

## The prospect of City Deals in New Zealand

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<b>David Waite</b>  <b>Lecturer, Urban Studies, University of Glasgow, UK</b>	<b>Andy Pike</b>  <b>Henry Daysh Professor of Regional Development Studies, Centre for Urban and Regional Development Studies (CURDS), Newcastle University, UK.</b>	<b>Graeme Roy</b>  <b>Dean of External Engagement, College of Social Sciences, University of Glasgow, UK</b>
<p>David supports a Policy Lab linking to the Glasgow City Region Intelligence Hub and he was an advisor to an Audit Scotland enquiry into City Deals. David previously worked in economic development roles in NZ and he is an alumnus of the University of Auckland.</p> <p><a href="mailto:david.waite@glasgow.ac.uk">david.waite@glasgow.ac.uk</a></p>	<p>Andy has undertaken research projects for the OECD, UN-ILO, European Commission, UK Government and national, regional and local institutions. He is a Fellow of the Regional Studies Association and an elected Academician of the UK's national Academy of Social Sciences.</p> <p><a href="mailto:andy.pike@ncl.ac.uk">andy.pike@ncl.ac.uk</a></p>	<p>Graeme is a former Senior Civil Servant in the Scottish Government and has advised on the establishment of city deals for Glasgow and Edinburgh. He is a Professor of Economics at the University of Glasgow and Chair of the Scottish Fiscal Commission.</p> <p><a href="mailto:Graeme.Roy@glasgow.ac.uk">Graeme.Roy@glasgow.ac.uk</a></p>

Debate is beginning to emerge in the New Zealand policymaking community about the potential of City Deals. From the National Party's announcement that a deal-based model will be pursued if they are elected in the next general election<sup>1</sup>, to the findings of the recent "Review into the Future for Local Government" (RFLG) - which referenced "place-based agreements" that encompass "city deals, town deals, region deals, community agreements, and growth deals"<sup>2</sup> - the idea of deal-making appears to promise new arrangements for infrastructure delivery and a potential re-calibration of central-local government relationships. At the local level, the potential of City Deals is evident in policy discussions in Hamilton<sup>3</sup> and Wellington<sup>4</sup> among other places.

While the governance innovation of deals and deal-making would be a novelty in New Zealand, such agreements and processes have been pioneered and tried elsewhere. Indeed, a paper by BECA for the RFLG<sup>5</sup> identified the Edinburgh (UK) and Geelong (Australia) deals as examples that may offer useful insights for what it called "collaborative governance". Building on this comparative perspective, we draw on insights from Australia and the longer standing deals in the UK to identify

<sup>1</sup> [https://www.national.org.nz/speech\\_to\\_infrastructure\\_nz\\_building\\_nations\\_conference](https://www.national.org.nz/speech_to_infrastructure_nz_building_nations_conference)

<sup>2</sup> [https://www.futureforlocalgovernment.govt.nz/assets/Uploads/DIA\\_17168\\_Te-Arotake\\_Final-report\\_17\\_DIGITAL.pdf](https://www.futureforlocalgovernment.govt.nz/assets/Uploads/DIA_17168_Te-Arotake_Final-report_17_DIGITAL.pdf)

<sup>3</sup> <https://www.newsroom.co.nz/battered-trust-the-biggest-hurdle-to-bold-new-local-government-funding-model>

<sup>4</sup> <https://www.newsroom.co.nz/government-lukewarm-on-wellington-city-deal>

<sup>5</sup> <https://www.futureforlocalgovernment.govt.nz/assets/Uploads/Collaborative-Models-Report.pdf>

key issues and dimensions that policymakers may usefully consider. **The aim is to further dialogue on the potentials and challenges of City Deals in the New Zealand setting.**

**Though policymakers will of course have scope to adapt a City Deal model for the New Zealand context, we suggest that it may be useful to consider the following key issues:**

- **Fit within a national urban strategy and the spatial policy problem to address**
- **The sequencing of dealmaking**
- **The manner in which central government guides the dealmaking process**
- **Dealmaking for infrastructure or a wider set of economic development concerns**
- **Local and national capacities to undertake dealmaking**
- **The nature and scope of stakeholder consultation through deal development**
- **The role of monitoring and evaluation**

Our discussion in this note reflects our experiences of being involved in or close to deals and deal-making in England, Scotland and Wales, whilst we draw on insights from our ongoing reading of the deal model that was exported to Australia<sup>6</sup>. We acknowledge that City Deals also exist in the Netherlands in the EU, though the likenesses end largely with the name as they are constructed in a different manner<sup>7</sup> and based on networking principles<sup>8</sup>.

