

# Building Tomorrow

Exploring the potential for city & regional deals



# Introduction

The Government recently reaffirmed its commitment to using City and Regional Deals as part of its broader goals of addressing New Zealand’s infrastructure deficit and stimulating economic growth.<sup>1</sup> Following their successful implementation in the United Kingdom and Australia, the use of City and Regional Deals was first raised in the National Party’s Infrastructure for the Future policy in 2023,<sup>2</sup> and a commitment to instituting City and Regional Deals in New Zealand was included in the National – ACT Coalition Agreement.<sup>3</sup> Now, the Minister of Infrastructure has announced that a framework for

the Government’s approach to City and Regional Deals (**Framework**) will be presented to Cabinet in late July, with negotiations for the first City and Regional Deals intended to begin in 2025.<sup>4</sup>

But what are City and Regional Deals? In this paper, we will explore the key characteristics that have made City and Regional Deals a success in the United Kingdom and Australia, and the key questions that should be addressed when implementing City and Regional Deals in New Zealand.

## What are City and Regional Deals?

City and Regional Deals (or “place-based agreements”) are long-term, bespoke packages of projects, funding commitments, governance arrangements and decision-making powers negotiated between central government and local government, which are recorded in a contractual agreement (ie the “deal”) and are established to realise a specific set of goals or objectives. They are typically centred on achieving economic growth, job creation, and urban development and renewal in a given city or region.

City and Regional Deals can take various forms but, at their heart, they are a contractual agreement between various stakeholders that establishes the city or region’s shared vision, provides for the planning and co-ordination of a package of commitments, projects and investments to achieve that vision, and includes commitments by the stakeholders to fund, finance and deliver on those commitments.

They offer New Zealand a unique opportunity to drive targeted, collaborative investment in urban and regional development, aligning local priorities with national objectives.



1. Cabinet Paper “Improving Infrastructure Funding and Financing” (22 May 2024) ECO-24-SUB-0076 at [35] ([Cabinet Paper ECO-24-SUB-0076: Improving Infrastructure Funding and Financing - 22 May 2024 \(treasury.govt.nz\)](#))
2. At page 7 ([Infrastructure for the Future.pdf \(nationbuilder.com\)](#)).
3. At page 6 ([https://assets.nationbuilder.com/nationalparty/pages/18466/attachments/original/1700778592/National\\_ACT\\_Agreement.pdf?1700778592](https://assets.nationbuilder.com/nationalparty/pages/18466/attachments/original/1700778592/National_ACT_Agreement.pdf?1700778592)).
4. Above n 1, at Annexure 1, page 2.

# City Deals: International Snapshot

## United Kingdom

There are now more than 30 City Deals that have been negotiated across the United Kingdom. The United Kingdom City Deal that is held up as a significant success is the Greater Manchester City Deal.<sup>5</sup> This deal was signed in 2012 between 10 local authorities, via the newly established Greater Manchester Combined Authority, and the UK Government. It focused on four key areas: infrastructure investment (particularly for public transport), creating research institutes to leverage the city's strengths, skills development to increase employability, and working towards more efficient governance and collaboration at the local authority level. A core component of the deal was the devolution of additional powers to the Greater Manchester Combined Authority by the UK Government and an "earn-back" mechanism that allowed Greater Manchester to recover a share of tax revenues generated by additional growth. The "earned-back" amounts were then to be reinvested by the region in further projects.



*When you take a place-first approach from the bottom up, it's actually quite a galvanising thing, because whatever we feel politically, wherever we're coming from on the political spectrum, everybody starts with the pride in the place where they are and they want to see where they live doing well.*

*Andy Burnham, Mayor of Greater Manchester<sup>8</sup>*

## Australia

In Australia, more than 10 City and Regional Deals have been entered into since 2016.<sup>6</sup> Each deal involves an agreement between the three branches of government (federal, state or territorial and local), together with the involvement of the private sector and community groups. The deals have, on the whole, included objectives that are focused on economic growth and urban renewal. By way of example, the Townsville City Deal was signed in 2016 and was "designed to transform Townsville and drive economic growth".<sup>7</sup> The deal included:

- **Objectives:** Five key objectives that the deal was seeking to achieve, such as revitalising the Townsville CBD and waterfront area, and activating industry and export growth in the region.
- **Initiatives:** To deliver the objectives, the deal identifies six initiatives to be progressed, which include positioning Townsville as the Capital of North Queensland and establishing Townsville as an industry powerhouse for North Queensland.
- **Commitments and opportunities:** The parties then agreed 16 commitments and 9 future opportunities to be delivered in order to achieve the objectives. These ranged from commitments to fund and deliver infrastructure, such as the development of the North Queensland Stadium and upgrading the Port of Townsville channel, to commitments to fund studies into how to develop Townsville as an international education and training destination.
- **Reporting and measurement:** There is regular monitoring and reporting of the deal. A formal review on the first three years of the deal was undertaken, which included an assessment of the deal against core economic measures such as gross regional product per capita, employed residents and throughput of the Townsville port.

