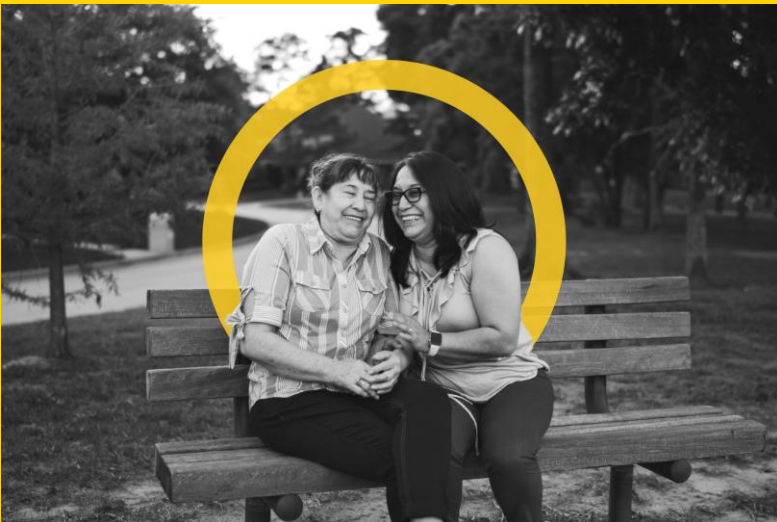


# Partnering to Prosper

The benefits and value of an intergovernmental partnership approach for cities



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## About Astrolabe Group

Astrolabe Group are the recognised experts in urban growth and change management with a uniquely empathetic approach to client and community.

This report was prepared for Hamilton City Council. In preparing the report, Astrolabe has made every effort to ensure the information included is reliable and accurate. Astrolabe is unable to accept responsibility or liability for the use of this report by third parties.

## Authors



**Michael Comminos** is the Director of Astrolabe Group. Michael is a nationally recognised infrastructure planner having advised local, state and national governments in Australia and New Zealand. Michael was the lead negotiator on behalf of eight councils in Western Sydney for the Western Sydney City Deal.



**Dr Charlie Gillon** is a consultant at Astrolabe Group. Charlie's technical knowledge in human geography and urban planning enables him to provide expert advice on the dynamics of places and communities, and how to deliver positive social, environmental, and economic outcomes.

# Document purpose

The following information provides commentary and insights on the benefits and value of shared, targeted and sustained investment from multiple levels of government to deliver outcomes for cities and regions.

This commentary draws on Astrolabe Group's expertise with intergovernmental partnerships from an Australian context – the 'City Deal' approach – having been directly involved in the development of the Western Sydney City Deal in 2017<sup>1</sup>, as well as strategic advice on City Deal bids in Adelaide and South-East Melbourne.

## Considerations for a New Zealand context

Our insights and experience on intergovernmental partnerships are grounded in the current reform program underway in New Zealand's planning and investment framework. This information has regard to the proposed Government Policy Statement on Housing and Urban Development (GPS-HUD) and the national government's Wellbeing Budget.

### Key insights:

- Outlining an intergovernmental partnership approach for cities
- Overcoming imbalance: central government direct funding in cities
- Learning from the Australian application of City Deals
- Considering the benefit of an intergovernmental partnership approach for New Zealand.

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<sup>1</sup> Astrolabe Group, 'Western Sydney City Deal', <<https://astrolabegroup.com.au/projects/western-sydney-city-deal/>> (accessed 15/07/2021).

# The benefits and value of an intergovernmental partnership approach for cities

## Outlining an intergovernmental partnership approach for cities

We are in the 'urban century'. Over 50 percent of the world's population currently lives in urban areas, with close to 70 percent projected to live in urban areas by 2050<sup>2</sup>. There is international acknowledgement that while cities present complex challenges for wellbeing they can also be the vehicles to address these dilemmas if appropriate interventions are made. This shift is evidenced by international declarations such as the United Nations' Habitat III New Urban Agenda<sup>3</sup>, and broader international networks of cities that address complex global problems such as climate change and resilience (for example, the Rockefeller Foundation's 100 Resilient Cities and the C40 megacities network<sup>4</sup>).

