31 May 2024

[redacted]

Via email: [redacted]

s9(2)(a)

Dear [redacted]

I write in reply to your Official Information Act request, received on 7 May 2024. This was a partial transfer of your initial request to the Minister for Infrastructure, in which you requested (among other things):

> *"copies of the following briefings under the Official Information Act:*
> *- Draft – Potential system infrastructure targets (19/01/2024)*
> *- The Infrastructure Commission's early thinking about city and regional deals (25/01/2024)*
> *- 30-year infrastructure plan (25/01/2024)*
> *- Options for reviewing infrastructure projects (29/01/2024)*
> *- Considerations for the future application of Public Private Partnerships (22/02/2024)*
> *- Infrastructure considerations for options to align Public Works Act and fast track consenting processes (29/02/2024)"*

Information being released

Please find enclosed a pdf binder containing 4 documents being released to you. A list of these documents is provided at Annex 1.

I have decided to release the documents listed in Annex 1, subject to information being withheld under the following sections of the Official Information Act, as applicable:

- direct dial phone numbers and email addresses of officials, under section 9(2)(k) – to prevent the disclosure of information for improper gain or improper advantage
- advice still under consideration, section 9(2)(f)(iv) – to maintain the current constitutional conventions protecting the confidentiality of advice tendered by Ministers and officials
- certain sensitive advice under section 9(2)(g)(i) – to maintain the effective conduct of public affairs through the free and frank expression of opinions.

NEW ZEALAND **INFRASTRUCTURE COMMISSION** *Te Waihanga*

Information being withheld

I am withholding in full two of the documents you have requested. These documents, and the reasons for withholding them, are also listed in Annex 1.

The second of these documents (doc # 6) was included in a recent proactive release by the Ministry for the Environment of documents relating to the Fast-Track Approvals Bill. This document (and others) are available on the Ministry's website: https://environment.govt.nz/what-government-is-doing/cabinet-papers-and-regulatory-impact-statements/fast-track-approvals-bill/

In making my decision, I have considered the public interest considerations in section 9(1) of the Official Information Act.

Please note that this letter (with your personal details removed) and the enclosed documents may be published on Te Waihanga's website.

This reply addresses the information you requested. You have the right to ask the Ombudsman to investigate and review my decision. You can find information about how to do this on the Ombudsman's website.

Yours sincerely

Barbara Tebbs
General Manager, Policy

NEW ZEALAND INFRASTRUCTURE COMMISSION
Te Waihanga

Annex 1: Document schedule

Note that Te Waihanga routinely redacts staff phone numbers, under section s9(2)(k). TW = Te Waihanga (NZ Infrastructure Commission); NZTA = NZ Transport Agency (Waka Kotahi); MOT = Ministry of Transport; Tsy = the Treasury

Documents released			
Doc #	**Date**	**Document**	**Section of the Act applied**
2	25 Jan 24	*The Infrastructure Commission's early thinking about city and regional deals*	S9(2)(k)
3	25 Jan 24	*30-year infrastructure plan*	S9(2)(k), s9(2)(f)(iv)
4	29 Jan 24	*Options for reviewing infrastructure projects*	S9(2)(k), s9(2)(i)
5	22 Feb 24	*Considerations for the future application of Public Private Partnerships*	S9(2)(k), s9(2)(f)(iv)
Documents withheld			
Doc #	**Date**	**Document**	**Section of the Act applied**
1	19 Jan 24	*Draft – Potential system infrastructure targets*	s9(2)(g)(i)
6	29 Feb 24	*Infrastructure considerations for options to align Public Works Act and fast track consenting processes*	S18(d)

The Infrastructure Commission's early thinking about city and regional deals

Date:	25 January 2024
Report No:	TW-2024-333

To	Action sought	Deadline
To Hon Chris Bishop, Minister for Infrastructure	Refer this report to the Minister of Local Government, Minister for Regional Development and the Parliamentary Under-Secretary to the Minister for Infrastructure	N/A
CC Hon Simeon Brown, Minister of Local Government	For information	N/A
CC Hon Shane Jones Minister for Regional Development	For information	N/A
CC Simon Court MP, Parliamentary Under-Secretary to the Minister for Infrastructure	For information	N/A

Attachments

1. Appendix A: 'Regional Partnerships Framework' (an internal discussion paper, dated July 2020)

Contact details

Name	Role	Phone
Georgia Kahan	Policy Adviser	[redacted]
Geoff Cooper	General Manager – Strategy	[redacted]

Section 9(2)(k)

Actions for the Minister's office staff

Return this report to the NZ Infrastructure Commission | Te Waihanga with any feedback;

Subject to the Minister's agreement, **forward** this report to the Minister of Local Government, Minister for Regional Development and Parliamentary Under-Secretary to the Minister for Infrastructure.

Purpose

1. During your meeting with Infrastructure Commission officials in December 2023, we indicated that our previous establishment Chief Executive had undertaken some initial working analysis of city and regional deals overseas. As requested, this aide memoire provides you with a copy of the paper containing this analysis – see Appendix A.
2. This earlier paper is a draft document written exclusively by the Author in July 2020. There was little appetite for city deals at the time so the paper was never updated to include feedback from staff or the board. As such, it does not represent our current thinking on city and regional deals and is supplied for information purposes only.
3. We have provided some context herein on city and regional deals to reflect latest thinking and evidence. We consider that overseas examples of city and regional deals do not have strong evidence on improving infrastructure outcomes, but there are beneficial policies that could be adopted in a New Zealand programme. Further work would be needed to complete a comprehensive evaluation of deals overseas or assess their suitability as a mechanism to address New Zealand's infrastructure challenges.

Background

Three years ago, the Infrastructure Commission's establishment Chief Executive developed initial thinking on city deals

4. The attached paper (Appendix A) was written in 2020 by Jon Grayson, the establishment Chief Executive for the Infrastructure Commission. It describes the city deals programmes adopted in the United Kingdom (UK) and Australia, exploring the background and drivers, scope and form of the deals and key players. It suggests that New Zealand could adopt a city and regional deal programme.
5. The paper was intended to aid internal discussion by the Infrastructure Commission's board. However, it was not finalised and, to our knowledge, has not been shared with Ministers. It was not developed in the context of current government objectives nor tested with other agencies. We therefore consider that further analysis is needed if the Government intends to implement a programme of city deals in New Zealand.

Our understanding of city deals has improved

The UK and Australia deals were developed in response to specific, and different, contexts

6. City and regional deals attract a lot of interest, but they are not well defined and have taken a wide variety of models and funding arrangements overseas. As the paper demonstrates, the UK and Australia implemented deals for different reasons, had different local circumstances, and applied them in different ways.
7. The UK deals emerged from a national government austerity programme which had large implications for local government, and a recognition that its major post-industrial cities were

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less productive than European comparators. Australia's city deals were part of a broader 'smart cities' programme looking at urban technology, investment, and policies.

8. There have been several waves of deals in the UK, and over time, the scope has shifted from infrastructure funding to a broader array of economic development initiatives, such as skills, innovation and university interactions[1]. They have also moved away from innovative funding and financing mechanisms; the Manchester city deal originally included an 'earn back' mechanism, meaning the city could invest local funding in new transport infrastructure, and then retain and reinvest a share of any increase in tax revenues caused by economic growth.[2] But the city and the UK Treasury could not agree how to calculate this,[3] and it was not included in later UK city deals.[4]

9. The Australian and UK contexts differ from New Zealand's. Both have local governments that have relatively few funding and financing mechanisms in comparison to New Zealand. Australia's local governments have particularly weak powers because many of the responsibilities lie with the state governments. Recent research has shown that New Zealand local governments have a high degree of revenue raising and spending autonomy in comparison to other countries.[5] Local government can utilise a range of tools, including general and targeted rates, development contributions, fees and user chargers (on water and wastewater for instance).

There is not strong evidence that UK and Australian city and regional deals have delivered good infrastructure outcomes

10. Since the 2020 paper was written, Australia has continued to roll out deals and the UK is deepening its devolution arrangements. Notably, England's city deals did not focus on infrastructure outcomes, and instead there was a strong focus on social objectives such as education. They also required significant central government resourcing; lacked clear and

[1] National Audit Office. 2 February 2022. Supporting local economic growth. https://www.nao.org.uk/wp-content/uploads/2021/06/Supporting-local-economic-growth.pdf

[2] Peter O'Brien, Andy Pike. August 2025. City Deals, Decentralisation and the Governance of Local Infrastructure Funding and Financing in the UK.

[3] National Audit Office. July 2015. Devolving responsibilities to cities in England: Wave 1 City Deals. https://www.nao.org.uk/wp-content/uploads/2015/07/Devolving-responsibilities-to-cities-in-England-Wave-One-City-Deals.pdf

[4] Peter O'Brien, Andy Pike. August 2025. City Deals, Decentralisation and the Governance of Local Infrastructure Funding and Financing in the UK.

[5] Camila Vammalle and Indre Bambalaite. March 2021. Funding and financing of local government public investment: A framework and application to five OECD countries. Chapter 6: New Zealand https://www.oecd-ilibrary.org/finance-and-investment/funding-and-financing-of-local-government-public-investment_162d8285-en and; New Zealand Productivity Commission (2019), Local Government funding and financing, Final Paper https://www.productivity.govt.nz/assets/Documents/a40d80048d/Final-report_Local-government-funding-and-financing.pdf

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measurable objectives;[6] monitoring and evaluation has been weak;[7] and the evidence is mixed on their effectiveness.

11. Australia's city deals appear to have a greater focus on infrastructure, but in so doing have politicised project selection[8] – often contrary to best practice infrastructure decision-making principles.[9] In August 2023, the Infrastructure Commission participated in a tour of Australian city deals alongside other officials from the Ministry of Housing and Urban Development, Department of Internal Affairs and representatives from Queenstown Lakes District Council, Tauranga City Council and Hamilton City Council.

12. The findings of this tour were documented in a report by advisory firm Iron Duke. They concluded that Australian city deals were often "driven" by incentives to "build a project in or near marginal electorates". The report suggested that many deals were performing poorly and lacked community support.

Central government often has to work with local government to achieve its policy aims

13. City and regional deals are a form of place-based partnership between different tiers of government with options to include other key players, such as the private sector or indigenous peoples. While city and regional deals is not the terminology used in New Zealand, there are other examples of central government partnering with local government to jointly pursue shared objectives with revenue sharing arrangements.

14. In the case of transport funding, the existing system has been refined over many years and has many good elements that could be emulated or incorporated into city and regional deals. Councils collaborate through their regional land transport planning process to prioritise projects for funding from the national land transport fund. Central government can also set standards and give incentives for local governments based on its own priorities. For example, a special higher funding assistance rates was offered compared to projects that helped deliver the Government's LED streetlight conversions in 2018.

15. The Urban Growth Partnerships are an example of bespoke central and local government agreements. These partnerships focus on joint spatial planning to better align housing and investment planning in growth areas, such as Queenstown Lakes and Wellington-Horowhenua.[10] However, we understand that infrastructure capacity, and securing the necessary funding and financing are underlying barriers that remain a constraint for the partnerships.

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[6] House of Commons Public Accounts Committee. 26 June 2016. Report: Cities and local growth. https://publications.parliament.uk/pa/cm201617/cmselect/cmpubacc/296/29602.htm

[7] National Audit Office. 2 February 2022. Supporting local economic growth. https://www.nao.org.uk/wp-content/uploads/2021/06/Supporting-local-economic-growth.pdf

[8] Iron Duke Partners. September 2023. Australian Local Government Policy Study Tour Report.