### **What are City Deals and what do they do?**

City Deals are bilateral or trilateral arrangements, hinging on joint funding commitments, that aim to provide local authorities with greater autonomies and responsibilities to deliver a range of urban and regional policy initiatives. At their core is the discipline of a contract: a negotiated and agreed deal between national government and often groupings of local governments in which the localities have skin in the game in ensuring local investments and policies achieve desired ends; notably, economic growth.

A first wave of City Deals was agreed for the major cities in England outside of London from 2012<sup>9</sup>, whilst the second wave extended to a wider range of cities including Sunderland, Hull and Plymouth<sup>10</sup>. From 2014 onwards - spurred by the possibility of additional funding and freedoms amidst austerity - City Deals began to emerge in the UK's devolved nations, with the deal signed for the Glasgow city-region exhibiting a tripartite form (UK Government, devolved administration, local authorities). We note further below how these initial City Deals spawned a wider series of deals and devolution-oriented discussions in some UK cities as well as prompting discussions around different geographies such as towns.

As a travelling governance innovation - actively promoted and sold for adaptation by national and local governments by a global professional services firm<sup>11</sup> - the first City Deal in Australia was agreed

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<sup>6</sup> <https://assets.kpmg.com/content/dam/kpmg/pdf/2014/10/uk-city-deal-economic-growth-productivity.pdf>

<sup>7</sup> <https://www.circle-economy.com/resources/dutch-cities-governments-businesses-commit-to-circularity-through-city-deal>

<sup>8</sup> <https://doi.org/10.1080/01900692.2020.1759629>

<sup>9</sup> <https://committees.parliament.uk/work/4334/wave-1-city-deals-inquiry/>

<sup>10</sup> <https://researchbriefings.files.parliament.uk/documents/SN07158/SN07158.pdf>

<sup>11</sup> <https://assets.kpmg.com/content/dam/kpmg/pdf/2014/10/uk-city-deal-economic-growth-productivity.pdf>

in late 2016 in Townsville<sup>12</sup> (a trilateral agreement involving the Australian Government, Queensland Government and Townsville City Council).

In the first wave of City Deals in the UK, capital funding for infrastructure was a major feature (from transport infrastructure to site specific regeneration). A broader array of economic development initiatives is evident in more recent deals, covering skills, innovation and university interactions, amongst other things. There is also an evolution and broadening of the ambition and objectives of the deals beyond only economic growth and job creation with inclusive growth (Scotland)<sup>13</sup> and wellbeing (Wales)<sup>14</sup> featuring in some agreements. City Deals in the UK vary in size, with the Glasgow and Cardiff city-region deals at the higher end (at £1.13 billion<sup>15</sup> and £1.23 billion<sup>16</sup> respectively - both over 20 years).

UK City Deals exhibit a range of pros and cons<sup>17</sup>. In terms of pros:

- City Deals seek to move past “one size fits all” towards more place-based policymaking tailored to mobilising local potentials. For New Zealand, such a deal-based arrangement has the potential to address the different growth profiles, innovation bases and task compositions that the economies of Auckland, Tauranga, Christchurch and Dunedin, for example, exhibit.
- City Deals aim to provide greater voice to local leaders in determining what will work and be effective in a locality. This more bottom-up and negotiated format marks an important shift away from an otherwise highly centralised policymaking context.
- Deals also provide a channel for different tiers of government to engage and, potentially, form a common prioritisation approach for local development<sup>18</sup> (engaging localities on priorities may serve to boost local capacity).

City Deals have downsides too:

- The piecemeal and ad hoc process of deal-making in the UK raised questions about parity of treatment across localities in terms of which cities would be offered the chance to negotiate a deal and who may miss out or have to wait. Indeed, the UK Government’s Levelling Up white paper acknowledges the problems generated by this patchwork governance map of different powers and resources across England and outlines a more systematic three-tiered framework for devolution<sup>19</sup>.
- Deal-making has been introduced at the same time as local governments have had to manage austerity and unprecedented reductions in expenditure by making savings and generating new sources of income<sup>20</sup>. While deals enable politicians to make funding announcements for infrastructure among other things, this sits against the backdrop of significant overall funding reductions for local government with implications for local delivery capacity.