Recognising that the functioning of cities and regions is nationally important, national governments are working more closely with cities. One model used in the United Kingdom and Australia is City Deals: place-based intergovernmental partnerships that bring together levels of government to focus on supporting and delivering beneficial city/region based outcomes. This approach creates alignment between national, regional, and local priorities, with priorities delivered in an integrated way in the local and national interest. In doing so City Deals are enduring vehicles for ongoing investment and reform, able to deliver outcomes for people and place regardless of stakeholder and colour of government.

While it is not uncommon for intergovernmental partnerships to occur to deliver outcomes in a particular sector (for example, health, education, infrastructure), using place as the platform for partnerships can deliver whole of government outcomes.

New Zealand is undergoing rapid urbanisation and metropolitan expansion. Major cities are key to wellbeing and productivity. The Hamilton-Waikato metropolitan area is the third fastest growing urban centre in New Zealand, with the population of the metropolitan area expected to double over the next 50-100 years. To address the challenge and opportunity of this growth, the multi-government Future Proof partnership<sup>5</sup> released the Hamilton-Waikato Metropolitan Spatial Plan (MSP) in September 2020. The MSP presents a land use vision and framework for the next 100

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<sup>2</sup> United Nations Department of Economic and Social Affairs (2018), '68% of the world population projected to live in urban areas by 2050, says UN', 16 May 2018, <<https://www.un.org/development/desa/en/news/population/2018-revision-of-world-urbanization-prospects.html>> (accessed 15/07/2021)

<sup>3</sup> United Nations Habitat III (2016) *The New Urban Agenda*. <<https://habitat3.org/the-new-urban-agenda/>> (accessed 15/07/2021)

<sup>4</sup> For background and context, see Rockefeller Foundation, '100 Resilient Cities', <<https://www.rockefellerfoundation.org/100-resilient-cities/>> and C40 Cities, 'About', <<https://www.c40.org/about>> (accessed 15/07/2021)

<sup>5</sup> The Future Proof sub-regional partnership is comprised of Ngā Karu Atua o te Waka, Waikato-Tainui, Tainui Waka Alliance, Waikato Regional Council, Waipa District Council, Waikato District Council, Hamilton City Council, Waka Kotahi and Waikato District Health Board

years, and outlines – an urban growth programme of action for partners over the immediate, short, medium and long term<sup>6</sup>.

The place-based framework provided by the MSP contains the building blocks for an intergovernmental partnership approach, particularly when considered in the context of New Zealand's current urban reform agenda.

## **Background: the City Deals example**

City Deals are defined by UK Parliament as 'bespoke packages of funding and decision-making powers between central government and local authorities and/or Local Enterprise Partnerships and other local bodies'<sup>7</sup>. Their creation and function were driven by promoting local economic growth and competitiveness.

UK City Deals were primarily rolled out in two 'waves' targeting economic growth for large cities and areas. The first wave (completed July 2012) covered the 8 largest English cities outside London and the second wave (completed July 2014) targeted the next 14 largest cities and cities and areas with the highest population growth. One-off City Deals have since been agreed for cities and regions in Scotland, Wales and Northern Ireland.

The first round of Australian City Deals were modelled on the United Kingdom's approach. In Australia City Deal partnerships focus 'on aligning planning, investment and governance to accelerate growth and job creation, stimulate urban renewal and drive economic reforms to secure the future prosperity and liveability of our cities'<sup>8</sup>. Upon his appointment as Prime Minister Malcolm Turnbull led with a strong digital and innovation agenda, offering a view that Australia's cities would drive Australia's growth into the digital century and be driven by investment, reform and use of technology. Traditionally seen as being the responsibility of state governments in Australia, this agenda marked an acknowledgement that city and regional planning and investment is a national priority because of the nationally significant implications of not having cities being as sustainable, productive and liveable as they should be.

