

## In Confidence

Office of the Minister of Local Government

Office of the Minister for Infrastructure

Cabinet Business Committee

## Progressing City and Regional Deals

### Proposal

1. This paper outlines what the Government is seeking to achieve from City and Regional Deals (CRDs), what we *are* willing to offer Regions as part of CRDs, what we are *not* willing to offer for the CRDs that are to be finalised by October 2026, and what we want Regions to bring to the table.
2. This paper seeks:
  - 2.1 Cabinet approval of the draft Memoranda of Understanding (MOUs) for Auckland, Otago/Central Lakes, and Western Bay of Plenty;
  - 2.2 To delegate selected decision-making authority for CRDs to the Infrastructure and Investment Ministers Group (IIMG) and the Ministers for/of Infrastructure and Local Government; and
  - 2.3 Agreement to negotiation parameters regarding what Central Government contributions may and may not be tabled for CRDs.

### Relation to government priorities

3. CRDs are a commitment under the National Party and ACT New Zealand coalition agreement. This paper also seeks decisions in support of the Government's Q2 Action Plan.<sup>1</sup>

### Executive Summary

4. CRDs are strategic 10-year partnerships between Central Government and Local Government to progress joint priorities – including economic growth, enabling abundant housing, better management and utilisation of assets, and closing the infrastructure deficit.
5. In our view, it is important for Government to have a clear and shared view on what we are seeking to achieve from CRDs. We propose that Government seeks to achieve the following five objectives:
  - 5.1 Better co-ordination between Central Government and regions, including improving how we work together and aligning our priorities.
  - 5.2 Unlocking regions' unique potential and lifting economic growth, including regional employment opportunities.
  - 5.3 Making room for housing growth.

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<sup>1</sup> Action #16: Agree the first Regional Deal Memorandum of Understanding to drive economic growth and improve the supply of housing and infrastructure, [Coalition Government's Q2 Action Plan for New Zealand](#).

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- 5.4 Ensuring Local Governments do a better job at managing and utilising their asset base and make significant progress to close their infrastructure deficits – without new funding from Central Government.
- 5.5 Ensuring Local Governments comprehensively adopt Central Government priority reforms such as Local Water Done Well, Going for Growth, Resource Management Act reform, and Going for Housing Growth.
6. On 21 November 2024, Councils were invited to submit regional deal proposals to the Government. By February 2025, 18 proposals were submitted.
7. These proposals outlined various asks of Central Government including (but not limited to) stronger and longer-term partnerships between central and local government, transport funding, Regional Infrastructure Fund funding, Special Economic Zones, streamlining immigration processes, GST sharing, Visitor Levies, providing critical data to regions (e.g., on hazards), and stronger regional spatial planning. Broadly, these asks could be grouped into five key themes:
  - 7.1 Governance arrangements,
  - 7.2 Regulatory relief,
  - 7.3 Funding and financing tools,
  - 7.4 Support for innovation and technology development including through research centres, and
  - 7.5 Utilising existing policy statements and implementing priority reforms.
8. 9(2)(g)(i) [Redacted]
9. On 14 May, IIMG endorsed Auckland, Otago Central Lakes, and Western Bay of Plenty be progressed for the first round of Deals in 2025/26. Since then, officials have engaged with these regions to establish and agree the scope and process for deal negotiations (outlined in the MOUs **attached in Appendices A, B, C**)<sup>2</sup>.
10. Prior to commencing formal negotiations, it is critical that Government is clear on: (1) what we are and are not willing to offer regions at this time, and (2) what we want and expect regions to bring to the table. 9(2)(g)(i) [Redacted]
11. Establishing clear negotiating parameters now will allow us to maintain focus on the “big wins” and changes that will shift the dial. Clear parameters will also empower Crown negotiators to make decisions in the room (where appropriate). This will save time, minimise the risk of matters being regularly escalated to Ministers, and provide assurance that Government is organised and a competent and credible negotiating partner.
12. There are likely asks that are not outlined in this paper (e.g., region-specific asks Government may have for Auckland, Western Bay of Plenty, and Central Otago Lakes).

<sup>2</sup> Note that following feedback from the Minister of Immigration during consultation “visa settings” has been removed as an area for exploration in the Auckland MOU. This change is yet to be discussed with the council.

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These “asks”, can be addressed on a case-by-case basis. We propose decision making on these matters are delegated to IIMG Ministers in the first instance.