[9] See page 111 of the New Zealand Infrastructure Strategy for details on core principles for infrastructure decision-making, including long-term planning, use of feasibility studies, good problem definition and assessment of multiple options. https://tewaihanga.govt.nz/the-strategy/foreword

[10] The Urban Growth Partnerships are overseen by the Ministry of Housing and Urban Development

16. The City Rail Link (CRL) project is an example of an infrastructure project that had a joint funding arrangement between Auckland Council and the Crown, with central government initially setting patronage targets that needed to be reached prior to investment. Given its genesis and need for considerable further investment beyond that currently funded for delivery, CRL is the kind of transformational project that could be worth considering as a nucleus for a future transport-urban development focussed City Deal.

Our revised thinking on city deals

City and regional deals *could* be used to help address our infrastructure challenges but are unlikely to address systemic issues on their own

17. As seen through overseas experience, there are many different formats for city and regional deals. Negotiating a series of city or regional deals would help to design locally-suited programmes, but they would need to be supplemented with systemic changes to how central government selects and delivers projects. There is a risk that the deals could result in a proliferation of funds or become heavily driven by projects without good assessment of all options, or sensible integration with land-use planning.

18. City deals could be used to help implement, or pilot, good infrastructure policies that require local government participation. This could include congestion changing, volumetric charging or increasing housing supply (for instance, by relaxing restrictive planning regulations or incentivising faster consenting). Regional deals might be an opportunity to progress policies for accelerating renewable energy or increasing climate resilience. Central government could consider policies that directly benefit local government, such as paying rates on Crown properties.

19. While we are not aware of these policies featuring strongly in any of the overseas examples of city or regional deals, they could still form part of a New Zealand programme.

20. Notwithstanding the above, there might be good reasons, beyond infrastructure, to undertake place-based agreements. The Government will have other economic, social, or environmental outcomes that may benefit from a city or regional deal programme. For example, the recent report from the *Future for Local Government* review[11] recommended developing place-based agreements (such as city and regional deals). However, the review focused more generally on the social outcomes of local government, rather than the provision of infrastructure. Other agencies are better positioned to provide advice on city and regional deals, depending on the objectives sought.[12]

[11] See https://www.dia.govt.nz/diawebsite.nsf/Files/Future-for-Local-Government/$file/Te-Arotake_Final-report.pdf

[12] Other relevant agencies that could advise on city or regional deals include the Department of Internal Affairs, Ministry of Housing and Urban development, Ministry of Business Innovation and Employment, the Treasury and Ministry of Transport.

21. While there are different types of investment that city and regional deals might focus on, a core element to any approach should be a consistent, principled approach to decision-making to ensure that the best projects are selected, funded, and delivered.

22. *Infrastructure for the Future* draws a link between city and regional deals and the Infrastructure Priority List and the 30-Year Infrastructure Plan.[13] Both of these mechanisms could be valuable tools to screen city deal applications to ensure they deliver high value for New Zealanders. We have also provided advice on the 30-year Infrastructure Plan (TW-2024-336 refers). Other work programmes may also be relevant to city and regional deals including RMA reform, the Going for Housing Growth work programme, spatial planning and water sector reform.

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[13] https://www.national.org.nz/infrastructureforthefuture

Appendix A: Draft paper by the establishment Chief Executive – July 2020

Regional Partnerships Framework

Author: Jon Grayson

Approver:

Date: 24 July 2020

Purpose of Paper

For the board to consider a possible framework for regional partnerships, and Infracom's role in initiating it.

Actions Sought

- **Note** precedent UK and Australian examples, the drivers and their features
- **Discuss** the applicability of any of the features of the UK and Australian deals to the New Zealand context
- **Discuss** potential drivers for a success program of New Zealand regional deals.
- **Discuss** whether the success factors identified in this paper are valid
- **Discuss** whether the potential shape of a New Zealand regional deals framework and features of individual deals as outlined in this paper would lead to a successful program
- **Discuss and endorse** a path forward and the appropriate role for Infracom to play.

Report

1. Summary

This paper assesses the experience of city deals in other jurisdictions, and considers whether the idea has merit in a New Zealand context. There are lessons to be learned from those international deals, and the paper considers the key success factors and a possible framework for New Zealand deals.

In the New Zealand context, regional deals are likely to have greater applicability, and this is how potential New Zealand deals are referenced throughout the paper. This does not preclude deals based around New Zealand's major cities, but recognises that in most cases the natural economic areas for deals will be wider than the major city in each region.

Development of a regional deals framework needs to recognise that constraints to a successful regional deals framework are probably greater than in other jurisdictions (there were examples of advanced co-operative governance across local government boundaries and regional planning, and high levels of local government capability in Australia and the UK which pre-dated the city deals frameworks in those jurisdictions). Other factors to be considered include the long term trend to centralisation of responsibilities, and potentially the current attitude to private sector involvement in infrastructure delivery. A New Zealand deals framework will need to build in strategies for overcoming any such constraints.

Key to overcoming these constraints will be willingness by central and local government leaders to commit to significant reform, backed by identified drivers that will allow a compelling case to be made.

Particularly in light of these constraints, governments may trade off the boldness of required reform, for less effective but achievable reform. The paper argues that bold reform can be achieved if the case is made for and the deals framework reflects a commitment to bold reform delivered as immediate achievable reforms moving to progressively greater reforms as milestones are met over time (for example, the idea of "earned autonomy").

It will be important that there be early wins demonstrated in order to maintain the momentum for a comprehensive program of regional deals across New Zealand. A pilot deal may be useful in this respect and choosing the right pilot deal or groups of deals will be important.

Infracom has an important roles to play. Infracom has an opportunity to be a thought leader, assisting to make the case and design a framework. It also has a practical role to play in assisting with the delivery and implementation of deals. However, the success of a New Zealand regional deals framework will depend on the commitment of central and local government leaders to bold reform and the compromise that is required to achieve it.

2. Drivers for city deals: laying the ground for reform

The two jurisdictions actively pursuing city deals are the UK and Australia, and the Australian deals were inspired by the UK model. The drivers, and the approach differ between these jurisdictions, but both offer useful lessons for potential New Zealand city deals (or as discussed here, more likely regional deals in a New Zealand context).

UK City Deals

The UK Government is generally credited with leading the way on city deals after the release of the then new coalition government's policy document, Unlocking Growth in Cities in 2010. This was part of a suite of policies designed to stimulate economic growth and complemented the government's austerity measures. The title of the policy paper indicates the driver of the UK city deals - to drive economic growth by providing local authorities who have bold agendas and commitment with greater powers to realise that growth. The paper analyses major English cities with comparable European cities. The eight largest English cities performed below the UK national average GDP per capita, whereas comparable European cities generally performed above their national average, and patent applications per million population were low compared to European counterparts. However, tertiary education levels were generally comparable to European counterparts. This data supported the notion that there was potential to be unlocked in each of the major English cities and this could be the engine for national economic growth.

There was also a recognition that English cities have less influence over key decisions that affect their competitiveness than European cities. So, to unlock the potential, the paper argued, required a shift in power allowing regions to forge their own path, play to their strengths, and come up with creative solutions to stimulate private sector growth. This involved aligning incentives which was achieved through a sharing of "Gross Value Added" (a local GDP measure), which reflected in increased taxes. This provides an incentive for the highest value add projects to be pursued and for innovative value capture mechanisms. Value capture has not been a common feature of New Zealand infrastructure projects (for example it is not part of the CRL which would have more value capture potential than most projects). The incentive aspect of city deals is therefore worthy of consideration to achieve pursuit of high value projects and greater utilisation of value capture mechanisms.

Liveability, while not the primary driver, was recognised as critical to attracting the skills required to fulfil the regional strategic plans.

While the UK Government policy document focuses on macro drivers for the city deals, there were familiar frustrations - particularly investment decisions being made on a project by project basis rather than being guided by a long term plan. Project by project BCR assessments and lobbying were considered to be costly and part of an inefficient allocation mechanism.

Australia

The Australian approach kicked off with the release of the [Smart Cities Plan] in April 2016, and seven deals have been concluded or announced. The momentum for city deals was assisted by then PM Turnbull personally championing the concept.

Cities deals were only one component of the Plan, which also included a fund that could be accessed for planning and business case development of transformational infrastructure, and the establishment of the Infrastructure and Project Financing Agency ([IPFA]) to work with the private sector to develop funding and financing solutions. The IPFA was designed to assist the Commonwealth be a smarter investor in infrastructure projects rather than simply providing grants to the states. In a New Zealand context, an agency such as IPFA would not need to be established as this is a role which Infracom's Major Projects and Advisory (MPA) team could fulfil. It would require MPA to ensure it got involved early (from problem definition stage) and consider a range of financing solutions.

The Plan has three pillars - smart investment, smart policy, and smart technology which are discussed further below.

At the time of the release of the Plan, PM Turnbull said that the states cannot "use the Federal Government like an ATM" to get money for infrastructure projects. This is a good summary of the apparent drivers for the new approach which include:

- A frustration that the Commonwealth did not have a good sense of whether its funding was well directed or providing value as it was a funder but removed from project assessment and delivery.
- A desire to hold the states to account for the projects they were proposing for Commonwealth funding
- A sense that grants to the states did not incentivise benefits maximisation or leveraging of the Commonwealth's contribution to expand total financing available.

While not explicit, the Australian Deals seem to be even more bespoke than the UK deals responding to specific regional drivers. For example, the Western Sydney deal is about maximising the potential of the new second Sydney airport, Townsville is about making the most of a political (State Government) commitment to a new sporting stadium for urban renewal, and the SEQ city deal is about managing growth.

The Australian deals seem to be more about coordination and alignment with strategic plans, and while value uplift and capture is encouraged to expand private sector participation, there is not a sharing of incremental taxes. This may be more difficult in an Australian context since the most obvious source of incremental Commonwealth revenue for sharing would be GST, but it is fully hypothecated to the states under a complex allocation arrangement. The states would have capacity to share some of its incremental tax revenue (eg. payroll and land taxes) with local authorities but this is not part of the deals. A sharing arrangement should be easier in New Zealand (eg. as proposed by INZ) at least in the longer term.

Possible drivers in NZ

The key success factors are discussed below. In order to succeed it will be important that central and local governments, and their communities, accept that the current arrangements are flawed, are committed to a better approach, sign up to common objectives and are motivated and incentivised to pursue them.

The narrative around any proposed regional deals will be important in establishing a need to change, the prospects of making New Zealand regions more productive and more liveable, and an openness of all parties to embrace genuine change. This may be more difficult than it should be given that key features of these deals involve devolution of responsibilities to the local level coupled with accountability for outcomes (when the trend in New Zealand has been to greater centralisation of powers) and leveraging greater private sector financing (when the signals to the market are in the opposite direction). A deal involves negotiation which means each party being prepared to bargain away certain aspects of the status quo in order to get an overall benefit. Deals therefore by definition cannot be imposed, and involve commitment to outcomes and mutual respect between parties. However, the central government is probably best placed to lay out a framework for the development of deals and a basis for negotiation with regions, and Infracom would be well placed to initiate such a proposal but would require, in the first instance, central government commitment, and then regional willingness to enter discussions.

Infrastructure New Zealand (INZ) has articulated a case for reform in its *Building Regions* paper. This paper rightly proposes a number of complementary changes - spatial planning, a regional development fund, and reforming the planning system. INZ also proposes more radical changes beyond 2023 with a referendum for strengthened regional governance, and other changes.