The national impact of cities and regions required national involvement in city making. Turnbull would leverage the Federal Government's balance sheet to motivate other actors to make positive investments in Australian cities. This policy intent was documented in the Australian Government's 2016 *Smart Cities Plan*. The plan outlines the policy basis for the national scale involvement in transforming our cities and regions using technology and reform.

Since 2016, the impact of City Deals in Australia is evidenced by eight agreed deals in Townsville, Western Sydney, Launceston, Darwin, Hobart, Geelong, Adelaide, and Perth and a ninth deal announced for South-East Queensland. The agreed deals have progressed tangible change in place that would not have been possible without providing a multi-actor platform. In the case of Adelaide, the City Deal vision brought public and private sector actors together with a sharp focus

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<sup>6</sup> Future Proof Te Tau Titoki (2020) *Hamilton-Waikato Metropolitan Spatial Plan*.

<<https://futureproof.org.nz/assets/FutureProof/H2A/Metro-Spatial-Plan/Hamilton-Waikato-Metropolitan-Spatial-Plan-Final-Low-Res.pdf>>

<sup>7</sup> Ward, M. (2020) *City Deals*. House of Commons Briefing Paper no. 7158, p. 4. Accessible at:

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

<sup>8</sup> Australian Government Department of Prime Minister and Cabinet (2017), 'Delivering City Deals', p. 1. Accessible at:

<<https://www.infrastructure.gov.au/cities/city-deals/files/City-Deal-Process-factsheet.pdf>>

on activating Lot Fourteen, a new innovation precinct in the centre of the city. Hobart and Perth harnessed the presence of Universities in their CBDs to stimulate the night-time economy. A City Deal bid currently underway with South East Melbourne Councils is exploring water intensive manufacturing and establishing a social infrastructure land bank that gives government flexibility to respond to changing need.

## **Taking a horizon approach**

The City Deal approach enables a line of sight to three time horizons for cities and regions:

1. Immediate tactical and responsive moves
2. Management: prioritisation and funding of shared priorities over next 10 years
3. Longer term city and region shaping interventions: how to future proof, protect corridors, regenerate and revegetate, long term planning for skills, infrastructure, land use.

If there is an alignment on objectives, intergovernmental partnerships can establish win-win outcomes from actions and initiatives. Benefit is gained from overcoming siloes and fragmentation between agencies, most notably finance and time savings.

## **Overcoming imbalance: central government direct funding in cities**

Cities and regions facilitate interactions between human, natural, social and physical and financial capital that generate prosperity and wellbeing. Productivity and economic benefits accrue to citizens, workers and firms supported by relevant taxes being collected by government. The dilemma for city governments is that most of the taxation revenue, raised from firms and people performing activities in cities and regions, flows to the national government.

It is common for a city government to require additional fiscal support from a national government in order to pursue investment and reform initiatives. These initiatives can often lead to additional taxes for the national government. This gap between the ability to raise taxes and the requirement to spend public funds creates a fiscal imbalance. Left unchecked, this fiscal imbalance 'creates inefficiencies, undermines accountability between different tiers of government, reduces fiscal transparency and can result in the misallocation of resources'<sup>9</sup>.

Investment in New Zealand's cities can have international impacts, with benefits not just for tourism and international education, but also for research and development, geopolitics, defence, digital transformation and cyber security. The ability for cities and regions to grow and prosper are constrained by these 'legacy settings' that slow down improvement and progress.

An intergovernmental partnership approach can help to provide an integrated public finance setting. Organised by place, initiatives and interventions can be planned and prioritised agnostic of legacy fiscal settings. Central government direct funding would mark a recognition of the importance of cities and regions as engines of growth, and their central role in wellbeing and productivity outcomes. Without a lack of integration and financial flexibility at the local government level to take sustained action, national governments are forced to intervene through sector-based reform programs – such as the HUD programme.