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<sup>12</sup> <https://planning.statedevelopment.qld.gov.au/planning-issues-and-interests/city-deals#:~:text=Townsville%20was%20Australia's%20first%20City,Council%20and%20the%20local%20community.>

<sup>13</sup> <https://www.gov.scot/binaries/content/documents/govscot/publications/progress-report/2017/06/enterprise-skills-review-report-phase-2-regional-partnerships/documents/00521431-pdf/00521431-pdf/govscot%3Adocument/00521431.pdf>

<sup>14</sup> <https://senedd.wales/laid%20documents/cr-ld11264/cr-ld11264-e.pdf>

<sup>15</sup> <https://www.glasgow.gov.uk/article/13045/113billion-City-Deal-for-Glasgow-City-Region-Signed-Today>

<sup>16</sup> <https://www.cardiffcapitalregion.wales/the-city-deal/>

<sup>17</sup> <https://doi.org/10.1177/096977641879867>

<sup>18</sup> <https://theconversation.com/deal-or-no-deal-are-uk-style-city-deals-a-good-bet-for-australia-58978>

<sup>19</sup> <https://www.gov.uk/government/publications/levelling-up-the-united-kingdom>

<sup>20</sup> <https://global.oup.com/academic/product/financialization-and-local-statecraft-9780192856661?cc=us&lang=en&>

- Information asymmetries exist between local and central government based on differential capacities to formulate, negotiate and agree such deals.
- Central government plays the role of supporter and appraiser in the deal-making process, inviting, steering and controlling local voice and agency to varying degrees<sup>21</sup>.
- A City Deal that is signed and agreed does not necessarily result in delivery, with key funding innovations - such as 'earn back' and 'growth share' commitments that promised increased local shares of tax revenues generated by the additional growth stimulated by the deals - later rowed back on or revised<sup>22</sup>. Additionally, local government actors are, in some instances, left to hammer out crucial deal details with sometimes reluctant national government departments.

### Strategic context – what policy problems do deals try to address?

Addressing the UK's acute and longstanding geographical inequalities in economic and social conditions – more recently articulated as 'left behind places' – is a central motivation for City Deals, reflecting a further addition to the UK government's history of institutional and spatial policy change and churn<sup>23</sup>. In New Zealand, what national spatial ambitions and logic would City Deals aim to support?

City Deals layer onto previous forms and modes of urban and regional policy, and plug into or rub against national strategies for infrastructure investment, skills and spatial planning. In the UK, City Deals were proposed in England in 2011 at a time when the regional tier of institutions was dismantled by the Conservative and Liberal Democrat Coalition, abolishing the national government regional offices, Regional Development Agencies and regional assemblies. Localism, and an emphasis upon decentralisation to spur local economic growth, guided the introduction of 39 Local Enterprise Partnerships (LEPs) between local government, business and other local stakeholders, along with the further establishment of sub-regional Combined Authorities which group together existing local governments. Combined Authorities in particular have been important foundations for the roll-out of later wave deals. In Scotland and Wales, the policy terrain was somewhat different, with national spatial frameworks remaining in place, and a nationally-led approach to cities policy pursued (e.g. the Scottish Cities Alliance<sup>24</sup> and the Haywood report<sup>25</sup>). How would City Deals in New Zealand relate with existing bodies charged with spatial policy and development responsibilities?

The introduction of City Deals in Australia has also raised questions about roles for national urban policy. Rather than cities policy simply reflecting ad hoc deals, leading to "patchwork" arrangements, some commentators called for consideration to be given to more general urban policy concerns relating to governance reform and the financing of urban infrastructure<sup>26</sup>. This call for a coherent urban strategy, supportive of the UN's SDG 11, appears to be finding some ground; though City

<sup>21</sup> <https://theconversation.com/deal-or-no-deal-are-uk-style-city-deals-a-good-bet-for-australia-58978>

<sup>22</sup> <https://www.tandfonline.com/doi/pdf/10.1080/21622671.2021.1924249>

<sup>23</sup> <https://www.taylorfrancis.com/books/mono/10.4324/9781032244341/levelling-left-behind-places-ron-martin-ben-gardiner-andy-pike-peter-sunley-peter-tyler>;  
[https://discovery.ucl.ac.uk/id/eprint/10144800/1/Tomaney\\_Reframing%20urban%20and%20regional%20development%20for%20left%20behind%20places\\_VoR.pdf](https://discovery.ucl.ac.uk/id/eprint/10144800/1/Tomaney_Reframing%20urban%20and%20regional%20development%20for%20left%20behind%20places_VoR.pdf)

<sup>24</sup> <https://www.gov.scot/policies/cities-regions/scottish-cities-alliance/>

<sup>25</sup> <https://www.gov.wales/written-statement-city-regions>

<sup>26</sup> <https://theconversation.com/a-patchwork-of-city-deals-or-a-national-settlement-strategy-whats-best-for-our-growing-cities-117839>

Deals from the previous government have been retained in Australia<sup>27</sup> - and there are nine in place<sup>28</sup> - there is a new push for a national urban policy<sup>29</sup> with an urban policy forum also appointed<sup>30</sup>.