It is helpful to have third parties make the case, but it is also important that drivers be identified which will bring central and local governments and community groups together willingly and enthusiastically for a common objective. In this regard, the Government's reforms of the Resource Management Act, and shortcomings identified during the COVID-19 crisis, could be a basis to drive reform. Infracom has argued that the RMA amendments are helpful but not sufficient, that the terms of reference were too restrictive to allow for the sort of reforms necessary. The RM Review Panel found a way to push the boundaries of those terms of reference to allow them to consider and recommend spatial planning based on 14 regions. Infracom has argued that for the spatial planning proposal to be effective, requires complementary reforms - clear delineation of responsibilities between central and local governments and funding linked to spatial plans. If Government accepts the RM Panel recommendation on spatial planning, then it will be necessary for the Government to also consider these complementary reforms.

So, this and others below could be strong drivers to bring parties together to negotiate regional deals:

- Regional deals support the proposed spatial planning reforms
- Local government funding constraints, as exposed by the COVID-19 crisis
- Water reform - this will result in a transfer of responsibilities from local government, but regional deals could represent an offsetting transfer of responsibility to local government
- Criticisms of the PGF - regional deals would provide a solid basis for central government support for regions backed by long term plans and performance accountability; this is an opportunity for the refinement or re-purposing of the PGF to overcome the criticisms of it
- Demands from growth councils for central government support for major projects; like some of the Australian city deals (eg Townsville and the stadium commitment) this provides a basis for negotiating an arrangement which is broader than the project itself to ensure that central government investments are consistent with a long term outcomes based plan (an example of a project driven deal could be Auckland-Hamilton fast rail)

There will also be reservations about city deals:

- A lack of trust between the two levels of government will need to be overcome. There is however an opportunity to reset the relationship if there is a commitment to negotiating on outcomes and fundamentals instead of project by project requests for support (a driver for the Australian city deals) and a willingness for both sides to give and take.
- A lack of capability at the local government level - this concern is probably well founded and could be a greater hurdle than, say, in the UK deals or the larger Australian deals, and will need strategies to address it. Infracom has a role to play here, and the advice put to Government during the crisis directed at addressing bottlenecks and capability gaps (eg. centralised project facilitation and delivery capability) is also relevant.
- Relinquishing central government direct control over funding of local government projects will be a significant hurdle - and this will be a threshold issue which central government must accept if regional deals are to effective. This would occur if central government could be convinced that a combination of appropriate incentives consistent with long term plan outcomes, capability and accountability through performance measurement is more effective than direct controls.

A case could therefore be made to develop a regional deals framework if central government signalled:

- An offer to partner with willing local authorities to empower them to realise their regions' strengths contributing to national productivity and growth
- A willingness to tackle the mistrust and lack of alignment of responsibilities, funding and accountability between levels of government
- Willingness to enter in to deals with local authorities involving a devolution of power with accountability as capability milestones are met
- An offer to cooperate on a strategy to build local government capability
- An intention to build on the Resource Management Review Panel findings to undertake broader reforms of the planning system. This could be along the lines supported by Infracom for a pro-development planning regime which must take account of (separate) environmental constraints. This would likely require an Act which governed planning consents and separately an Act for environmental protection.
- A determination to make the proposed 14 spatial plans effective by ensuring they are backed by long term plans, alignment of responsibilities and appropriate incentives
- A willingness to provide local government with long term revenue security with appropriate incentives to grow economic activity to the benefit of both levels of government (akin to the UK government GVA sharing). This could be complemented by a fund (perhaps a re-purposed PGF) for co-investment and transition.
- An openness to innovative financing options which leverage central and local government investments to grow overall investment. This could include value capture mechanisms or financing based on incremental tax and other revenue, or asset recycling.

It should not be underestimated how difficult this step change will be given the lack of trust built up over a long time, and ideological positions. It will therefore be a long process and reforms may occur in stages on an "earned autonomy" basis. But it will be important, if central government is committed to the path, that the end game is made clear, and a staged process with milestones mapped out.

Similarly local government is likely to find it difficult to let go of the status quo when reforms will impose accountability and performance measurement alongside greater autonomy, and growing the investment pie will likely challenge entrenched positions on asset ownership. Since it will not be feasible to undertake 14 negotiations in parallel, it is likely to be the more progressive and capable local authorities that step up for a new deal, and if early wins are realised from these deals, others may follow.

3. UK City Deals

Following the *Unlocking Growth in Cities* paper, cities were invited to come to government with ambitious proposals to underpin private sector growth in their regions. The first was Greater Manchester completed in 2012 and it remains a benchmark. It was part of Wave 1 which included 8 deals. The most recent is the West York Devolution Deal in 2020 which, in a deal with 10 local authorities, transferred powers to the newly established West York Combined Authority supporting the region to drive economic growth.

Features of UK city deals are:

- Local Enterprise Partnerships (LEP) - a joint forum of business leaders and local authorities. The city deals seek to stimulate private sector led growth and so a key feature is private sector participation. There are now 38 LEPs across England and they have formalised a network of LEPs. They play a key role in the city deals.
- Greater financial powers in the hands of local authorities allowing them to retain a proportion of any growth in business rates - allows Tax Increment financing schemes, borrowing against predicted increased rates and taxes
- Localism Act - giving local authorities powers; eg to set up businesses; allowing cities to make the case for new powers to promote economic growth (and even policing powers)
- GBP2.4bn Regional Growth Fund
- GBP500m Growing Places Fund - supporting infrastructure investment
- 24 enterprise zones - business rate discount for businesses that move in to the zone; retention of 100% of business rate growth; support for super fast broadband; simplified planning approaches in the zone
- Tax Increment Financing to boost investment in growth
- GBP100m urban broadband fund - 10 super connected cities
- Move away from budget silos (eg transport budget) to an economic growth budget

The UK Government offers a menu of bold reforms government would consider (they are not an entitlement) in return for ambitious focused and innovative proposals. There are 21 options - “Raising the stakes” covering :

- Greater freedoms to invest in growth (greater funding freedom - eg. a consolidated capital pot, rather than multiple funding streams, from which local leaders could prioritise economic investment; power to offer business rate discounts; access to tax increment financing)
- The power to drive critical infrastructure development (greater devolution of powers, eg transport funding; commissioning local rail services)
- Enabling cities to boost skills and jobs in their areas (greater powers to local authorities to drive local employment and skills programs - note this is in the opposite direction of the NZ consolidation of polytechnics)

Cities to offer in return:

- Accountable leadership (ambitious agenda, effective decision making structures, private sector involvement; directly elected Mayors encouraged)
- Outcomes and efficiency (clear goals and plans)
- Risk and reward (take on proportionate risks and put their own resources in)
- Innovation and creativity (boost private sector investment)
- Private sector growth (cities must show they are partnering with the private sector to boost growth)

- Open and more localised public services and governance (reform of public service delivery, more choice, accountability)

Unlocking Growth in Cities is a good document that sets out the fundamental principles of putting cities in the driving seat by devolving power, incentivising success, collaboration with the private sector, and neighbouring authorities, and there are complementary changes to the approach of Government departments. These basic principles are then operationalised in tailored city deals driven by specific priorities.

Wave 1 of City Deals involved 8 cities, and a further 18 deals have been done in wave two. The city deal principles was extended to Town Deals in 2019. The UK Government invited 100 places in England to develop town deal proposals and backed it with a GBP3.6bn Towns Fund with up to GBP25m available to each town on the basis it should leverage those funds for greater investment. The objective of the Towns Fund is to "drive the sustainable economic regeneration of towns to deliver long term economic and productivity growth" through urban regeneration, skills and enterprise infrastructure, and connectivity.

While the UK city deals have become a benchmark, here is an extract from the 2015 UK National Audit Office report:

> *'…Government and cities continue to find it difficult to know what works best in boosting local growth without a robust and shared evaluation approach. While some programmes have had early impacts, evaluating the effect of longer-term programmes in the City Deals on local economic growth is challenging. This is because the impacts occur over a long time and because it is difficult to assess what would have happened without the deals.'*
>
> *The government and the cities could have worked together in a more structured way to agree a consistent and proportionate approach to evaluating the deals impact. The cities have developed methods for monitoring the impacts of some programmes, but there is no consistent methodology or shared set of definitions around key measures such as jobs.*

This indicates that these deals will evolve and improve over time, particularly the success measurement aspect identified by the NAO.

Greater Manchester City Deal

The Greater Manchester Combined Authority (GMCA) was established in 2011. This initiative (like the SEQ Council of Mayors) indicated a capacity for authorities in the region to work together and provided a ready basis for negotiating a city deal, with Manchester being the first. Greater Manchester demonstrated attributes for a successful city deal:

- Strong governance as demonstrated by the GMCA
- A clear understanding of the drivers of its economy as reflected in its Greater Manchester Strategy, supported by the Local Enterprise Partnership and tested with an international panel.

The deal has the following elements:

1. Earn Back - this is the centrepiece which incentivises the highest value added investments giving GM a share of Gross Value Added (GVA) above an agreed baseline over 30 years. The earned back resources will be used for further investment creating a revolving fund which rewards GM for delivering growth. Greater Manchester had already been prioritising investments from its Transport Fund (a pooled fund from the various local authorities) based on GVA impact and the City Deal expanded on this concept.
2. Investment Framework - brings together core economic development streams, and identifies a pipeline of projects according to GVA impact. Decision making rests with the GMCA and the LEP.
3. Skills - creation of a skills hub to place apprentices in to SMEs

4. Business Support - a business hub to integrate trade, investment and business advice
5. Inward Investment - a joint project between Greater Manchester and UK Trade & Investment to make Manchester the gateway to investment in the north of England. The project borrows from the Dutch model with a focus on attracting investment from emerging economies.
6. Low Carbon - aim to reduce carbon emissions by 48% by 2020. This draws on GM''s high concentration of universities and technology academies.
7. Housing - using local and national investments to create new housing
8. Transport - includes devolution of the Northern Rail franchise and devolution of local transport funding

There have been 5 devolution deals since the City Deal:

1. November 2014: New powers for the GMCA covering transport business support, employment and adult education, spatial planning, crime and policing, housing investment, earn back and governance reforms
2. February 2015: health and social care bringing together a GBP6bn budget
3. July 2015: services for children, creation of GM Land Commission (planning), transfer of fire and rescue
4. November 2015: further transport devolution, social housing reforms, control of EU funding
5. March 2016: criminal justice devolution, piloting of 100% business rates retention

*West Yorkshire Devolution Dea*l

This deal required the establishment of a new West Yorkshire Combined Authority (WYCA) representing eight local authorities, and the direct election of a Mayor for the WYCA. Like Greater Manchester this deal provides West Yorkshire with significant new powers, including control over transport including bus franchising, and adult education powers and budget, and later the transfer of Crime and Police Commissioner functions. The deal also involves new powers on housing and planning, including statutory spatial planning and compulsory purchase powers. The deal provides for the possible further devolution of powers over time.

Like Greater Manchester there is a gain share agreement designed to prioritise projects based on impact on economic growth and jobs.

Edinburgh and SE Scotland Deal

The Edinburgh and South East Scotland City Region Deal is notable because it involves three levels of government (including the Scottish Government), and the Scottish Government's involvement in Scottish deals is overseen by a Delivery Board. The governance arrangement is not as strong as the Manchester deal with the deal being overseen by a Joint committee rather than a statutory authority (though there is a commitment to review the governance annually) and there is no mention of a gain share. So this deal appears to be focussed on greater coordination and alignment with long term plans than on creating incentives for success. The Glasgow City Region Deal also seems to lack the rigour of the English deals. It will be interesting to see how the Scottish deals perform compared to, say Greater Manchester or Leeds, given what appears to be a less rigorous approach.

4. Australian Deals: City and Regional

The three pillars of the Australian *Smart Cities Plan* are smart investment, smart policy, and smart technology.