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<sup>9</sup> Commonwealth of Australia (2011) 'Vertical Fiscal Imbalance', in *Australia's Federation: An Agenda for Reform*. <[https://www.aph.gov.au/Parliamentary\\_Business/Committees/Senate/Former\\_Committees/reffed/reffed/report/c04](https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Former_Committees/reffed/reffed/report/c04)>

It is important to note that a direct city funding from central government model is still subject to effective evaluation and prioritisation. The involvement of more than one level of government in the allocation of funding provides a platform to better evaluate initiatives and actions.

## Learning from the Australian application of City Deals

First located in the Department of Prime Minister and Cabinet, City Deals were a policy priority of the Turnbull Government. Importantly these deals had no budget to allocate to newly defined projects. The program required reallocation from other agencies or, on occasion, the commitment of additional spending through the Cabinet approval process.

Early iterations of City Deal thinking in Australia had a strong focus on:

- Reducing agency waste through reforming programs across the three levels of government,
- Unlocking government asset values by investing in repurposing land or in projects with high benefit cost ratios, and
- Pursuing microeconomic reform in regulatory environments, particularly land use planning that could create improvements in productivity.

The critical success factor of the application of City Deals in Australia is alignment between levels of government. Establishing clarity of vision and purpose enables intergovernmental alignment of an internal planning and development narrative. This reduces inefficiency and duplication, limiting waste and sacrificial work, and allowing money to be reallocated to do more for more. In addition, an intergovernmental partnership approach to cities allows authorities to leverage multiple investments, creating conditions in place that are likely to encourage non-government (i.e. private) investment.

The model is also successful in enabling capacity building between different levels of government, delivering outcomes of greater volume and complexity. For example, the Western Sydney Planning Partnership (WSPP) is an initiative created through the Western Sydney City Deal bringing together nine Councils, and the State and Federal Governments. The Planning Partnership coordinates and aligns an approach to land use change to support housing and jobs while enhancing the natural environment. Key components include:

- A \$1 billion investment in enabling infrastructure to support private sector investment in Western Sydney
- Creating an investment attraction office
- Establishing the Western Sydney Health Alliance, working with the Federal Public Health Network to pursue preventative health measures
- Working together for refugee resettlement in Fairfield and Liverpool Councils, providing continuity of services from Federal to Local governments (*under consideration*)
- Capacity building between levels of government, including collective participation in the development of business cases, harmonising engineering standards across jurisdictions to create a common approach, and a skills exchange involving on site training for staff working on mega projects.

City Deals also recognise the need for external messaging. Definitive place identity and branding helps establish a clear and shared purpose, holding benefit for investment attraction and inclusive growth and change. The vision and purpose of each individual City Deal is grounded in the

competitive advantage of individual cities and regions. This advantage is communicated through branding and identity across the region.

There are two observations from the Australian experience that New Zealand can learn from:

**1) The governance framework for City Deals did not bring external stakeholders to the table.** Engagement primarily centred on landowners and the planning system. This limited the contribution of other stakeholders to the vision (including the private sector, Universities, trade unions, employer groups, the not-for-profit sector). There was also inadequate engagement with First Nations people.

**2) The City Deal approach did not incentivise performance, limiting the opportunity to install a sustainable funding model.** The influence of the United Kingdom's City Deals model did not extend to the policy position of 'earn back'. Earn back, seen in the Greater Manchester Deal, refers to the ability for a jurisdiction to be financially rewarded by delivering KPIs that improve another government's budget position (reducing costs or improving taxes). Manchester's earn back arrangement has a potential value of 900 million pounds<sup>10</sup>.

Incentives and public finance need to be aligned to create a long-standing public finance platform for cities and regions. This would enable cities to retain benefit created, sharing in the dividends of efficiency and growth through reinvestment in the Deal over national projects.