## New Zealand's previous experience with cross-government partnerships

Cross-government partnerships to align investment objectives and priorities are, of course, not entirely new. For example, the Auckland Transport Alignment Project was established between the Government and Auckland Council to enable cross-government decision-making for transport in the Auckland region. Kāinga Ora – Homes and Communities and Auckland Council have also recently entered into contractual arrangements recording their agreement to work together on the planning, funding, design and delivery of infrastructure programmes required to enable large-scale urban development projects in the Auckland Large-Scale Project neighbourhoods of Tāmaki, Mangere, Oranga and Mt Roskill (on which Simpson Grierson acted for Kāinga Ora – Homes and Communities). There will be elements of these partnerships that central government and local government can draw on when developing the Framework – however City and Regional Deals is an opportunity to take place-based deal-making to a new, more co-ordinated level, across all our key cities and regions.

5. <https://www.gov.uk/government/publications/city-deal-greater-manchester>

6. <https://www.infrastructure.gov.au/territories-regions-cities/cities>

7. [Smart Cities Plan – Townsville City Deal \(infrastructure.gov.au\)](https://www.infrastructure.gov.au)

8. <https://newsroom.co.nz/2024/04/12/lessons-from-manchester-as-govt-works-out-how-it-wants-city-deals-run/>

# Key elements of a successful deal

Reflecting on the experiences in the United Kingdom and Australia, we consider that a successful City Deal or Regional Deal will be characterised by the following key features:

## Place-based:

A deal should be focused on a particular city or region, with the aim of achieving the defined purpose and objectives for that city or region. There needs to be a clear rationale for why the particular city or region has been selected for a deal.

## Sustainable funding:

A deal is not, itself, a funding tool. Instead, each deal needs to employ a range of funding and financing tools to support the implementation of the projects and initiatives that are to be achieved for success. A deal may provide an opportunity for the deployment of new funding tools, but regardless of the tools that are utilised, long-term binding funding commitments are required.

## Robust governance arrangements:

As a deal requires decision-making and commitments to be provided by multiple entities, a governance structure that will facilitate effective decision-making and accountability is key. There is also a need for flexibility in decision-making so that the deal can be adapted to changing circumstances and remain relevant and effective over its term.



# City & Regional Deals



## Defined purpose & objectives:

A deal should have specific purposes and objectives that it is seeking to achieve – eg increasing GDP or creating jobs across defined industries. The purpose and objectives should be driven by the needs of the local community, rather than being imposed on the local community. How a specific project is tracking against these objectives should be monitored throughout the life of the deal with clear metrics. This allows all parties to review the success of the deal and if necessary, through the governance framework, modify the terms of what each party is funding or delivering to reprioritise investment to better achieve the defined purpose and objectives.

## Long-term commitments:

They are long-term commitments (eg decades long) that span beyond political and funding cycles. This matches the typical investment horizon of infrastructure investments and enables long-term planning (but requires a long-term commitment) from all stakeholders.

## Relevant stakeholders:

A deal requires all relevant stakeholders to be at the table. Collaboration between central and local government, but also with all other relevant stakeholders (including the private sector, tertiary institutions and in New Zealand, iwi) is essential.

# What are the key considerations for implementation of City and Regional Deals in New Zealand?

While the United Kingdom and Australian City Deals may serve as a helpful benchmark, the Framework will need to take account of New Zealand's unique social, economic and governmental context and settings:

## Place-based

Each deal must be capable of answering the question: why this place; why this deal?

Importantly in the New Zealand context, the Framework must be capable of being applied to deals in regions as well as urban areas, given the significant contribution

from New Zealand's regions to the national economic output. The Framework should not limit deals to the typical boundaries of New Zealand's local authorities, but instead should allow deals to be granted in the right cities and regions for the right purposes.

## Defined purpose and objectives

Each deal must have a defined purpose and objectives that it is seeking to achieve. This decision drives the projects and investments that are required, the stakeholders that will need to be a party to the deal, and what success looks like.

