



Seven considerations for City Deals for New Zealand



A City Deal is a mechanism for the delivery of collective plans for growth. It presents an opportunity to bring together key projects, programmes, policy, and governance reform to realise the potential of an economic region. It has a strong narrative of growth that builds a following – an alignment of local and central government, together with industry partners, based on shared objectives.

It means moving from ...

- numerous short term funding streams
- project by project decision making
- different priorities for different agencies and tiers of government
- different views on infrastructure sequencing
- a lack of certainty over delivery timeframes, and
- limited engagement from the private sector as partners

to ...

- an agreed regional narrative around growth
- formal agreement between local and central government
- committed multi-year funding envelopes
- an agreed programme of infrastructure investments
- a consistent view on infrastructure delivery sequencing, and
- opportunities to leverage outcomes to increase funding

Seven considerations for City Deals for New Zealand

1 A City Deal is a contract – the deal is a deal

Each City Deal is codified as a contract between an economic region and central government.

A City Deal generally runs for 10 years or longer. Each identifies a list of priority infrastructure projects and policy reform opportunities to be delivered, along with a series of agreed performance benchmarks. A City Deal is the negotiated outcome of different levels of government genuinely engaging in long term infrastructure planning.

There are examples in NZ of where central and local government have sat down to agree a programme of priority projects, but a City Deal would additionally include a clear cross-government mechanism to support funding and delivery – this creates the commitment and seals the deal.

2 Effective central government leadership authority and capability to curate the Deal

A City Deal represents a departure from traditional infrastructure prioritisation and funding approaches and accordingly requires leadership at both a political and central agency level to execute.

In both Australia and the UK, the government empowered central agencies to negotiate and curate individual Deals. It has been critical that these negotiations were led from central agencies with the authority to bring other agencies to the table focused on priority outcomes in areas such as housing, health, transport, skills, environment and the economy. In NZ this would likely mean for example, bringing together the Treasury, HUD, Kāinga Ora, Waka Kotahi, Te Whatu Ora, Education and others to potentially work outside their traditional approaches. One agency would be given a mandate to negotiate the Deal coordinating across both central and local government and other stakeholders.

Local leadership has also proven critical, with a central coordinating point for negotiation with central government considered essential. Negotiations between central and local government leaders must be based on trust and mutual respect – with the right authority and capability, there is opportunity to reset relationships around shared objectives.

3 Accountability, effort and focus to support implementation

Governance and resourcing are both critical to City Deal success. This holds true for negotiation and for implementation. Planning ahead and considering how a Deal will be resourced and managed is critical.

In both the UK and Australia, the most successful Deals have seen resources allocated to manage ongoing governance and implementation of the Deal, as well as clear lines of governance that ensure continuous evaluation and negotiation of new commitments over the lifetime of the Deal.

It is important to consider the timeframe for the Deal and ensure that negotiations account for the allocation of resources required to manage ongoing delivery, evaluation and evolution of the Deal.

5 Delivered in partnership with local communities not delivered to local communities

City Deal partners are at the core of both Australian and UK City Deals.

All Deals have included some innovation or new approaches to the way different tiers of government work together to address local solutions to regional or national challenges.

These partnerships often extend to key non-government stakeholders – businesses, tertiary education institutions, community groups – that are critical to the future of an economic region. Early engagement with these stakeholders is critical to the social license of the Deal, and to empowering communities to identify new solutions to deliver on Deal outcomes. This is particularly powerful in the context of introducing new commitments over the lifetime of the Deal.

In NZ this lesson could see local community priorities at the heart of City Deals, with appropriate governance and engagement strategies during negotiation and delivery.

7 City Deals help join up economic, social and sustainability goals

A feature of both Australian and UK City Deal contracts is the inclusion of complementary programmes to ensure that economic objectives are not achieved to the detriment of social or environmental aims. These ensure that growth is facilitated in a sustainable manner while also ensuring that this growth facilitates improved regional resilience and wellbeing.

4 Opportunity to explore innovative funding and financing

Financial incentives motivate and reward smart thinking. They also encourage innovation in delivery to achieve Deal outcomes.

Australian City Deals have not incorporated extensive financial reform. In the UK City Deals were used to devolve accountability for key outcomes attaching incentives for their delivery.

In NZ, there are already a number of funding and financing tools that could be used to support Deal investment, without reform. For example, City Deals would provide an opportunity to explore the greater use beneficiary pays tools such as under the Infrastructure Funding and Financing Act.

The real question for NZ, is how far we want to go as part of a devolution agenda – affording local government the ability to select from a wider toolbox of revenue streams to support local investment priorities while also capturing the economic and financial returns on those investments in order to invest again. Access to this wider toolbox would in some instances require legislative and policy changes.

6 The focus is on productivity and growth

Wise choices about infrastructure investment boost economic productivity.

The City Deals in the UK and Australia have explicitly targeted packages of infrastructure investment and other project reforms that lift a region's economic capacity over the long-term.

This helps focus competing priorities into a coherent set of goals that can be communicated to business and the community. In NZ this would see the elevation of local solutions that would impact on nationally significant outcomes such as GDP.

In other words, City Deals foster a mutually reinforcing set of public policy programmes that collectively achieve an agreed set of nationally significant objectives.

In NZ this would see a balance of local and nationally significant programmes incorporated into a Deal to ensure a triple-bottom line approach to delivery.



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