9(2)(j) [Redacted]

	[Redacted]	[Redacted]	[Redacted]
[Redacted]	[Redacted]	[Redacted]	[Redacted]
[Redacted]	[Redacted]	[Redacted]	[Redacted]
[Redacted]	[Redacted]	[Redacted]	[Redacted]
[Redacted]	[Redacted]	[Redacted]	[Redacted]

Proactively Released by Department of Internal Affairs

<sup>3</sup>9(2)(j) [Redacted]

	9(2)(j)		

**Background**

- 13. On 11 November 2024, Cabinet agreed to finalise one Deal by the end of December 2025, with a further two Deals to be finalised by October 2026 [CAB-24-MIN-0421]. Following Cabinet decisions all councils were invited on 21 November 2024 to submit a light-touch proposal for a Deal.
- 14. Cabinet now needs to agree at least one MOU in this paper to meet the 30 June 2025 target in the Coalition Government’s Q2 Action Plan. 9(2)(j)

**Light-touch proposals**

- 15. In February 2025, 18 proposals were received across all councils. The proposals were assessed by a multi-agency assessment panel using the following criteria:<sup>4</sup>
  - 15.1 **Strategic alignment** – Is the proposal aligned with Government’s priority objectives, does the proposal have economic growth potential, is there a commitment to regional spatial priorities?
  - 15.2 **Effective partnerships** – How strong and effective are the local and central government partnerships, is there collaboration between councils in the region, is there a history of positive collaboration with Central Government, is there commitment to broader government reforms and work programmes?
  - 15.3 **Deliverability** – Is there capacity, capability and readiness to deliver?
  - 15.4 **Economic and financial feasibility** – Is the proposal feasible, are projects likely to have a positive cost-benefit ratio, are timelines realistic, and is the risk profile of proposed projects acceptable?
- 16. The assessment framework also considered the maturity of projects and negotiation complexity.
- 17. Across the 18 proposals local government put forward a range of asks from Central Government. Broadly, these can be grouped in five key themes:
  - 17.1 Governance arrangements to support stronger and longer-term partnerships between central and local government.

<sup>4</sup> The panel was comprised of officials from the DIA, National Infrastructure Funding and Financing Limited, MBIE, MSD, MfE, NZTA, HUD, Kainga Ora; with support from the Treasury, the Infrastructure Commission, MoT, Te Whatu Ora, MoE, TEC, DOC, MPI and NZDF.

- 17.2 Regulatory relief to simplify and remove rules impacting a range of areas including zoning, fees and charges, and streamlined planning for growth and development.
- 17.3 Funding and financing tools to support infrastructure investment.
- 17.4 Support for research, innovation, and technology development to promote regions to become “hubs” for industries such as technology, agriculture, and biotech.
- 17.5 Utilising existing policy statements and implementing priority reforms to improve housing, energy, and transport outcomes.

18. 9(2)(g)(i) [Redacted]

20. A group of independent expert reviewers considered the assessment outcomes and supported officials’ analysis and findings.<sup>5</sup> The views of the reviewers have been incorporated into advice that went to IIMG and this paper.

**IIMG recommends progressing three regions to MOUs**

- 21. On 14 May, IIMG agreed to endorse MOUs with Auckland, Otago Central Lakes, and Western Bay of Plenty.
- 22. The three recommended regions are best placed to progress towards Deals in 2025/26 as:
  - 22.1 all were placed in **Pool A** during the assessment, presenting the strongest cases for a viable first Deal.
  - 22.2 they are most likely to implement a Deal quickly. All have existing Urban Growth Partnerships (UGPs), which demonstrate existing collaboration which and can be leveraged to support early success within a Deal.
  - 22.3 they include the larger economies of Auckland and Western Bay of Plenty and therefore could have the greatest economic impact.
  - 22.4 for Otago Central Lakes, the Deal could enable significant broader economic growth throughout the region (e.g., in tourism).
- 23. To ensure delivery of the first Deal by December 2025, agencies have engaged with the preferred regions under non-disclosure agreements ahead of Cabinet decisions in this paper.

<sup>5</sup> Independent review was undertaken by Carl Blanchard, Karen Mitchell, Malcolm Alexander and Steven Joyce.

24. Through the engagement process an MOU for each of the three preferred regions has been developed.<sup>6</sup> These have been agreed in principle by the respective councils ahead of Cabinet consideration (**Appendices A, B, C**)<sup>7</sup>.