Smart investment involves:

1. Prioritising projects that meet broader economic objectives, ie. based on their long term economic impact. While Infrastructure Australia provided a traditional framework for assessing and prioritising individual projects from the states seeking Commonwealth funding, the Plan involves prioritising projects consistent with broader economic and city objectives. This means prioritising infrastructure that improves accessibility, promotes agglomeration economies, and enhances amenity, and housing affordability.

2. Treating infrastructure funding as an investment - not just grants to the states. An example is the Commonwealth's investment in the Moorebank intermodal terminal which it intends to recycle when the investment matures. The IPFA has been established to facilitate innovative private sector financing (a role Infracom is already positioned to undertake).
3. Getting involved early to ensure rigorous planning and business cases. The Commonwealth has backed this commitment with a $50m fund to accelerate business case development and early works on transformative projects.
4. Increasing investment - It recognises that investing in productivity enhancing infrastructure (similar to the UK approach) creates additional tax revenue and capacity for further infrastructure investment. It also involves leveraging the Commonwealth's balance sheet for greater private sector financing in infrastructure, with an emphasis on value capture. An example is the Gold Coast light rail which was partially privately funded by a transport improvement charge (a targeted rate).

Smart policy means coordinating across the three levels of government, incentivising reforms, and relying on data driven policy and performance measurement. City Deals is a component of this aspect of the Plan:

1. City Deals - discussed in more detail below, city deals were designed to achieve better outcomes through coordinated and more strategic investment by the three levels of government, with funding linked to reforms and incentivise action and accountability. They will involve plans for growth, commitment to action, investments, reforms and governance. They will be applicable wherever the three levels of government can partner to support economic growth and quality of life.
2. Regulatory reform - This aspect responds to reports from the Productivity Commission and Infrastructure Australia which called for reforms aimed at encouraging planning at a more strategic level to make it easier to invest and do business. City deals will be a vehicle for incorporating some of these reforms.
3. Measuring success - identify key city metrics and data required to assess performance. There is a heavy emphasis on data driving policy design and to measure the performance of initiatives under the city deals.

Smart technology involves thinking of technology solutions first in improving the efficiency of networks, building technology in to how cities are planned and function, and use open data solutions. It recognised that disruptive technology in transport, communications and energy efficiency are a reality and seeks to position cities to take full advantage. The Commonwealth also signalled its support for investment in sectors commercialising innovations.

The above discussion indicates that city deals are one component of a broader Plan, although the city deals should encapsulate these other aspects. A City Deal may include:

- Targeted initiatives to strengthen existing or emerging economic hubs including transport, industry, defence, health or education facilities
- Transport infrastructure funding or financing to improve connectivity and increase access to jobs
- Housing supply and planning changes to encourage higher density development, affordable housing and activate value capture
- Changes to regulatory and zoning arrangements that foster commercial growth and allow entrepreneurial approaches to service delivery including the sharing economy
- Investments that improve environmental outcomes, enhancing public spaces, facilities and active transport options, reducing emissions and pollutants, or improving the sustainability performance of buildings and infrastructure
- Maximising benefits from under-utilised state and Commonwealth land for example, repurposing government land to be used for affordable housing or public space
- Integrating environmental criteria into decision making - such as green coverage to minimise urban heat island impacts, reducing localised air pollution from investments, reducing waste and increasing recycling

Specific actions will be negotiated on a case-by-case basis, but the foundational elements include:

- Defined geographic area
- Clear outcomes and actions
- Specific capital investments connected to reform
- Clear governance arrangements, delivery timeframes and accountabilities
- Performance measurement, including the indicators and methodology to be used

Nine city deals have been agreed or announced.

SEQ City Deal

The South East Queensland (SEQ) city deal is still under negotiation under a high level Statement of Intent. The SEQ City Deal has been reviewed because the pressures which brought about its candidacy are similar to the growth areas of New Zealand. It is the third largest population centre in Australia (3.5 million population in the region) and a high growth area (expected to grow a further 2 million over the next 25 years), with growth in employment occurring mainly in Brisbane and growth in population mainly in other centres, and so the city deal is driven by managing growth while maintaining liveability. The largest council is Brisbane City Council, which like Auckland, covers the entire city (although since amalgamation in 1929, the city has outgrown its boundaries). The SEQ region though covers 10 local authorities and with the high growth of recent decades, there has been increasing need for greater connectivity between the communities within the region.

There were a couple of existing conditions which made a city deal for SEQ easier. First there was a useful existing governance framework - the 10 mayors in the region had formed the SEQ Council of Mayors in 2005, mainly as an advocacy group to deal with state government on intra-regional issues. Second, there is an existing statutory regional plan *ShapingSEQ* developed by the Queensland Government and the SEQ Council of Mayors, and the concept of a *SEQ Trade and Enterprise Spine*. This history of the councils and the state government working together on *ShapingSEQ* positioned them well to move to a city deal, and they jointly produced a proposal to the Commonwealth Government for a city deal (in fact the SEQ Council of Mayors had advocated for a city deal for many years). The SEQ City Deal is the largest and most comprehensive Australian deal to date.

A good basis for a successful NZ city deal would be if the councils of one of the high growth regions of New Zealand could organise a governance structure and propose a regional deal to the central government. In this regard, Infracom has established relationships with the Queensland Department of Infrastructure, Local Government and Planning which could be drawn on for guidance in developing a similar framework for a high growth region in NZ.

The Statement of Intent for the SEQ City Deal is built around the following:

1. Connecting infrastructure - guided by an objective of a 45 minute region and 30 minute cities
2. Jobs and skills - guided by 5 identified economic corridors and five key traceable industries
3. Liveability and sustainability - builds on the *ShapingSEQ* plan
4. Housing and planning - also builds on *ShapingSEQ;* greater choice, leverage government owned land
5. Digital - leveraging the new Sunshine Coast international submarine cable
6. Governance and Leadership - there is a comprehensive governance arrangement with Commonwealth Minister, Qld Deputy Premier and Chair of the SEQ Council of Mayors (Lord Mayor of Brisbane) sitting over a CEO Reference Group and a Strategic Advisory Group (private sector leaders).

Western Sydney City Deal

This deal is aimed at the creation of a new city around the second Sydney airport, which is under construction. It is a partnership of the Commonwealth and NSW Governments and 10 councils. The outcomes sought from this deal are:

1. A 30 minute city - this involves the Commonwealth and state reserving corridors and committing $50 million to a business case which will see the rail link opening coincide with the airport opening.
2. 200,000 jobs with the catalyst being the Aerotropolis and agribusiness precincts, with Commonwealth and NSW governments each releasing government owned land for this purpose. There will also be an Indigenous Business Hub supported by indigenous employment and procurement targets.
3. Skills development - the Aerospace Institute
4. Respecting local character - $150 million liveability fund
5. Coordination and innovation - through a planning partnership
6. Enduring tri-level governance

There is an existing Western City District Plan, a land use plan which implements the Greater Sydney Region Plan locally. Like all city deals performance metrics are agreed, measured and published. While it is a 20 year deal, it is reviewed after three years.

Other city deals

The first city deal was Townsville, Queensland. While not explicit, it appears that a catalyst for this deal was the political commitment to the new North Queensland sporting stadium, and to maximise the benefits of it through CBD/urban regeneration. Townsville is well placed to engage with Asia, and is a service centre for the mining sector and has a large army base. The city deal plays to these attributes. It is noted because it is likely that there will be political commitments from time to time (meaning the project is not supported by a strong business case) and a city deal can be a good way to maximise opportunities complementary to the project.

Regional Deals

Regional deals are a recent extension of the city deals based on the same principles. Three regional deals have been completed, the first being Barkly, a vast local government area (larger than New Zealand), sparsely populated (population 7400 consisting of 16 language groups) in the desert in central Australia. Barkly is an area of low and falling population, high unemployment (25%), and intractable social problems. It is already dependent on high levels of government investment in social programs (the top employing industry is health care and social assistance). The regional deal is therefore aimed at a coordinated effort between the three levels of government to improve the basics. There are 28 initiatives aimed at economic development, social development and culture and place making, to be driven through a community governance framework. So, not all deals are about managing growth, and this deal may have some relevance for regions of New Zealand with low growth and lacking basic social supports.

5. Key success factors

1. Willing participants.

This is a precondition for any successful deal, but given strained relationships between local and central government, it is even more important. Early statements by central and local government leaders of commitment to the concept and a willingness to consider concessions on long held positions would be very useful. Greater Manchester and SEQ had pre-existing governance structures and had demonstrated a willingness to work across local government boundaries. In both examples, a case was put to the central government to enter in to a deal. This provided a good basis on which a deal could be concluded quickly and pre-existing plans enabled the deal to go further than it might otherwise. Early wins will be important if a

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program of regional deals is to get momentum in New Zealand. In this regard, a region with a track record of working across local government boundaries and has the ability to put a case to central government with the backing of all the local authorities in the region, would be a good start. There is some good signs in this respect. The growth councils have come together, engaging Phil O'Reilly of Iron Duke, to consider possible city deals. One of these, or a common growth regions deal framework might be a good starting point.

2. A logically defined geographic area
The defined area covered by any regional deal should make sense from a point of view of the economic or social connectivity of communities in that region. The 14 regional spatial plans proposed by the Resource Management Review Panel would seem to provide a good basis for defining the areas on which regional deals could be based.

The concept of a deal between central and local governments could also apply to inter-regional initiatives. An example could be the Auckland-Hamilton corridor faster train project. That project will cross regional spatial plan boundaries but has many of the attributes of a regional deal - large place making impact requiring coordination of transport and urban development planning, benefits from early planning (eg. securing corridors), the need for coordination of central and local governments as well as agencies, and potential for value uplift and value capture mechanisms and associated private sector financing. It could be considered as a pilot regional deal. An analogous deal would be the Western Sydney city deal.

3. Clear and compelling objectives
It is important that all parties are working to a common outcome. The deal needs to be much more than a list of projects. Deals will be most effective when there is a shared commitment to outcomes, and a long term strategy to realise them, with projects being just one possible element. The Western Sydney deal had a clear objective to maximise the benefits for the region from the development of the new second Sydney airport. The Greater Manchester participants were driven by a desire to maximise productivity dividends and the governance and plans, and incentive mechanisms were all aimed at realising that dividend. The SEQ Mayors had a vision for a 45 minute region and 30 minute cities to guide the rapid population growth in the region. Regional leaders should have ambitious plans for their regions, playing to the strengths of the region. In this regard, key to developing an effective regional plan is a realistic assessment of the region's economic strengths (not everywhere needs to capitalise on the knowledge economy, though technology should underpin delivery of the plan).

4. Capability
Greater Manchester and SEQ had capable regional leadership and advanced regional plans. In the SEQ example, Brisbane City Council (like Auckland) has scale and a very capable administration, successfully planning and delivering major infrastructure projects (for example the network of tollway tunnels in Brisbane) and the other 9 councils probably had varying levels of capability. The Lord Mayor of Brisbane chairs the SEQ Council of Mayors and takes a leadership role in the city deal negotiations. Similarly, a strong and capable regional leader, who can bring smaller authorities together and lead discussions with central government would be helpful to progress a New Zealand regional deal. In addition the deal may be structured so that there is progressive transfer of responsibilities or expansion of scope allowing for capability to develop over time. As important as capability is, willingness is probably more important as capability can be developed. For example, the Australian Smart Cities Plan (of which city deals was the centrepiece), included the establishment of the Infrastructure and Project Financing Agency (IPFA) to assist with the development of value capture mechanisms and innovative financing arrangements. Infracom can play this role in a New Zealand context.