While the Framework will need to provide flexibility for all stakeholders to agree the priorities and objectives for each deal, we consider there are some important elements that should guide all deals:

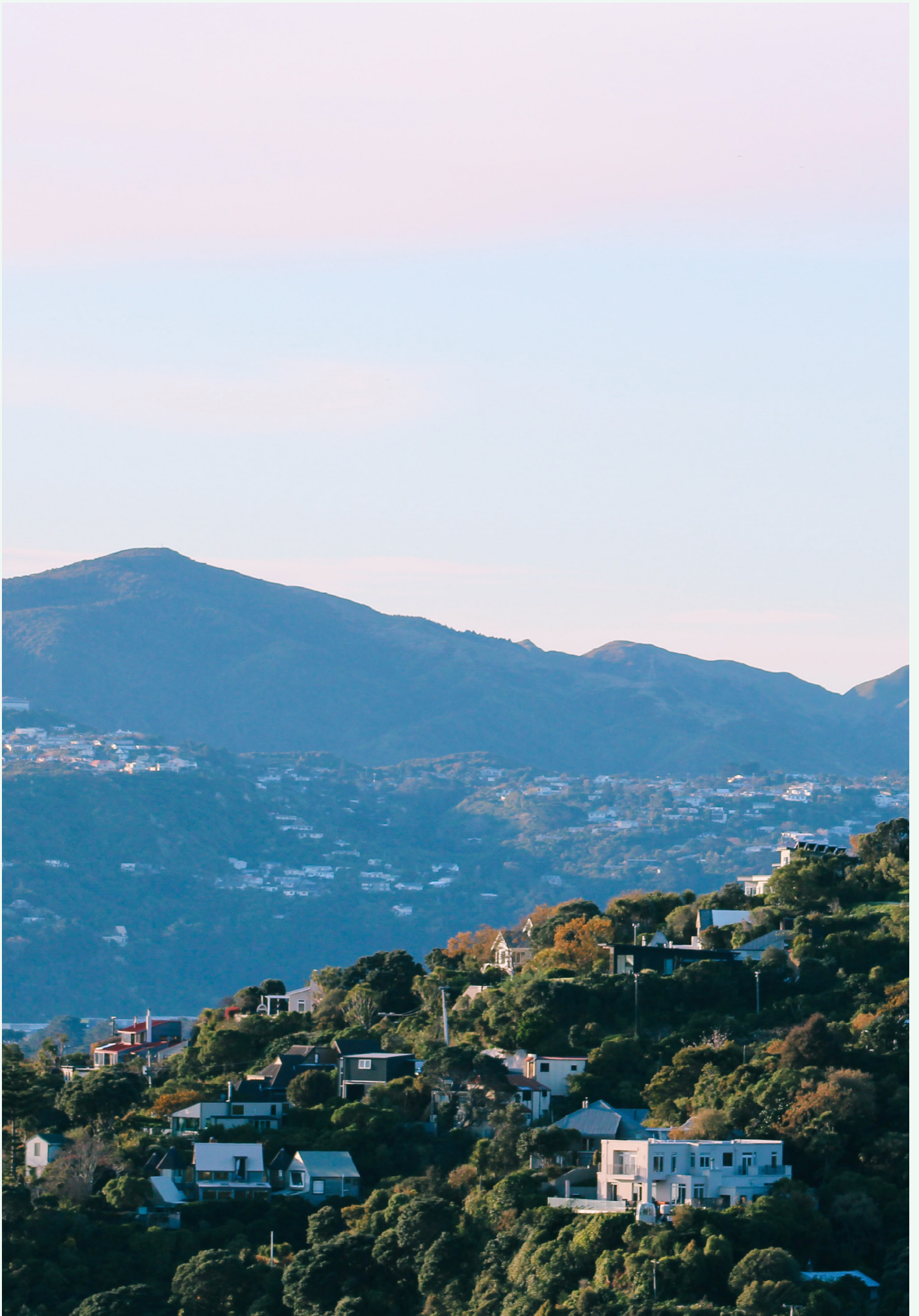
- The deal should not be a substitute for “business as usual” infrastructure investment or a means to acquire additional funding for deals that are already in the pipeline. Regions that are willing to commit to bold and innovative visions should be rewarded.
- There needs to be clear and focused outcomes and objectives for the deal: the deal should not seek to be a means of solving all of a region's economic or infrastructure problems.
- The Framework needs to ensure that the deals are a true partnership between central government and local authorities (among others), with the requirements for a deal being led by local authorities, taking account of the needs of the local community.