In addition to strategic contexts, the manner in which deal-making and deals is pursued is crucial to consider. Key questions for any roll-out in New Zealand will be whether or not deals are offered to *all* major cities – Auckland, Tauranga, Hamilton, Wellington, Christchurch and Dunedin - perhaps based on an agglomeration logic of sorts, and whether deals will also be on offer, simultaneously, to smaller urban centres - such as Palmerston North, Nelson and Timaru – potentially elaborating on steps made through the Provincial Growth Fund<sup>31</sup>. These format and sequencing issues are important especially for national and local government gearing up capacity and resources to support deal preparation, negotiation and agreement.

Indeed, will City Deals become available, first, to those cities with demonstrable capacities to take on greater decision-making and devolved responsibilities? The argument here is that some city leaders and institutions can show a greater readiness to take on the risks and responsibilities that deals require, so should go first. Such an approach reflects Greater Manchester’s apparent position at the vanguard of deal-making in the UK (this is a city-region that boasted a history of partnership working prior to deals)<sup>32</sup>. In New Zealand, consideration may perhaps be given to the roles that “urban growth partnerships” can play in dealmaking<sup>33</sup>. However, privileging some places over others – without a commensurate framework for guiding when deals will emerge and on what terms - perhaps risks favouring those places who can learn how to play the game of deal-making more effectively (rather than being areas of growth/development opportunity, necessarily).

## Component parts of Deals

As investment and policy packages that aim to address the specific economic challenges and opportunities in urban contexts, deals consist of a number of key elements.

City Deals have been instrumental in focusing interventions broadly within the dimensions of functional economic areas. Rather than investing according to arbitrary administrative boundaries, the functionally integrated urban area is the targeted site for shaping and agreeing a deal. Though perhaps coarsely drawn at the peripheries, the Greater Manchester deal includes Manchester City Council and the nine neighbouring authorities; the Glasgow deal includes Glasgow City Council and the seven neighbouring authorities; the Cardiff deal includes Cardiff City Council and the nine neighbouring authorities (including the authorities covering the Valleys to the north).

The difficulties of matching policy with economy emerged in Australia, with some querying, for example, the geographic extent of the Western Sydney City Deal - seen as a “part of city” deal - which is focused on the Commonwealth Government’s investment in a second Sydney airport<sup>34</sup> and associated infrastructure and place development<sup>35</sup>. For a Super City such as Auckland, the issue of

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<sup>27</sup> <https://www.infrastructure.gov.au/territories-regions-cities/cities>

<sup>28</sup> <https://www.infrastructure.gov.au/territories-regions-cities/cities>

<sup>29</sup> <https://minister.infrastructure.gov.au/c-king/media-release/towards-national-approach-cities-and-regions>

<sup>30</sup> <https://minister.infrastructure.gov.au/c-king/media-release/government-listening-experts-urban-policy>

<sup>31</sup> <https://oag.parliament.nz/2020/managing-pgf/docs/managing-pgf.pdf>

<sup>32</sup> <https://www.frontiersin.org/articles/10.3389/fpos.2023.1179181/full>

<sup>33</sup> <https://www.hud.govt.nz/our-work/urban-growth-agenda/>

<sup>34</sup> <https://sgsep.com.au/publications/insights/we-need-better-city-deals-from-the-commonwealth>

<sup>35</sup> <https://www.infrastructure.gov.au/sites/default/files/documents/western-sydney-progress-report-2021.pdf>

administrative divisions may have been dealt with by the Royal Commission<sup>36</sup>, but can a deal be struck for the whole city-region or for selected parts of it?

Another key question is what interventions City Deals will fund? While infrastructure was the focus in earlier UK deals, more recent deals such as Edinburgh with Data Driven Innovation, offer a view of deal-making that is more attuned to fostering frontier sectors and linking them to more inclusive forms of local economic growth. Key to consider here, moreover, is the process through which policy priorities are identified. In New Zealand, this relates to the modelling and appraisal processes, for example, that will support decision-making regarding the projects likely to deliver the economic change desired. At present, the Living Standards Framework and associated appraisal tools would appear to be germane. To what extent these logics are publicly available, and open to public consultation (including with iwi), are further process-based concerns.