5. Involvement of the private sector
Common to the UK and Australian deals is an acceptance that economic growth and enhanced productivity will come from an energised private sector, and that regional strategies should be targeted at achieving this. The private sector therefore needs to be engaged throughout the process to develop broad support for the regional strategy. Involvement of the private sector in the governance arrangements also provides the potential for consistency through political changes which will inevitably occur during the life of the deals, and helps provide certainty for the long term strategy and the pipeline of projects which come from it. The UK deals integrate the private sector in to the governance arrangements through the Local Enterprise Partnerships (LEP) which are partnerships between local authorities and the private sector. The Australian city deals also have a heavy emphasis on private sector involvement, and the incentives built in to the city deals are designed to encourage private sector involvement in delivery and financing of projects. However the involvement of the private sector in the development of city deals is less formal than in the UK deals. For example, the SEQ city deal has a Strategic Advisory Group to "provide advice and champion the deal" however that group does not have a formal decision making power in the governance of the city deal.

6. Governance
Perhaps boring, but effective governance is a fundamental underpinning of a successful city deal. This is consistent with advice from Infracom's Major Projects and Advisory Group that effective governance is the first step to successful project delivery (a concern which Infracom reported to ministers in relation to the Dunedin Hospital project). It is much more than a means to coordinate a range of parties with different perspectives. Effective governance will provide a forum for building a consensus for the outcome, and ensure that strategies align with the objectives, that successful outcomes are incentivised, and that parties are accountable for the performance of the deal. Greater Manchester and SEQ had existing and effective governance frameworks which provided a good basis for negotiating the deal. This aspect should be an early focus. In the UK deals a combined authority of the constituent local governments is formed (eg the GMCA) and the Australian deals are overseen by a leadership group consisting of representatives of the three levels of government - for example the leadership group overseeing the SEQ city deal is the Federal Minister for Cities, Urban Infrastructure and Population, the Queensland Deputy Premier, and the Lord Mayor of Brisbane (as Chair of the SEQ Council of Mayors).

7. Alignment of interests: Incentives
A shared vision and commitment to outcomes from regional deals should be backed by empowerment of the parties required to deliver the deals, each level of government playing a complementary role, and the creation of incentives for success. The design of the UK deals is more advanced in this respect. The UK city deals involve extensive devolution of power from central to local government to put local leaders "in the driver's seat". This devolution of power is accompanied by powerful incentives to plan for success - gainsharing through retention of incremental taxation revenue as a result of GVA uplift. This aspect will be particularly challenging in a New Zealand context which has a history of mistrust between the two levels of government, a large mismatch between taxation and delivery responsibilities (in Australia, which has a similar mismatch between Commonwealth and state levels, this is referred to as vertical fiscal imbalance, or VFI), and a history of centralising more power to the centre. To incorporate this aspect in to NZ regional deals would be a big cultural shift, and may not be achieved in a single iteration. A good first step would be to put this on the agenda as an outcome to work towards resolution as part of an active and evolving deal framework. Nevertheless, there should be some incentives built in to regional deals with some agreed formula for sharing of value uplift, even if it doesn't initially rebalance the VFI, coupled with progressive increases in autonomy for local authorities - the concept of "earned autonomy" over time may have some appeal.

8. Accountability: measurement of outcomes
The parties should agree up front to be held accountable for outcomes of the regional deals. This will focus parties on strategic plans which achieve the desired outcomes, and develop metrics which can be reported on. The development of appropriate metrics and performance measurement, like governance, is best done upfront. Development of these measures will likely be based on expert third party advice, particularly if the deal involves incremental tax sharing. The parties should also agree on the independent party that will assess performance against the measures, and the form of reporting.

9. A living deal
The value of a regional deal is coordinating, aligning and incentivising for long term outcomes. This will have the added benefit of providing certainty of direction to the market allowing infrastructure providers, contractors and investors to commit to the region and search for innovative solutions. However, circumstances will change, capability will develop and new solutions will come to light. The signing of a deal should therefore be the beginning of a long term process of active management of the plans under the deal, or even reviews of the deal itself. This could involve refinement of plans with more detail, and development of innovative value capture and financing arrangements. However it can include changes of a more fundamental nature such as further devolution of powers and incremental tax sharing arrangements, or expansion of the scope of the deal. While unlikely to be part of early discussions, it is possible that over time as deals progress on a regional basis, reform of local government itself may be an outcome. That is, as more powers are exercised at a regional level (possibly by a regional body with statutory backing) smaller local authorities may seek to amalgamate or hand more powers to a regional body.

6. Possible Framework for NZ Deals

The development of a framework for New Zealand Regional Deals will be most impactful if it has broad consensus. However if there is an acceptance that there are fundamental constraints arising from the current state of New Zealand central-local government relationships, that consensus should not be achieved through low aspiration; ie. an improved status quo. A deal needs to aspire to fundamental reform of the relationship and be the catalyst for other reforms, particularly involving the private sector in infrastructure planning and delivery. Indeed, local governments may not be enthused to pursue a regional deals framework unless there is a genuine commitment by central government to bold reforms involving devolution, incremental value sharing, and encouragement of private sector involvement. On the other hand, the deals, at least in the first iteration need to contain achievable initiatives. While it is tempting to advocate for a UK style deal framework with its far reaching reform of central and local government relationship, it is unlikely to be achievable in the short term. Aspiration and achievability should be possible through defining big aspirational goals (and committing to a pathway to them in regional deals) but undertaking a staged approach with achievable “low hanging fruit” reforms in the first stages Wins in these early stages will provide a basis for bolder reforms in subsequent stages.

1. Setting the scene - public commitments by central and local government leaders to the concept and an outline of the vision and the benefits for the community. These statements should also include willingness on both sides that long held positions are on the table. For example a theme might be that while three waters responsibility might no longer rest with local government under proposed reforms, the regional deals are about empowering and enabling local authorities to build productive and liveable communities, through devolution of other powers. Strong championing of a senior minister (ideally a central agency minister) or ministers and regional leaders, backed by vocal third party support, will be important in setting the scene and making the case for NZ regional deals.
2. Central Government Regional Deals framework - refer *Unlocking Growth in Cities* or *Smart Cities Plan* - which would outline the principles and approach on which individual deals could be struck, outline national objectives and benefits, specify common features, but should ensure that there is scope for each regional deal to be owned by that region and driven by local strengths and priorities. The framework

would indicate the sort of support that central government would provide to facilitate the deals, and outline the approach and expectations of each party. A menu of options or concessions that central government is prepared to consider (similar to the *Unlocking Growth in Cities)* including potential incremental tax sharing, could be helpful in exciting local governments about the potential of deals. It should also indicate how central government would reorganise its agencies or change its approach consistent with the principles of the regional deals framework. Equally the central government framework would need to manage expectations, as devolution requires the development of capability commensurate with the level of autonomy to be exercised. The Required level of capability may not exist in many regions, and so minimum hurdles for transfers and gain sharing need to be explicit and provide a pathway for earned autonomy. The framework could involve combining or re-purposing or refining existing programs or funds, like the Provincial Growth Fund, consistent with the principles of the framework, possibly moving from funding streams to consolidated regional capital pots. In addition to signalling central government concessions, the framework should also outline expectations of reforms by local authorities. An example is the UK deals framework which encourages combined regional authorities with a directly elected mayor, but it could also include incentives to refocus resources from business activities to core place making responsibilities (in this regard the Commonwealth's program of topping up State asset sales proceeds to encourage asset recycling could be worth considering at the appropriate time).

3. Governance arrangement - this should include an oversight body with representation from political leaders from central and local government. It will also include an agreement about how the local governments in the region are organised and represented in negotiations. This might be in the form of the establishment of a representative body for all local governments in the region, and the chair of which is represented on the oversight body. This might have no statutory power (like the SEQ Council of Mayors) or be a statutory body (like GMCA). These two forums should be supported by relevant officials groups. The two levels of government would need to decide how the private sector is represented, whether its involvement is captured through membership of one of the forums, or through a formal consultation mechanism (like the SEQ structure) but it will be important to the success of the deals that there is genuine involvement of the private sector. The governance arrangements could be bespoke for each regional deal, or (like LEPs in the UK) central government could facilitate the establishment of regional bodies consisting of private sector and local government. Existing chambers of commerce might be able to fulfil the role.
4. Defined geographic area - ultimately this would logically involve deals corresponding to the 14 regions defined by the RM Review Panel. A pilot deal would be a useful way to demonstrate improved outcomes, and provide a basis for bolder subsequent deals. The pilot could be the high growth councils, or one of them, or (as discussed above) a inter-regional initiative such as the Auckland-Hamilton faster train proposal. Settling on the appropriate pilot would be a matter of consensus between central and local government leaders.
5. Outcomes - drawing on the strengths of the region, agree the desired outcome, focus areas and priorities
6. Regional strategic and spatial plans - the RM Review Panel proposal will be a major undertaking and the quality and rigour of long term plans will underpin the success of the deals. Fortunately the RM Review Panel should provide a blueprint for the development of these long term plans. Individual local authorities' long term plans may need to be adjusted to be consistent with and support the regional plans. This is likely to be a lengthy process, and the early plans may not be perfect and so the regional deals may need to be struck contingent on specifics in the regional plans or have scope to change to accomodate refinements in the plans
7. Form of Agreement - logically the deal would follow development of long term regional strategic and spatial plans. A simple heads of agreement with high level principles, and agreed process and timeline for development of a deal may be an achievable early first step and help maintain momentum to a comprehensive deal. In this regard, refer the Statement of Intent for the SEQ City Deal may be a useful precedent.

8. Scope of Deal - the focus areas, defined by outcomes not projects should be agreed upfront. Early work should focus on metrics against which performance can be measured. The scope should be ambitious but achievable. Achievability is critical and areas of future focus (aspirational areas) should be identified early and a path to achieving them mapped out. This could include areas of earned autonomy and major reforms. Such major reforms, which have eluded central government to date, may in fact be achievable if driven through a regional deals framework.
9. Resourcing - to succeed the statement of intent needs to be backed by commitment to a process and a timeline, and the investment of significant resources at both levels of government and consultants, and backed by a budget. Resourcing should also include strategies for developing capability to support future devolution of responsibilities.

7. Next Steps

The following are suggested next steps, which may need to be adapted as the process progresses:

1. Regional Deals Forum.

A forum is a good way to raise profile, stimulate interest and start momentum. In preparation for a forum, Infracom should have bilateral meetings with key stakeholders, including relevant ministers and opposition infrastructure spokesman, in order to understand appetite for such a reform, potential drivers that might give it momentum, and focus areas. Key agencies would be LGNZ, Treasury, DIA, MHUD, targeted councils. A forum would help give the concept momentum. A forum could cover:

- An overview of current central-local government relationship, perceived challenges and opportunities (DIA)
- Presentation on UK and Australian city deals framework and conclusions (Infracom)
- Overview of current respective responsibilities and revenue raising powers of the two levels of government and discussion of potential for re-alignment (LGNZ, Treasury)
- Spatial plans proposal (Resource Management Review Panel presentation)
- Presentation by high growth councils and advisers (Iron Duke)
- Assessment of appetite and potential for a city deals framework
- Propose a steering group for development of the concept for consideration by government (Infracom)

2. Advice to Ministers
3. Form Infracom Regional Deals Project Team - focused on developing a framework, working closely with relevant government agencies, and potentially including them in the Project Team
4. Publication of Infracom op-ed on regional deal concept
5. Research and consultation - UK authorities, Commonwealth Department of Cities, Urban Infrastructure and Population, Queensland Department of Infrastructure, Local Government and Planning, SEQ Council of Mayors, INZ, Property Council, others
6. Research and consultation - high growth councils, LGNZ, others
7. Propose regional deal framework for consultation
8. Propose regional deals program including prioritisation, and potential pilot deal, timetable
9. Facilitate discussions on pilot deal - agree governance, outcomes, scope etc

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Doc 3

Developing a 30-year Infrastructure Plan

Date:	25 January 2024
Report No:	TW-2024-336

To	Action sought	Deadline
To Hon Chris Bishop, Minister for Infrastructure	Discuss this briefing with Infrastructure Commission officials	For discussion on 29 January

Attachments

None

Contact details

Name	Role	Phone
Geoff Cooper	General Manager, Strategy	[redacted] 9(2)(k)

Actions for the Minister's office staff

Include this briefing in papers for discussion with Infrastructure Commission officials on 29 January

Return the signed report to the Infrastructure Commission

Forward this report to the Minister of Finance, Minister of Transport, and Minister of Local Government, subject to the Minister's agreement

Minister's Comments

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Executive Summary

1. You have agreed to discuss your expectations for the development of a long-term national infrastructure plan with the Infrastructure Commission. The purpose of this briefing is to outline a potential approach for delivering a 30-year Infrastructure Plan to inform that discussion. We are seeking your feedback and expectations for a 30-year Infrastructure Plan.
2. The Infrastructure Commission agrees that New Zealand needs to think longer-term about infrastructure needs and priorities. A 30-year Infrastructure Plan is a useful mechanism for doing so.
3. Our proposed approach to a 30-year Infrastructure Plan would involve three separate mechanisms over different timeframes: the National Infrastructure Pipeline (short-term), the Infrastructure Priority List (medium-term), and Infrastructure Needs Analysis (long-term). These mechanisms would complement the New Zealand Infrastructure Strategy, which legislatively, is required to be published every five years.
4. For the Commission to start this work, we require ministerial direction to lead the work, a mandate to engage with the infrastructure sector, and clarity on resourcing.