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***I view City and Regional Deals as about the Crown and councils sharing their aspirations, agreeing on shared objectives, and looking at long-term funding and financing arrangements centred on economic growth, productivity and housing.***

*Hon. Chris Bishop, Minister of Infrastructure and Minister of Housing*<sup>9</sup>

9. <https://www.beehive.govt.nz/speech/speech-ignz-infrastructure-symposium>



## Long-term commitments

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**One of the benefits of developing a City and Regional Deal framework is that it could result in clear, potentially enforceable, infrastructure solutions that act to provide a blueprint for how key urban developments and projects will be realised. If a deal can be structured and documented in the right way, then it will allow stakeholders to make investment decisions around the projects involved – locking in outcomes that may otherwise be at risk because of the crowded financial and policy planning cycles.**

Mike Wakefield, Partner,  
Planning & Environment



New Zealand’s political and funding cycles are relatively short-term. For example, many departments are funded from annual budget appropriations; the national land transport funding programme from New Zealand Transport Agency Waka Kotahi is set 3 yearly; rates are set annually; and national and local elections are every 3 years.

By contrast, the Australian City Deals have a typical term of 10 years, and the Greater Manchester deal includes investments across a 30 year time-horizon. The long-term commitments reached in the United Kingdom and Australia context reflects the time required to invest, deliver and realise the benefits of long-term infrastructure and urban renewal projects.

All stakeholders have acknowledged that New Zealand needs to adopt a long-term mindset about its infrastructure, housing and urban development needs. Unlocking how City and Regional Deals can best support this need, in the context of New Zealand’s short political and funding cycles, will be a key to their success and will likely require a transformation in how local authorities and the Crown work together to plan for and fund infrastructure investment.

At present, councils are required by the Local Government Act 2002 (**LGA**) and Resource Management Act 1991 (**RMA**) to undertake several different strategic planning exercises, with long-term plans (10 years), financial (10 years) and infrastructure strategies (30 years), regional and district planning documents under the RMA (reviewed every 10 years), and (for higher growth councils) Future Development Strategies under the National Policy Statement on Urban Development (which are to plan for 30 years of growth, and be reviewed every 3 years). The question is what a City and Regional Deal will mean for these other planning documents: will it trump those documents, or create a need to change those documents, and to what extent can the other planning modify or depart from aspects of a City and Regional Deal?

For the most part, the planning undertaken by local authorities is community informed, with consultation a key part of the legislative framework. This is particularly the case for major / strategic infrastructure and funding decisions made by councils, which are generally required to be included in long term plans. Depending on how a deal is formulated, and structured, there could be the potential to lock in outcomes that would otherwise be decided after extensive community engagement. It will be critical to ensure that the framework for agreeing City and Regional Deals considers how it will interplay with the other planning that councils are responsible for, and that the right parties are in the room at the point of negotiations.





**City and Regional Deals offer the potential to enhance iwi relationships and iwi's role as kaitiaki, promote Treaty principles and enable commercial development – all in accordance with their tikanga (customary laws and practices) and their long term goals.**

Gerald Lanning,  
Consultant, Head of Te  
Paringa Tai (Simpson  
Grierson's Māori  
Business Group)



Ensuring the right stakeholders are parties to the deal will be key to its success. In the Greater Manchester City Deal, tertiary institutions were identified as a key stakeholder in achieving the deal's goals of skills development and innovation. Including tertiary institutions in the deal was one of the factors that ultimately led to the commercialisation of graphene in Manchester – last year, a spin-out company from the graphene innovation ecosystem at The University of Manchester entered into a \$1 billion UK-UAE partnership for large-scale and international manufacture of graphene.<sup>10</sup>

The Framework, and the deals implemented under it, will need to address the following:

### **What is the role of iwi in City and Regional Deals?**

Iwi should play a critical role in City and Regional Deals for several reasons. They have long-term, enduring and deep relationships with the places (land and water) covered by the deals, that are fundamental to their identity. A key aspect of these relationships is the role iwi have as kaitiaki (guardians or stewards) of the places they relate to. Increasingly, iwi are also actively developing their assets, often returned as part of the settlements under Te Tiriti o Waitangi [Treaty of Waitangi, for the long term social and environmental benefits. City and Regional Deals are intended to be 'place based' and long-term.