**Crown objectives for the deals – what are we seeking to achieve?**

25. In our view, it is important for Government to have a clear and shared view on what we are seeking to achieve from CRDs. We propose that Government seeks to achieve the following five objectives:
- 25.1 Better co-ordination between Central Government and regions, including improving how we work together and aligning our priorities.<sup>8</sup>
  - 25.2 Unlocking regions’ unique potential and lifting economic growth including regional employment opportunities.
  - 25.3 Making room for housing growth.
  - 25.4 Ensuring Local Governments do a better job at managing and utilising their asset base and make significant progress to close their infrastructure deficits – without new funding from Central Government.
  - 25.5 Ensuring Local Governments comprehensively adopt Central Government priority reforms such as Local Water Done Well, Going for Growth, Resource Management Act reform, and Going for Housing Growth.
26. All Deals are to identify a 30-year vision, and a joint goal for the Deal with specific objectives to be achieved within the next 10 years. We intend for CRDs to be ambitious and aimed to deliver greater economic growth for the region and country than otherwise would have happened. Below is the draft 30-year vision and aspirational goal for Auckland, Otago Central Lakes, and Western Bay of Plenty (as outlined in the attached MOUs). These will be refined and finalised during formal Deal negotiations. These statements have been drafted in collaboration with regions.

	30-year vision	10-year goals
Western Bay of Plenty	Leading New Zealand’s growth as the nation’s primary hub for import, export and emerging industries, attracting investment, growth companies and talent, while continuing to celebrate the region’s unique lifestyle, vibrant culture and growing economy.	A Western Bay of Plenty Deal will provide certainty for new infrastructure that is critical to the region’s continued prosperity, unlocking land for housing, industrial and commercial use and enabling our strong growth to continue. This certainty creates confidence, attracting investment, improving productivity and drives growth, and strengthening our nation’s gateway for trade via the Port of Tauranga. A deal will accelerate and magnify the region’s capacity for and pace of development, bringing 1600 ha of land to market for housing, 350ha of industrial

<sup>6</sup> Agreement of MOUs is an entry point for negotiations between central and local government for agreeing a CRD. MOUs do not set out Government commitments: They are indications of what Government could bring to the table. Specific contributions by the Crown will be agreed through Deal negotiations and involve relevant Ministers.

<sup>7</sup> Note that following feedback from the Minister of Immigration during consultation “visa settings” has been removed as an area for exploration in the Auckland MOU. This change is yet to be discussed with the council.

<sup>8</sup> The Government is already providing funding through various sources (e.g. RIF, IRG, PGF, Tourism funds, etc.) and making significant investments in Crown assets in our regions (e.g. hospitals, highways, schools and universities), however, these investments could be better coordinated and the CRD is a framework to identify existing investment and provide future alignment on an agreed strategic approach.

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		land for growing existing and new business, and generate 15,000+ new jobs in the region.  Together these will generate real annual average GDP growth of 4.6%pa, reaching \$21.6b in GDP value by 2035.
Auckland	Auckland will accelerate nationwide growth by unlocking the advantages of being New Zealand’s major international city. We will drive innovation, higher productivity and enhance the quality of life for all New Zealanders, through leveraging Auckland’s scale, unique cultural diversity, connected infrastructure and strong global links. Auckland will be a beautiful, thriving region where people will grow their incomes, innovate, create, invest, and are kaitiaki of what makes us special.	By 2035, a Deal will have unlocked Auckland’s unique potential to make New Zealand more connected, innovative, productive and globally competitive. We will be on a path for sustained growth, having first tackled Auckland’s most critical infrastructure, housing and transport constraints, enabling the city’s global reach, innovation and competitiveness to be fully realised. Through this, Auckland will lift real annual average regional GDP growth to 2.9% by 2035, adding an additional \$21.6 billion to the national economy in 2035 by generating more well-paying jobs and increasing productivity — well above current trend projections.
Central Otago-Lakes	Leverage New Zealand’s premier tourist destination by attracting investment to deliver a business and lifestyle experience that is a magnet for new and international investment, entrepreneurship and production, to amplify the region’s growth, economic diversification and resilience.	An Otago Central Lakes Deal will provide certainty for new infrastructure and services that are critical to the Region’s growth and resilience, driving increased value from tourism and developing growth sectors, such as technology, film and agriculture, enabling productivity growth to lift outcomes. New investment in infrastructure and business activity will increase the integration of the two districts’ economies and grow investment and value across the wider Otago Central Lakes subregion. This, together with affordable housing, will support the projected population growth of ~21,000 residents and ~25,000 (peak day) visitors, generating real annual average GDP growth of 5.6% pa, reaching \$12b in GDP value by 2035.