Monitoring and evaluation issues are written into the City Deals: how would we know if the City Deal investments are delivering their claimed changes? Though slow to emerge and initially a concern for the National Audit Office<sup>37</sup>, one upside of deal-making in the UK is the implementation of evaluation processes, whereby evidence is brought together, at 5-year gateway periods, to determine the direction of travel and progress against core outcomes (from GVA change to employment). Positive assessment of deal progress at the gateways releases future tranches of City Deal funds, creating a “payment by results” mechanism to incentivise local actors. Indeed, the onus to evaluate deal outcomes is noticeably greater than for a number of earlier economic development interventions. While local capacity to undertake such evaluations - at a time of resource constraint - is a challenge for many local governments, the ethos of understanding evaluation outcomes and assessing “what works” locally is seen as having merit.

## **Deals and their legacy**

City Deals have now been in place in the UK for over a decade. This standpoint permits some view on how they have changed, and, in turn, how deal-making has shaped wider approaches to sub-national economic policy.

Have City Deals led to the ‘devolution revolution’ that the UK government’s localism agenda originally touted? Probably not. City Deals have enabled conversations and dialogue with central government, but little movement has been made in areas of fiscal devolution, for example, while there are ongoing concerns about the centrally orchestrated nature of deal-making. Many City Deals seem to resemble a delegated form of decentralisation more than devolution.

How has deal-making evolved? This is one area that was perhaps hard to envisage at the outset. In some areas, such as Greater Manchester, the City Deal was followed by Growth Deals, then multiple iterations of a Devolution Deal, reaching across to wider policy areas such as health and social care<sup>38</sup>. The Devolution Deal has also introduced a metro-mayor who is seen to be an important figurehead in terms of brokering new autonomies and standing accountable for local decisions made. This is the idea of devolution reflecting a process, not a one-off event.

Have City Deals met their objectives? It is early days in terms of outcomes and impacts, and it is too soon to tell for a number of the infrastructure interventions, particularly. There is some evidence to

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<sup>36</sup> <https://www.dia.govt.nz/Decommissioned-websites---Royal-Commission-on-Auckland-Governance>

<sup>37</sup> <https://www.nao.org.uk/wp-content/uploads/2015/07/Devolving-responsibilities-to-cities-in-England-Wave-One-City-Deals.pdf>

<sup>38</sup> <https://www.health.org.uk/news-and-comment/blogs/understanding-the-impact-of-devolution-in-greater-manchester-on-health>

show positive effects for Wave 1 UK City Deals in terms of economic performance, but not for wave 2 deals, according to one study<sup>39</sup>. Additionally, there are positive outcomes reported from the health and social care devolution afforded to Greater Manchester, through the devolution deal<sup>40</sup>.

### **What deals open up in terms of developing subnational economic policy**

As governance innovations what differences – if any - have deals and dealmaking made to policymaking beyond the investments agreed and funded within the deals?

In many UK contexts, City Deals have led to city-regional working whereby neighbouring authorities now have an incentive, due to funding, to co-operate and agree on policies that will support economic change. For fragmented, even divided, local jurisdictions, this is beneficial.

City Deals have led to the development of local intelligence capacities in some places. In the Glasgow city-region an intelligence hub has formed to assist with the governance of the deal and has evolved to provide insights on local economic change through the use of complexity analysis, amongst other methodologies. Greater Manchester similarly built on knowledge competencies originally established through the unit New Economy.

Deals may also open up different approaches to framing and pursuing economic development. Though not apparent as such in the UK (at least expressly), it may be plausible to think about how a City Deal could be directionally geared to support particular local challenges. In New Zealand, for example, a “just transition” in the natural resources rich area of Taranaki could underpin a deal arrangement. A City Deal may also, conceivably, look at sectoral change through AI, from labour market implications to innovation potential. It is also plausible that a mission-oriented approach, focused on a net zero target, could provide the overarching framework for an agreement. So, City Deals provide a vehicle for local economic development, and within that a more or less dirigiste approach to urban economic change may be set out.

**In summary, deals have opened up new approaches to the development of sub-national policy, but evidence of success remains limited at this point and an area to watch closely. New Zealand - should City Deals emerge - promises to be an interesting context where national policy drivers and considerations will shape deal-making in new ways.**

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<sup>39</sup> <https://doi.org/10.1177/10780874231191702>

<sup>40</sup> <https://www.health.org.uk/news-and-comment/blogs/understanding-the-impact-of-devolution-in-greater-manchester-on-health>