Recommendations

We recommend that you:

1. **Agree** that the Infrastructure Commission will start development on the 30-year Infrastructure Plan and work with other agencies on key policy interdependencies.

   Agree / disagree

2. **Note** that you can direct the Infrastructure Commission to work on development of a 30-year Infrastructure Plan by including it in the 2024 Letter of Expectations.

3. [redacted] 9(2)(f)(iv)

   Agree / disagree

4. **Note** that to embed the 30-year Infrastructure Plan across government, wider agency and Ministerial engagement will be required.

5. **Refer** this briefing to the Minister of Finance, Minister of Transport and Minister of Local Government.

   Agree / disagree

Geoff Cooper
General Manager, Strategy

Hon Chris Bishop
Minister for Infrastructure

_____ / _____ / _____

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Developing a 30-year Infrastructure Plan

Purpose

1. This report follows our earlier Joint Report with Treasury and MBIE that provided initial advice on establishing a National Infrastructure Agency (TW-2023-322). In your response to that report, you agreed to discuss your expectations for the development of a long-term national infrastructure plan with the Infrastructure Commission.

2. The purpose of this report is to outline a potential approach for delivering a 30-year Infrastructure Plan to inform that discussion.

We need to think longer-term about infrastructure needs

3. In its infrastructure manifesto, *Infrastructure for the Future*, the National Party committed to:

   Create a 30-year infrastructure plan for New Zealand covering all infrastructure sectors.

   The plan will signal what's required for the future, both in terms of the better utilisation of existing assets, and new investment required. The plan will be broken down by city and region, reflecting our intention to develop City and Regional Deals. The plan will develop an infrastructure priority project list, similar to the list developed by Infrastructure Australia. This will also include projects where a problem has been identified and planning is underway, but no specific project is ready for funding yet.

   The combination of a 30-year infrastructure plan, a priority project list, and City and Regional Deals, will create a genuine infrastructure pipeline. This will give industry confidence to invest in technology, equipment, and people, and drive efficiencies and cost reductions.

4. The Infrastructure Commission agrees that New Zealand needs to think longer-term about infrastructure needs and priorities. A 30-year Infrastructure Plan, which incorporates an Infrastructure Priority List and is able to inform City/Regional deals, is a useful mechanism for doing so.

5. To be successful, long-term planning must:

   - be based on good information on investment choices,
   - consider and respond to uncertainty about future scenarios,
   - build public confidence and Ministerial accountability through transparency and assurance, and
   - be designed to endure over time, including through economic and political cycles.

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6. A 30-year Infrastructure Plan could provide the following benefits:
   - clarity on New Zealand's long-term infrastructure investment requirements and the outcomes that investment should deliver,
   - consistency between top-down funding allocation and bottom-up project identification and planning,
   - greater public understanding of and consensus about the infrastructure planning process, and
   - improved coordination, certainty about investment intentions, and delivery efficiency.

Role for the Infrastructure Commission in plan development

7. The National Party manifesto states that "The Infrastructure Commission will be responsible for the 30-year infrastructure plan".
8. As the Government's lead advisor on infrastructure with a mandate to develop broad public agreement on infrastructure issues, the Infrastructure Commission is well placed to develop a 30-year infrastructure plan.
9. The Commission has two roles that are closely linked to the 30-year Infrastructure Plan:
   - Providing advice on current and future infrastructure needs and the priorities for infrastructure (New Zealand Infrastructure Commission/Te Waihanga Act 2019)
   - Completing a needs-assessment to determine the scope of New Zealand's long-term investment requirements for infrastructure (Cabinet Circular (23) 9).
10. Because of the Commission's role, a 30-year Infrastructure Plan produced by the Infrastructure Commission would be independent advice to the Government. For this plan to be effective, it needs to be complemented with changes in government policy or investment decisions. This introduces interdependencies with other agencies' work programmes that would need to be identified and managed.
11. Some key interdependencies include:
   - Treasury's Investment Management System: Treasury is the key advisor on central government investment and the annual Budget process
   - Land transport investment policy: The Government Policy Statement on Land Transport establishes investment parameters for land transport
   - Local government investment policy: This is guided by the Local Government Act
   - Other aspects of the Government's policy agenda, such as the Going for Housing Growth policy programme and resource management reform.

Link between the Infrastructure Strategy and 30-year Infrastructure Plan

12. The 30-year Infrastructure Plan would follow on from the Commission's Infrastructure Strategy. The Plan should outline how to deliver on the objectives of the Strategy.

13. The Infrastructure Strategy is an enduring document that identifies long-term strategic objectives for infrastructure, long-term needs, and system settings to achieve these objectives. An Infrastructure Plan, by contrast, could be more specific about investment programmes, projects, and other tactical policy measures.

14. Stakeholder engagement completed as part of the Infrastructure Strategy indicates that this approach would be well received by the sector. There is interest in ensuring that the recommendations and objectives in the Strategy are implemented.

15. Under our legislation, the Infrastructure Strategy must be updated on at least a five yearly cycle. The legislation requires:
    - The Infrastructure Commission to provide a draft Strategy to the Minister no later than September 2026
    - The Commission to finalise the Strategy and provide it to the Minister no later than six months after this date, ie by March 2027
    - The Minister to present the Government's response to the Strategy to the House of Representatives within six months of this date, i.e., by September 2027.

16. If you are seeking to outline the Government's response to the 2022 Infrastructure Strategy, one way to do this would be to refresh the previous Government's action plan in response to the Strategy. National's infrastructure manifesto includes responses to many of the recommendations in the Infrastructure Strategy and would therefore be a starting place for such an action plan.

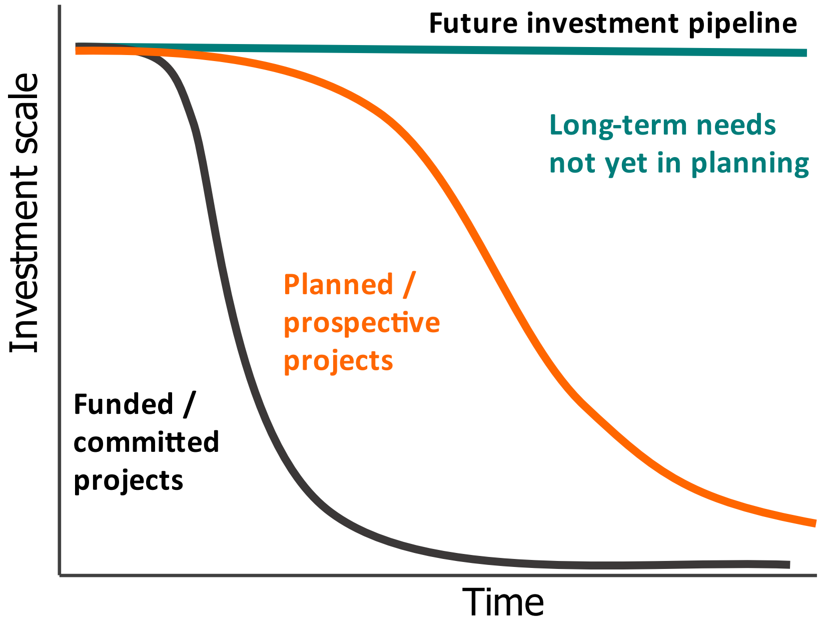
Our proposed approach for the 30-year Infrastructure Plan

17. The key challenge in developing a 30-year Infrastructure Plan is that we face significant uncertainty, including from issues like changing demographics, shifts in technology, and a changing climate. Significant natural disasters will also change short-term priorities. Moreover, infrastructure projects require significant planning and investigation before they can be considered 'investment-ready'. This context means that it is economically risky to firmly commit to specific investments a decade, or more than a decade, in advance.

18. The following diagram illustrates what a long-term investment plan might consist of. In the early years, the plan may mostly consist of funded / committed projects or ongoing programmes like maintenance. In the medium term, planned / prospective projects which are in development but not yet ready to receive funding commitments are likely to be more important. In the long term, it is likely to mostly consist of long-term needs that can be identified but which are not yet ready to develop into project proposals.

19. Our proposed approach therefore uses three separate mechanisms to identify priorities and needs over different timeframes: the National Infrastructure Pipeline, the Infrastructure Priority List, and longer-term Infrastructure Needs Analysis. These mechanisms are illustrated stylistically in the figure below with additional information in the table.

Components of a 30-Year Infrastructure Plan



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Product	Time horizon	Stage of planning	Benefits for you
Infrastructure Strategy	30 years	Completed 2023; early stage planning for next Strategy	Establishes an enduring strategic direction and vision for central government, local government and private sector infrastructure providers and operators. Focuses on long term objectives, needs and system settings.
National Infrastructure Pipeline (NIP)	1-10 years	Ongoing development of existing product	Aims to provide a national view of planned infrastructure projects and activity from across central government, local government, and the private sector. Facilitates strategic coordination amongst infrastructure providers, identifying both opportunities and constraints. Provides the evidence base to inform Government decision making (e.g. capacity for investment) and policy including supply levers that influence workforce capacity, including employment, education, training and immigration.
Infrastructure Priority List (IPL)	5-15 years	Business case for funding	Structured, independent review of infrastructure proposals and problems in various stages of planning; including initiatives that can avoid the need for investment. Identify menu of credible opportunities in the planning stage; build public/market confidence through independent and transparent assurance. Enables transparent quality assurance for near-term investment opportunities (eg for City and Regional Deals).
Infrastructure Needs Analysis (INA)	5-30 years	Early stage planning	Analysis of long-term infrastructure needs at a sector or regional level, rather than a project level. Identify longer-term, less-certain investment needs and degree of uncertainty around needs Identify areas where decision-makers can commission projects and signal funding ranges, based on information on historical and feasible future investment ranges.

20. The enablers for these products are:
    - the Commission’s ability to provide independent advice,
    - a Ministerial mandate to engage with and solicit quality information from the sector, and
    - Ministerial commitment to making other supportive changes to ensure that agencies are incentivised and empowered to provide quality information.