## Considering the benefit of intergovernmental partnerships for New Zealand

The current approach of national government is to have well designed one-off point solutions, rather than installing a sustainable enduring structure. In practice this involves gap identification and immediate actions to address the gap. This approach is a product of the Westminster system; government is organised by siloed Portfolios, and Ministers are accountable to Parliament and organise Acts by system and sector.

### Building on the national urban development reform agenda

New Zealand is currently undergoing a reform agenda for urban development. This agenda includes:

- the work of the newly formed Infrastructure Commission, recognising the need to think long-term when assessing government investment;
- resource management system reform, particularly noting the drafting of a proposed Strategic Planning Act and its requirement for long-term regional spatial strategies<sup>11</sup>; and
- the on-exhibition Government Policy Statement on Housing and Urban Development (GPS-HUD), led by Te Tūāpapa Kura Kāinga Ministry of Housing and Urban Development.

Combined these initiatives can provide an all of government lens, enabling collective investment that can provide other wider benefits across the system.

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<sup>10</sup> Ward, M. (2020) p. 8

<sup>11</sup> Hon David Parker (2021) 'RMA to be repealed and replaced', *New Zealand Government*, 10 February 2021. <<https://www.beehive.govt.nz/release/rma-be-repealed-and-replaced>> (accessed 15/07/2021)



The intent of the GPS-HUD is to communicate the long-term vision and change needed in housing and urban development in Aotearoa New Zealand. As outlined in the summary document, the vision is that *'everyone in Aotearoa New Zealand lives in a healthy, secure and affordable home that meets their needs, within a thriving, inclusive and sustainable community'*<sup>12</sup>. This vision is guided by four outcomes that can be met through collective action in the housing sector: thriving communities, wellbeing through housing, partnering for Māori housing and urban solutions, and an adaptive and responsive system. The GPS-HUD also highlights four 'ways of working' that will change the way that the housing and urban development system works in New Zealand. As system principles these mirror a City Deal approach:

- Te Maihi o te Whare Māori: Government, iwi and Māori working collaboratively to drive tailored and enduring solutions
- Place-based approaches
- Genuine and enduring partnerships
- Sustainable and reliable funding.

While the first task of the HUD is responding to an immediate need, it is also shaping up as a place-based collaborative approach to housing and urban development for the next 30 years.

An intergovernmental partnership approach strengthens this agenda, creating the potential to expand the sphere of interest and delivering more of the Wellbeing Agenda beyond the pillar of housing.

### **Priority areas – guided by New Zealand's Wellbeing Budget**

New Zealand's Wellbeing Budget offers the building blocks for a similar 'pillars' City Deal approach. The Wellbeing Budget *'place[s] the wellbeing of current and future generations of New Zealanders at the heart of everything we do'*<sup>13</sup>, seeking to measure a broad range of success indicators. New Zealand's assessment of four capitals to support New Zealander's overall wellbeing provide one way to guide the application of a City Deal framework:

- **Human capital:** *'includes our skills, knowledge, and physical and mental health, which directly link to key elements of wellbeing, such as employment, income, housing, and social connections'*<sup>14</sup>. Human capital measures unemployment and underutilisation, education (school, apprenticeships, comparison to OECD for reading, maths, science), and health.
- **Natural capital:** *'covers all aspects of the natural environment supporting life and human activity, such as land, social, water, plants and animals, minerals and energy resources'*<sup>15</sup>. Natural capital considers climate change and resilience, quality of waterways, marine health, pest control and biodiversity enhancements.

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<sup>12</sup> New Zealand Ministry of Housing and Urban Development (2021), 'Housing and urban development in Aotearoa New Zealand', <<https://haveyoursay.hud.govt.nz/read-the-gps-hud/housing-and-urban-development-in-aotearoa-new-zealand/>> (accessed 15/07/2021)

<sup>13</sup> New Zealand Government (2021) *Wellbeing Budget 2021: Securing Our Recovery*, p. 1.