**Negotiating parameters for CRDs**

27. Prior to commencing formal negotiations, it is critical that Government is clear on: (1) what we are and are not willing to offer regions at this time, and (2) what we want and expect regions to bring to the table.
28. Establishing clear negotiating parameters now will allow us to maintain focus on the “big wins” and changes that will shift the dial. Clear parameters will also empower lead negotiators to make decisions in the room (where appropriate). This will save time; minimise the risk of matters being regularly escalated to Ministers; and provide assurance to negotiating partners that Government is organised, competent and credible.
29. There are likely asks that are not outlined in this paper (e.g., region-specific asks Government may have for Auckland, Western Bay of Plenty, and Central Otago Lakes). These “asks”, can be addressed on a case-by-case basis.
30. We propose decision making on negotiating parameters are delegated to IIMG Ministers in the first instance, in consultation with relevant portfolio Ministers. Should negotiation parameters need to deviate materially from what is in this paper, we will return to Cabinet for agreement.

*What we want local Government to bring to the table*

31. Through a Deal, the Crown will make specific asks of local government to achieve the objectives outlined in paragraph 26 – including improving how central government works with local government, boosting economic growth, making room for housing growth, better utilisation and management of assets, closing the infrastructure deficit, and local government adopting Central Government’s priority reforms.
32. We propose that the following Government “asks” are explored with regions<sup>9</sup>:
  - 32.1 **Governance arrangements:** Local Government provides a better framework/structure for regional relationships with Government.
  - 32.2 **Regulatory relief:** Local Government makes room for housing growth by going above “minimum requirements” outlined in law and regulations. This could include upzoning around significant Central Government investments in infrastructure.
  - 32.3 **Funding and Financing:** Local Government undertakes an asset recycling programme to help fund infrastructure needs. We would also like Local Government to better utilise existing funding and financing tools such as Targeted Rates, Infrastructure Funding and Financing Act Levies; and new tools such as Development Levies, and Time-of-Use charging. There is also an opportunity for local governments to explore domestic/international investment opportunities, as well as non-traditional approaches for infrastructure procurement such as strategic leasing in line with Treasury’s *Strategic Leasing Guidelines*.
  - 32.4 **Innovation and technology development:** Local Government demonstrates a credible investment plan or investment partners that will drive economic growth and regional employment opportunities (e.g., support from local industry, or partnership with international investors).
  - 32.5 **Utilising existing policy statements and implementing priority reforms:** Local Government comprehensively adopts Central Government priority reforms including Local Water Done Well (and relevant enabling policies such as introduction of water metering), Going for Growth, Resource Management Act (including national direction), and Going for Housing Growth. Adoption to these policies should also be aligned with the spirit of the changes.

*Exploring what central government might offer to bring to a deal*

33. Central government will explore with regions and relevant government agencies/entities the feasibility of certain areas being part of a Deal, including:<sup>10</sup>

- 33.1 9(2)(i) [Redacted]

<sup>9</sup> For further detail see the attached MOUs  
<sup>10</sup> For further detail see the attached MOUs

9(2)(j) [Redacted]

33.4 9(2)(j) [Redacted]

[Redacted]

9(2)(j) [Redacted]

34.1 9(2)(i) [Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

**Crown Negotiator(s)**

- 35. We are recommending Cabinet delegates authority to the Ministers for/of Infrastructure and Local Government to appoint Crown Negotiator(s) to support Deal negotiation.
- 36. The Crown Negotiator(s) will be responsible for leading negotiations with the regions and reporting back to, and cross-checking with, Ministers. They will be supported by a Crown negotiation team coordinated by the Secretariat and provided with a negotiation brief. Careful consideration will need to be given to ensure the individual(s) appointed have sufficient capacity to perform the role.

**Next steps**

- 37. Following Cabinet agreement to this paper, we will begin negotiations with Western Bay of Plenty, Auckland, and Otago Central Lakes.
- 38. We will finalise one Deal by the end of 2025, and two more deals in 2026. We also intend to undertake a second round of MOUs in mid-2026, 9(2)(g)(i) [Redacted] This will effectively establish a pipeline of MOUs through to Deals.
- 39. We propose the following decision-making arrangements for the first Deal:

39.1 Crown Negotiator(s) will lead negotiations with the regions and coordinate across the Crown negotiation team to report back to Ministers;

39.2 Minister for/of Infrastructure and Local Government will oversee the Deal negotiation process and return to Cabinet in October 2025 with the in-principle draft of the first Deal for Cabinet's consideration;

39.3 9(2)(j)

40. Government will re-engage with the selected region as soon as practicable following local body elections, to finalise the negotiated Deal by December 2025.

#### CRD monitoring and evaluation framework

41. Officials are developing a monitoring and evaluation framework, based on relevant New Zealand and international performance reporting frameworks such as the Regional Infrastructure Fund framework and the United Kingdom's Town Deals programme. The framework will align with the Office of the Auditor General guidelines on performance reporting and use SMART goals.<sup>11</sup> We propose that a monitoring and evaluation system be based on three critical aspects:

41.1 **Monitoring and reporting:** This ensures Deal partners are held to account and will help decision makers track progress against key measures.