21. This approach to a 30-year Infrastructure Plan has the following benefits:

- It would strengthen independent and impartial assessments of proposals, with faster implementation of this aspect of the plan to enable decision-making on current/upcoming opportunities,
- It would distinguish between committed and uncommitted projects, avoiding premature commitments to projects which are not investment ready, and
- It would enable both a top-down view (based on comparable, cross-sector information) and bottom-up view (based on agency-identified needs) to develop a long-term investment plan.

22. Our approach to the 30-year Infrastructure Plan could support the development of City and Regional Deals by:

- requiring regular disclosure of project and programme information to the National Infrastructure Pipeline,
- requiring City and Regional Deal proposals to apply to the IPL to be eligible for funding. This would provide assurance that that funded projects were high-value and investment ready, and
- displaying Infrastructure Needs Analysis on a regional basis, allowing it to inform City and Regional Deal development.

Implementation timeframes

23. Implementation timeframes would need to be confirmed following further scoping and design. We would like to discuss your expectations.

24. To inform this discussion, we have outlined a scenario for phased development and release of the 30-Year Infrastructure Plan. This scenario assumes that we receive some new funding for the Infrastructure Priority List element, but none for other aspects of Plan development. It also assumes that agencies are willing and able to provide meaningful responses within required timeframes. It could involve:

- **2024**: Begin call for applications to the Infrastructure Priority List and continue to strengthen the National Infrastructure Pipeline through improved coverage and accuracy.
- **2025**: Consult on draft Infrastructure Priority List (IPL) and release full IPL; release consultation documents for 30-year Infrastructure Plan, including early-stage analysis of long-term infrastructure needs.
- **2026**: Release sector-level integrated 30-Year Infrastructure Plan product, incorporating a top-down view of funding scenarios (based on historic precedents) and a sector or regional level view of needs.

What we need to do it

25. For the Infrastructure Commission to develop a 30-year Infrastructure Plan, we require the following things:

- A clear Ministerial direction to do this work. You can direct us to implement this as an additional report on infrastructure needs/priorities (subpart 4 of our legislation) or through our annual Letter of Expectations.
- A mandate to engage with agencies through clear processes (including data collection for the National Infrastructure Pipeline). The Infrastructure Commission can draft a letter to be distributed to agency CEOs, following our letter of expectations.
- A mandate for agencies to apply for the IPL for projects and/or programmes above a "national significance" threshold[1],
- Requirement for government agencies to develop and publish capital investment plans for a minimum period of 10 years – as per commitments in Infrastructure for the Future, which states that:

  National will require government agencies to develop and publish capital investment plans for a minimum period of 10 years, as recommended by the Infrastructure Commission. We will also focus on commonality of standards in asset management, to support better use of data, documentation, and mapping.
- Clarity on our resourcing to implement this work, noting that some aspects are well advanced and operational while others are not currently resourced.

26. Introducing requirements for long-term investment plans is a key enabler of a 30-year Infrastructure Plan because it would provide the Commission with information that we need to complete a bottom-up analysis of infrastructure requirements at a sector level. Ideally, long term investment plans should:[2]

- Identify significant infrastructure issues, future needs to renew assets, respond to changing demand, or change levels of service,
- Outline infrastructure expenditure requirements (capex and opex) in each year over the next 10 years,
- Include an asset register for key non-financial assets,

[1] This could be achieved through a combination of direct applications from agencies and Quarterly Investment Reporting information for IPL assessments.

[2] These requirements are consistent with what is already expected of local governments, under the Local Government Act 2002. The Commerce Commission implements similar requirements for regulated utilities, albeit for shorter five-year regulatory control periods.

Cabinet office circular CO (23) 9 introduced a requirement for central government agencies to identify all investment intentions over minimum of 10 years that would require Cabinet consideration in September 2023. While this is a valuable first step, it only covers investments above a certain materiality level that would be considered by Cabinet, does not require similar levels of information on agencies' asset base and asset condition, and does not require plans to be published or independently audited to ensure compliance.

- Be independently audited or otherwise scrutinised, and
- Be published alongside financial reporting.

27. [redacted]

9(2)(f)(iv)

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Options you have for reviewing infrastructure projects

Date:	29 January 2024
Report No:	TW-2024-312

To	Action sought	Deadline
Hon Chris Bishop, Minister for Infrastructure	Refer this paper to the Minister of Finance	N/A
Attachments		
Appendix A: Summary of project review types		

Contact details

Name	Role	Phone
[redacted]	Senior Advisor	[redacted]
Blake Lepper	General Manager, Delivery	[redacted]

9(2)(k)

Purpose

1. The Infrastructure Commission is the Government's primary advisor on infrastructure. We provide advice and information on infrastructure matters - including project reviews and support.

2. Selecting the right type of project review depends on the goal of the review, the project's commercial context, timing, and other key considerations. This Aide Memoire outlines options that you have for reviewing infrastructure projects, including how key considerations can inform the most appropriate review type.

Context

3. Major infrastructure projects are among the most complex undertakings that government is responsible for. Unfortunately, these projects can and do go wrong. When this happens, Ministers will want additional information to support decision making and learn how the structures and processes can be improved to reduce the likelihood of future problems.

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4. For the purposes of this paper, infrastructure project reviews are assessments that occur across all stages of a project's life. Project reviews aim to provide assurance, identify what has gone wrong, address project-related concerns (excluding fraud and corruption), and/or capture learnings for the benefit of future projects.
5. This paper focuses on projects funded by central government, which receive funding through the following pathways:
   a. Investment Management System (IMS)
   b. The National Land Transport Fund (NLTF) managed by the NZ Transport Agency | Waka Kotahi (NZTA)
   c. Capital infrastructure funds (e.g., NZ Upgrade Programme, Shovel Ready, Infrastructure Acceleration Fund).
6. The Minister of Finance has responsibility for the IMS and has an interest in all decisions with fiscal implications for central government. For example, where a project under review is likely to have a fiscal impact above existing appropriations, or where additional funding is outside the intended purpose of the appropriation, the Minister of Finance should be involved in the project review.
7. Similarly, the Minister of Transport has responsibility for NZTA. So, where a project under review has been funded (or partially funded) through the NLTF, the Minister of Transport should be involved in the project review.
8. This paper only looks at reviews that are specific or frequently carried out on infrastructure projects. Infrastructure investment is a subset of all government investment, which in turn is a subset of policy initiatives. There are other forms of review designed around these higher level functions of government that are not covered within this paper.

Project review types

9. You can commission four different project reviews:
   - **A formal Infrastructure Commission project review** (usually a broad independent review completed by an external provider), which must be published[1]
   - **An informal Infrastructure Commission project review**
   - **A Gateway Targeted Investment Review** (coordinated by Treasury)
   - **An internal assurance report** (completed by the lead agency).
10. These are in addition to business-as-usual reviews and reporting that occurs within the IMS, including:
    - Gateway reviews for project assurance

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[1] We must publish formal project reviews under section 22 of the New Zealand Infrastructure Commission/Te Waihanga Act 2019.

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- Quarterly Investment Reporting to Cabinet, which summarises high-risk, high value projects
- Monthly reporting to the Minister of Finance and portfolio Ministers, which identifies and keeps track of issues with investments that have ongoing critical risks
- Agency reporting on projects/programmes that go to portfolio Ministers.

11. Project reviews can also be commissioned and completed by independent entities such as the Office of the Auditor-General.

12. To help you decide which type of project review to ask for, Table 1 outlines the subject matter expertise of each lead reviewing entity.

Table 1: Getting the right subject matter expertise

Who *(Role, as it relates to project reviews)*	**Subject matter expertise**
Infrastructure Commission *Government's primary advisor on infrastructure*	• Delivery concerns (e.g., governance, risk management, cost escalation, project delays, ongoing feasibility of the project, lessons learnt etc) • Delivery contract models such as Alliance and PPPs • Procurement • Highly specialised advice (e.g., suitability of delivery and/or financing model, project design, environmental impact etc)
Treasury *Government's lead economic and financial advisor. Management of:* *- public finances* *-public investments and asset performance*	• Project/programme evaluation (e.g., Risk Profile Assessments, Strategic Assessments, Business Cases, Benefits Realisation) • Funding decisions and cost escalations (e.g., closing funding gaps, re-prioritising) • Government investment portfolio across the investment lifecycle • Assurance through Gateway reviews
Lead Agency *Project owner*	• Detailed project due diligence and assurance (e.g., legal, regulatory, project design and specification, construction methodologies etc)

13. There are other interventions in the case of specific financial concerns and suspected fraud or illegality that are outside the scope of this paper. The Office of the Auditor-General, Serious Fraud Office, Attorney-General, Solicitor-General and Crown Law all have expertise and varying powers of investigation in these matters.

Key considerations before commissioning a review

14. Selecting the right type of project review, at the right time, depends on:

- the purpose of the review and the subject matter expertise you need (e.g., feasibility of delivery, cost, agency performance);
- commercial considerations (e.g., active litigation, procurement status);
- the impact the review may have on the project or the Crown's portfolio;

- the stage of the project (e.g., planning, delivery, in-operation); and
- independence of the review team (e.g., internal or external to the lead agency).

15. Below, we outline how these considerations may inform the most appropriate review type.

Purpose

16. Consider the purpose of the review to assist in selecting the right review tool. Are you looking to address broad delivery performance for an ongoing project (suited to an in-depth operational review by the Infrastructure Commission); or are you wanting specific, high-level assurance (more suited to a Treasury targeted review)?

Commercial considerations

17. Reviewing a project in active dispute resolution or litigation can limit a reviewer's access to information and impact our statutory obligation to publish a formal review. Agencies can withhold or redact key documentation under legal privilege, limiting the effectiveness of any review and complicating (or delaying) what can be published. It may be more effective to delay commencing a review until any dispute process is resolved. Alternatively, you may consider other forms of specialist review which can be exempt from publication such as an informal Infrastructure Commission review, Gateway review, or Crown Law advice.[2]

18. The timing of any project review should also consider the project's procurement status and whether there is any potential to impact the market response or fairness of evaluation.

Impact of the review on the project and/or the Crown's portfolio

19. Any review will have a time and effort impact on the project team. It is useful to consider timing within the project's programme, the extent of protect team resources required to respond, and the impact on project deliverables.

20. What will be the impact of the review on other Crown projects? Is this an opportunity for other projects to be influenced by a "lessons learnt" exercise (in which case a review is beneficial) or is the crux of the problem that system change is required (making a project-specific review less appropriate)?

Other

21. For more detail, Appendix A provides a summary of project review types, which outlines a brief description of each review, who commissions and completes each review, how long each review takes, and when you should (or should not) ask for each type of review.

[2] Subject to the Official Information Act 1982

When to come to the Infrastructure Commission for a review

22. You should come to us for a review if you have concerns or questions about procurement, delivery/delivery models, and/or the ongoing feasibility of a project.

23. If a project is under active litigation or procurement, you should seek advice from us regarding the appropriate type and timing for a review.

24. At any point, if you are considering reviewing a project and are unsure of which review type is best suited, please let us know. We can advise you based on the core issue, the project's attributes, the stage it is in, and its commercial context.