<<https://www.treasury.govt.nz/publications/wellbeing-budget/wellbeing-budget-2021-securing-our-recovery>>

<sup>14</sup> New Zealand Government (2021), p. 1

<sup>15</sup> New Zealand Government (2021), p. 5

- **Social capital:** *‘includes the social connections, attitudes, norms, and institutions that contribute to societal wellbeing, for instance, through giving us a strong sense of belonging’*<sup>16</sup>. Social capital considerations include social trust, trust in government and diversity and inclusion.
- **Financial and physical capital:** *‘refers to assets owned by households, companies, and the government’*<sup>17</sup>. Wellbeing considerations for financial and physical capital include house prices, the cost and quality of housing, business balance sheets, tourism, international education (affected by border closures), and Research & Development.
- **A fifth objective could be governance and integration, guided by the He Ara Waiora principles:** ensuring that any City Deal approach incorporates the natural and cultural context unique to Aotearoa New Zealand.

*‘The principles of He Ara Waiora provide guidance on how to achieve greater wellbeing for our people. The principles of He Ara Waiora are:*

- **Kotahitanga** – *Working in an aligned, coordinated way*
- **Tikanga** – *Making decisions in accordance with the right values and processes*
- **Whanaungatanga** – *Fostering strong relationships through kinship and/or shared experience that provide a shared sense of belonging*
- **Manaakitanga** – *Enhancing the mana of others through a process of showing proper care and respect*
- **Tiakitanga** – *Guardianship, stewardship (eg, of the environment, particular taonga, or other important processes and systems)’*<sup>18</sup>.

## How this comes together in a place

To address wellbeing beyond an individual sector and system response, there is potential in aligning the national government’s reform agenda with municipal government place-based frameworks. The Hamilton Waikato Metropolitan Spatial Plan (MSP) provides the building blocks of an integrated long-term whole of place approach to improving wellbeing.

The MSP outlines a spatial vision and framework for the growth and development of the Hamilton-Waikato metro area, the third fastest growing urban centre in New Zealand. With the metro area expected to double in population over the next 50-100 years, the MSP seeks to proactively plan for and manage future growth while addressing current challenges: existing settlement patterns, environmental deterioration and growth pressures. Success indicators are measured across environment, housing and accessibility targets<sup>19</sup>. The MSP seeks to deliver on the National Government’s Urban Growth Agenda, which aims to remove barriers to the supply of land and infrastructure to enable cities to grow up and out.

There is a governance structure in place to build from. The MSP is the product of the sub-region’s Future Proof partnership bringing together the New Zealand Government, Waikato Tainui, Waikato Regional Council, Waikato District Council, Waipa District Council and Hamilton City Council. There is significant momentum in this group and existing work that can be leveraged.

*Mana whenua* interests will be at the centre of any place-based partnership in New Zealand. For Hamilton Waikato *mana whenua* interests are represented by Waikato Tainui, the largest iwi in the

<sup>16</sup> New Zealand Government (2021), p. 6

<sup>17</sup> New Zealand Government (2021), p. 8

<sup>18</sup> New Zealand Government (2021), p. 11

<sup>19</sup> Future Proof Te Tau Titoki (2020).

North Island and second largest in New Zealand. Waikato Tainui must be at the table for any wellbeing decisions and can help fund outcomes to support iwi aspirations.

The integration of national priorities with local place-based frameworks invites a larger scale partnerships model that can deliver wider outcomes beyond infrastructure and housing. To deliver these benefits, enduring partnerships and a continuous funding scheme for cities are required. Guided by the MSP, a Hamilton-Waikato Metropolitan area funding partnership would focus on delivering transformational moves for the region including iwi aspirations, housing, and three waters infrastructure.

The impacts of not supporting cities and regions are felt at a national, regional, local level, and these impacts can be better addressed if they are not siloed. An intergovernmental partnerships model is a tool to overcome this gap: delivering alignment, funding, and multi-level governance.

