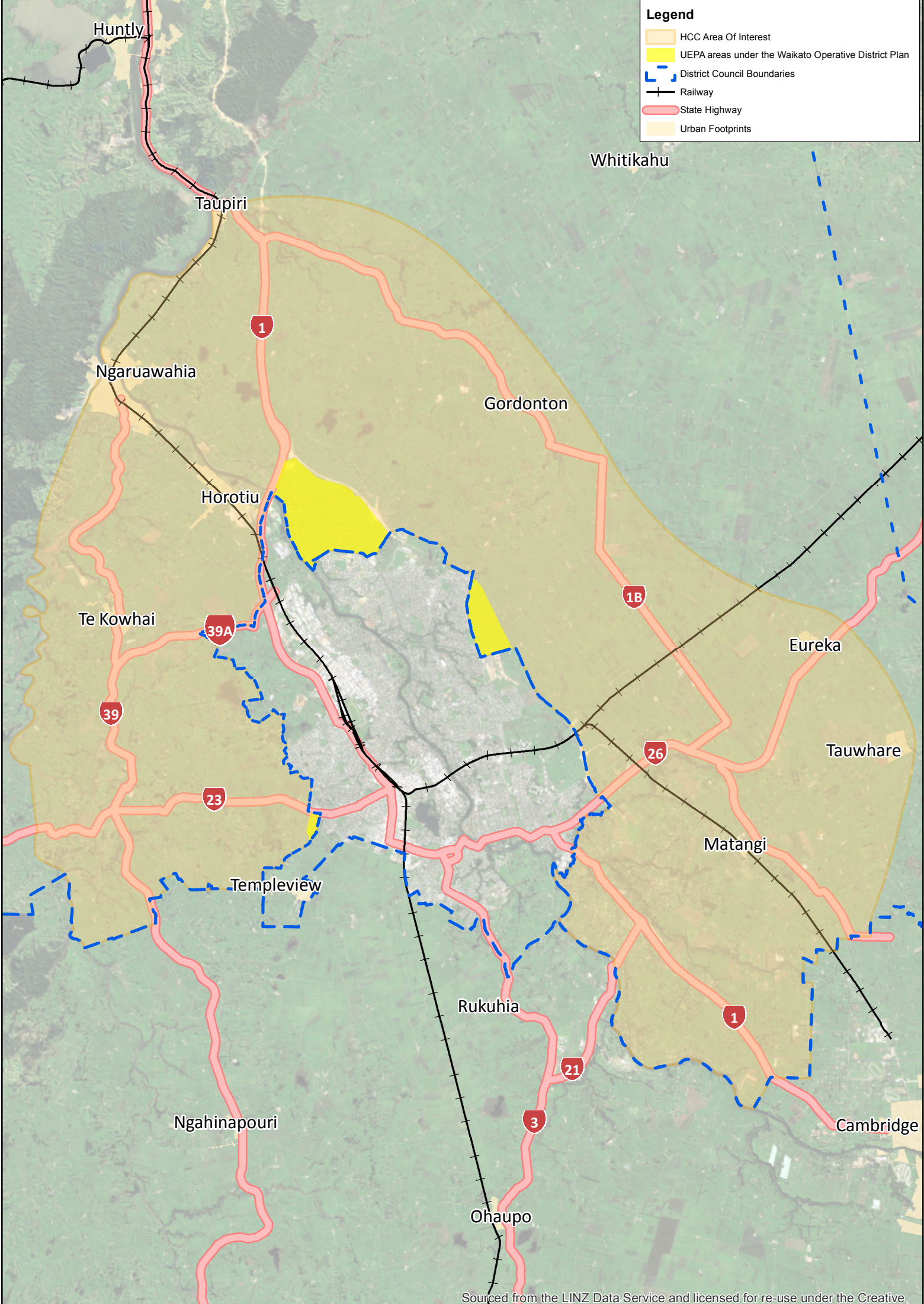
Use the forthcoming strategy and planning processes, such as the Hamilton to Auckland Corridor Project and District planning exercises in Waikato and Waipa to advance key issues relevant to enabling growth and development across the greater Hamilton area, including:

- reviewing and updating the Strategic Agreement on Future Urban Boundaries with Waikato District Council.
- considering whether a similar agreement could be put in place with Waipa District Council.



## **ATTACHMENT 4**





**Legend**

- HCC Area Of Interest
- UEPA areas under the Waikato Operative District Plan
- District Council Boundaries
- Railway
- State Highway
- Urban Footprints