### **Who else needs to be at the table?**

While we would expect central government, local government and iwi to be core participants in any deal, each deal will also need to consider:

- What is the role of the private sector and how will the private sector be represented?
- Does the deal's focus require tertiary institutions to be involved?
- Is there a role for the community, and if so, who within the community needs to be part of the deal and how is that decided?
- More generally, given that councils may end up committing significant funding to strategic infrastructure and other projects, is there a place for community engagement and public input on a potential City and Regional Deal, and how could this be achieved without creating a risk of legal challenge?

### **Who is the Crown's representative?**

Many of the Crown's core functions that will be relevant to City and Regional Deals are managed across various Crown departments and entities. Consider, for example, NZTA's responsibility for transport, KiwiRail's responsibility for rail and Kāinga Ora's responsibility for social housing. In our view, it is essential that the Crown is able to present a single entity to negotiations that has the capacity to speak on behalf of, and secure commitments from, the Crown as a whole. The new National Infrastructure Agency may be an appropriate 'shop-front' in this process.

10. <https://www.manchester.ac.uk/discover/news/manchester-spin-out-signs-1billion-game-changing-deal-to-help-tackle-global-sustainability-challenges/>

# Robust governance arrangements



***The success of any deal will ultimately come down to the willingness of participants to work together and address challenges that arise throughout the life of the deal. However, an effective governance framework for City and Regional Deals – being one that clearly defines the roles and responsibilities of the parties and allows for the delegation of decision-making so that decisions that are in the best interests of the deal can be made efficiently and effectively – will be essential for translating the ambitious vision of a City and Regional Deal into tangible projects and outcomes.***

*Edward Norman,  
Partner, Commercial &  
Infrastructure Projects*



At its core, the governance framework for a deal should facilitate co-ordinated and efficient decision-making, ensure accountability of all parties and monitor and manage project delivery throughout the deal's life. Two issues that the Framework will need to resolve are:

- Will City and Regional Deals involve a devolution of powers and responsibilities to city or regional bodies (eg local authorities), or be structured as an agreement for the planning, funding and delivery of the “deal” but without further devolution of powers?
- Will all stakeholders act through a single newly established entity or authority (such as the Greater Manchester Combined Authority for the Greater Manchester City Deal) or each be a party in their own capacity?

In our view, a further devolution of powers appears to be beyond the scope of what City and Regional Deals should encompass in New Zealand, at least in the short term. Any reimagining of central government and local government's roles will involve an assessment of the benefits and trade-offs of any new arrangements, together with accompanying legislative changes to give effect to the changes. We do not consider that this work (if enacted) should delay implementation of City and Regional Deals.

However, where there are multiple local authorities involved in a deal, the governance framework should involve the delegation of some of those local authority's powers into a singular decision-making body. For example, local authorities may retain a set of “reserved decisions” relating to their core regulatory functions, but all other decisions relating to the deal could be taken by a single decision-making body with the power to bind all local authorities. This approach can be contrasted with the governance approach adopted on other recent partnerships between central and local government (for example, Let's Get Wellington Moving), which have been structured as “agreements-to-agree” between central government and local authorities, with all key decisions requiring future approval from each entity.

The mantra that a deal is allocated to cities and regions that are bold should extend to governance. If local authorities are willing to delegate some form of decision-making control so as to encourage more timely and efficient decisions, their deal should be placed at the top of the pile for consideration.

## Sustainable funding

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***While not a funding tool in their own right, City and Regional Deals present another pathway through which stakeholders can work together to identify, and seek to resolve, critical funding challenges.***

*Josh Cairns, Partner,  
Banking & Finance*



The success of any deal will require long-term investment commitments from central government and local government to achieve the objectives and purposes of the deal – particularly to invest in the infrastructure needed to unlock our urban development and economic growth aspirations.

However, as we have previously discussed ([see link here](#)), the greatest challenge to resolving New Zealand’s infrastructure deficit lies in how investment in infrastructure can be funded. The fundamental question remains: who should pay, and how?

This presents an area of uncertainty for City and Regional Deals. While, as far as possible, these questions should be tackled up front in the deal, we also need to be realistic – resolving our funding challenges may take some time. With that in mind, any unresolved funding gaps should form part of the deal itself, through commitments from the stakeholders to work together in a joined-up partnership-based approach to identify funding solutions – including the development of new funding tools and sources.



## Next steps

We await the publication of the Framework, which will be a key factor in determining the future shape of City and Regional Deals in New Zealand and whether they will be a success. Stakeholder engagement on the Framework will be critical to ensuring that the Framework will work in the New Zealand setting.

Please get in touch with one of our experts below if you wish to get a further understanding of the opportunities and challenges for City and Regional Deals:



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