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Appendix A: Summary of project review types

Project review type	Description	Commissioned by	Completed by	Time to complete	When to ask for this type of review (When not to ask for this type of review)
Project reviews that you can commission					
Infrastructure Commission formal project review	You can direct Te Waihanga to provide a report on any matter relating to infrastructure – including a project review (New Zealand Infrastructure Commission Act 2019, s 20). After providing the report, we must publish it on our website: https://tewaihanga.govt.nz/our-work/reviews. To date, we have completed four formal reviews. This review can be done at any stage of a project.	-The Minister for Infrastructure -Prime Minister	-Te Waihanga	Customisable and not linked to project milestones	• Delivery or procurement concerns • High levels of public interest • **(Under active litigation or procurement)**
Infrastructure Commission informal project review	You may informally ask Te Waihanga to review a project and provide you with advice. This can be done at any stage of a project. Good official information and transparency practice would dictate we proactively publish our advice, but this is not mandated under our Act as with a formal review. Informal advice is still subject to the Official Information Act.	-Ministers -Prime Minister	-Te Waihanga	Customisable and not linked to project milestones	• Delivery or procurement concerns • You would like confidential free and frank advice (subject to the Official Information Act) • The project is under active litigation or procurement
Gateway Targeted Investment Review (TIR)	A TIR is a narrow-scope, customisable review that can be used at any time. It is effectively a customised Gateway review (see below) with a specific focus. For example, sometimes it's a combined set of Gateway reviews (e.g., focusing on Delivery Strategy and the Investment Decision) or it's one Gateway review with a specific focus (e.g., a Strategic Assessment with focus on risk management components).	-Agency -System Lead - Ministers	- A review team selected by the Treasury based on agreed areas of focus and review requirements	Customisable and not necessarily linked to project milestones. Usually, one week duration for review with lead time	• You would like a non-standard Gateway review • There is a particular programme or project issue to be investigated • You would like specific, high-level assurance
Independent specialist review	Independent reviews are typically high-profile, longer term, with a large or highly specialised scope, and can be either a formal or informal review contracted by the Infrastructure Commission. These reviews also tend to focus on "what went wrong" and lessons learned.	-The Minister for Infrastructure -Prime Minister	-External provider	Customisable and not linked to project milestones	• You would like specialised advice or large scope • High levels of public interest • **(Under active litigation or procurement)**
Business as Usual					
Gateway review	Gateway is a short, independent peer review that examines a project at key points in its lifecycle to rate how likely a project is to achieve its intended outcomes. There are five Gateway reviews: (0) Strategic Assessment, (1) Business Justification and Options, (2) Delivery Strategy, (3) Investment Decision, (4) Readiness for Service and (5) Operational & Benefits Realisation review. Instead of focusing on "what has gone wrong", Gateways generally look for problems and make recommendations to address those problems. The Gateway report is provided to project's Senior Responsible Officer (SRO) of the investment. The outcome is also shared with Ministers and Cabinet as part of business case approvals and will be provided to relevant Treasury teams and System Leads to support them in their role. Gateways are also subject to the Official Information Act. You cannot substantially influence scope of the review or select the reviewers.	Mandatory for high-risk central government projects/ programmes (Cabinet Circular on Investment Management and Asset Performance in Departments and Other Entities (CO(23)9), para 47) Other entities/projects can request a Gateway review at Treasury's discretion	A review team selected by the Treasury based on agreed areas of focus and review requirements	One week duration for review with lead time. Completed at key milestones in a project's lifecycle. (e.g., start of project, Business Case, contract signing, implementation etc)	There is an extended period between phases, a change to key programme/project leadership or to establish the continued validity of the Business Case following change in government priorities
Standard internal project reviews	Agencies may undertake Independent Quality Assurance (IQA) reviews, Technical Quality Assurance (TQA) reviews, Quantity Surveying (QS) and other project due diligence. These reviews are more detailed than Gateway reviews and/or other assurance type reviews completed by Treasury. Agencies also have discretion to direct the scope or focus of an IQA or TQA.	-Agency -Responsible Ministers can ask agencies to conduct specific assurance	-Agency/ department -External provider	Customisable and not linked to project milestones	You have a specific concern around a detailed component of the project (e.g., legal, regulatory, environmental, geotechnical, project designs and specifications, construction methodologies)
Quarterly Investment Reporting (QIR)	The Treasury undertake QIR to identify and track agencies' high-risk, high value investments through their investment lifecycle. QIR provides Cabinet with visibility of the investment pipeline, policy advice on prioritisation and sequencing, and invitations into Budget and other funding related processes.	Public sector agencies in scope of QIR are the same as those agencies defined and within the scope of the IMS in CO(23)9	-Treasury	QIR is a living reporting tool, which is updated as agency information is provided to Treasury	
Monthly Reporting	As an ongoing measure, the Minister of Finance can direct a project to provide independent monthly reporting to the Minister of Finance and portfolio Ministers [redacted] 9(2)(i)	-Treasury	- External independent reviewer	Ongoing measure	
Project reviews that can be commissioned by others					
Office of the Auditor-General (OAG) review	Through the OAG's functions, such as inquiries or performance audits, the Auditor-General may take an in-depth look into any matter concerning a public entity's use of its resources.	-Auditor-General -Deputy Auditor-General	-OAG	Depends on the complexity of the topic	
Department of Prime Minister and Cabinet	The Implementation Unit in DPMC looks into whether priority policies and/or projects are on track to deliver intended benefits within intended timeframes. The Unit also works with Ministers and agencies to get failing projects back on track and follows up to ensure actions are being taken.	-Cabinet -Prime Minister	-DPMC's Implementation Unit	Depends on the complexity of the project/policy	

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NEW ZEALAND INFRASTRUCTURE COMMISSION Te Waihanga

Te Kāwanatanga o Aotearoa New Zealand Government

Considerations for the future application of Public Private Partnerships

Date:	22 February 2024
Report No:	TW-2024-334

To	Action sought	Deadline
To Simon Court MP, Parliamentary Under-Secretary to the Minister for Infrastructure CC Hon Chris Bishop, Minister for Infrastructure	Note the contents of this paper to support a discussion with the Infrastructure Commission	N/A

Attachments
None

Contact details

Name	Role	Phone
Brendan Herder	Director Investments and Reviews (Acting)	[redacted]
Ross Copland	Chief Executive	[redacted]

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Purpose

1. You have been delegated responsibility for policy development on infrastructure funding and financing tools, including use of public private partnerships (PPPs). Among the policy priorities included in the National-Act Coalition agreement is the institution of long-term city and regional infrastructure deals, allowing PPPs, tolling and value capture rating to fund infrastructure, and the investigation of build and lease-back arrangements for new hospitals.

2. This Aide Memoire provides further background on PPPs to support your exploration of these policy areas. It outlines the intended purpose of the New Zealand PPP model from its inception (a focus on improving whole of life service levels, not as a funding or financing tool), and highlights some practical lessons discovered from recent project challenges. It illustrates some of the ways in which the model may be adapted to overcome these challenges and support improved value for money in the current delivery environment.

3. We are briefing you on these issues ahead of further policy development and new PPP project proposals so that you can consider the direction the New Zealand PPP model should take and how its revitalisation should be resourced. Signalling how material issues around risk allocation and pricing will be approached will assist agencies in their market engagement activities over the coming months.

Origin of PPP in New Zealand

4. The Treasury began developing the New Zealand PPP Model in 2009. Its primary purpose was to improve the focus on, and delivery of, required service outcomes from major infrastructure assets by:

    a. integrating asset and service design

    b. incentivising whole of life design and asset management

    c. allocating risks to the parties who are best able to manage them, and

    d. only paying for services that meet pre-agreed performance standards.

5. From the outset it was considered that the greatest innovation and improvement in service delivery would be achieved through competitive procurement processes focused on outcomes (with minimum input specifications and constraints), the optimal allocation of risks, and performance-based payment mechanisms that put private sector capital at risk. This would provide the incentives and flexibility for the private sector to deliver innovative and effective solutions, which could act as a catalyst for broader change in the public sector.

6. It was recognised early in the development of the model that it would only be suitable for a small subset of projects. In summary, PPP would be most suited to projects of large scale and long duration where the nature of the asset is specific, it is possible to define clear service and performance requirements over time, and the project is sufficiently complex that innovative design and service approaches may be employed.

7. The PPP model was not implemented to address funding constraints, or as a means of financing payments for infrastructure over time. Rather, the project finance component of a PPP is for the purpose of transferring performance risk to the Contractor for the duration of the contract period (typically 25 years post construction). The future PPP payments are recognised as a financial liability and the structure does not provide for 'off balance sheet' financing objectives historically sought in other jurisdictions.

Lessons from PPP performance to date

8. New Zealand adopted a 'more for the same' approach to value for money, which recognises that a project procured under conventional methods will incur a certain level of expenditure over its lifetime and seeks to maximise the quality of outcomes that can be achieved for that cost.[1] The success of a PPP project should therefore be considered on the basis of its long term service performance relative to the expected cost and performance if delivered under a more traditional method.

9. There have been eight PPP project agreements entered into in New Zealand: three school projects (with multiple schools included in each project), two state highways, and three prisons. At the time of Te Waihanga's 2020 PPP Model Review the first five projects which were in operation had generally been delivered on time and with high levels of service provision performance experienced. Payments made through the periodic unitary charge for each project were slightly below forecast indicating on budget delivery with minor performance abatements.

10. Three projects have since faced significant delays and are subject to ongoing disputes related to the time and cost impacts of these delays: Transmission Gully, Puhoi to Warkworth and Waikeria Prison. [redacted] This provides valuable lessons for future projects and evolving procurement models for the current delivery environment and Government objectives. s9(2)(f)(iv)

11. This paper highlights some of the material issues that have been revealed on these recent projects and some initial thinking on how the PPP model may be adapted to continue to be an attractive and useful delivery tool for suitable projects. There is a high likelihood that complex projects could not currently be procured under established Standard Form terms without excessive risk pricing, so signalling where changes may be made will be important for market development.

[1] The PPP procurement process in New Zealand uses an Affordability Threshold. Provided the net present cost of tenders is below this limit they are not evaluated on price. This can be contrasted with a 'same for less' approach, which would introduce price competition for a given service level and drive lower cost tenders.

[2] The Transmission Gully Post-Construction Review concluded that nearly all the key events and risks identified could have happened under any procurement model.

[redacted]

12. A PPP bundles a range of delivery obligations and performance risk into a single contract between the Crown client agency and the PPP Contractor. It is intended that by aggregating these accountabilities with a single contractual counterparty, the whole of life costs of service delivery will be optimised. For example, through design and construction choices that enable more efficient operations, and lifecycle investment and asset management practices that maintain services levels at all times and avoid costly deferred maintenance issues.

[redacted]

15. Limited-recourse project finance is used to transfer project performance risk. The debt and equity investors who finance the construction can only be repaid from the project revenues if the asset is available and meeting performance requirements. Significantly, if construction completion is late there is no revenue to begin servicing the debt as scheduled, but this risk is first passed to the major construction subcontractor, up to cap.

16. [redacted]

[redacted]

[redacted]

[redacted] s9(2)(f)(iv)

- [redacted]
- [redacted]
- [redacted]
- [redacted]

[redacted] s9(2)(f)(iv)

[redacted]

[redacted]

[redacted] s9(2)(f)(iv)

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[redacted] s9(2)(f)(iv)

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Variations of Standard Form PPP positions and further policy development

27. The New Zealand Standard Form PPP Project Agreement has been the basis for all PPP contracts entered into to date by Waka Kotahi, Department of Corrections and Ministry of Education. It has been updated periodically to reflect the gradual evolution of contractual terms that have become precedent from one project to the next.

28. The use of a consistent standard form contract was important when launching the PPP model in New Zealand. The standardisation of commercial terms and their application provides clarity, consistency and certainty which creates confidence in the model and results in more efficient procurement processes. It took a substantial investment over several years to establish this standard form contract, build capability within the public sector and prepare the market for the first PPP transactions.

29. [redacted] s9(2)(f)(iv)

[redacted]

[redacted]

[redacted] s9(2)(f)(iv)

[redacted]

[redacted] s9(2)(f)(iv)

34. We look forward to the opportunity to discuss your views on progressing these areas of policy development.

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