41.2 **Process evaluation:** Process evaluation aims to understand how well the processes have worked and 'lessons learned' for the future CRD programme. Sharing lessons enables changes to be implemented through the lifecycle of the programme and across Deals/projects.

41.3 **Impact evaluation:** Impact Evaluation aims to use counterfactuals (a method of evaluation to determine impact of an intervention) to estimate the extent to which economic, social and sustainability outcomes have changed because of the CRD programme – both at the whole of programme level and by considering the impact of specific interventions. Note, determining impact takes a longer time to establish (likely to be 5-10 years).

42. We will report back to Cabinet on this framework in Q4 2025.

#### Cost-of-living Implications

43. Cost-of-living issues are not a primary objective for CRDs. CRDs aim to increase economic growth, deliver infrastructure, and improve the supply of affordable, quality housing, which may positively impact the cost-of-living.

#### Financial Implications

44. 9(2)(g)(i), 9(2)(j)

#### Legislative Implications

<sup>11</sup> Specific, Measurable, Achievable, Relevant and Time-bound.

45. There are no regulatory proposals in this paper, and therefore Cabinet's impact analysis requirements do not apply. Any relief enabled by legislation may be considered as part of future Cabinet report backs.

#### **Climate Implications of Policy Assessment**

46. The Climate Implications of Policy Assessment (CIPA) requirements do not apply as there is no direct emissions impact from the agreement of MOUs.

#### **Population and Human Rights Implications**

47. This proposal contains no population or human rights implications.

#### **Use of external Resources**

48. To support Ministerial consideration of proposals, the officials engaged Infometrics as independent economic advisors, Bell Gully to provide legal advisory services, and a partnership of Mafic and BDO for commercial/financial advisory services.
49. The services of four independent reviewers were also contracted to review the proposal assessment process outcomes, and to provide guidance on next steps to progress Deals.

#### **Consultation**

50. The following departments have been consulted on this Cabinet paper: The Treasury; the Ministry of Housing and Urban Development; the Ministry of Transport; the Ministry of Business, Innovation and Employment; the Ministry of Health; Health New Zealand; the Ministry of Education; the Ministry of Social Development; the Department of Conservation; the Inland Revenue Department; the Ministry for Primary Industries; the Ministry of Culture and Heritage; National Infrastructure Funding and Financing; Te Waihanga, the New Zealand Infrastructure Commission; the New Zealand Transport Agency; Kāinga Ora; the Ministry for the Environment.
51. The Department of the Prime Minister and Cabinet has been informed.

#### **Communications**

52. We intend to make a joint ministerial press release in early July on the first selected regions which Cabinet has agreed to sign MOUs with.
53. The public facing elements of the MOUs will also be released in July, as part of the Q2 target in a separate Local Government portfolio press release.

#### **Proactive Release**

54. We propose this paper be proactively released with appropriate redactions (including the names of regions in Pool A and B) within 30 days of Cabinet decisions.

#### **Recommendations**

The Minister of Local Government and the Minister for Infrastructure recommend that Cabinet:

1. **note** the recommendations of IIMG to progress three regions (Auckland, Otago Central Lakes, and Western Bay of Plenty) regions to MOUs;
2. **agree** that through a Deal, Central Government is seeking to achieve:
  - 2.1 Better co-ordination between Central Government and regions, including improving how we work together and aligning our priorities;
  - 2.2 Unlocking regions' unique potential and lifting economic growth;

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- 2.3 Making room for housing growth;
- 2.4 Local Governments do a better job at managing and utilising their asset base and make significant progress to close their infrastructure deficits – without new funding from Central Government; and
- 2.5 Local Governments comprehensively adopt Central Government priority reforms such as Local Water Done Well, Resource Management Act, and Going for Housing Growth;
3. **agree** central government broadly wants local government to:
  - 3.1 provide a better framework/structure for regional relationships with Central Government;
  - 3.2 make room for housing growth and simplifying planning and consenting;
  - 3.3 be open to explore existing and new funding and financing tools for infrastructure such as asset recycling, Targeted Rates, Infrastructure Funding and Financing Act Levies, domestic/international investment, and time-of-use charging, as well as non-traditional procurement approaches like strategic leasing;
  - 3.4 demonstrate a credible investment plan or investment partners that will drive economic growth;
  - 3.5 comprehensively adopt Central Government priority reforms including Local Water Done Well, Resource Management Act (including national direction), and Going for Housing Growth;
4. 9(2)(j) [REDACTED]
5. **approve** the attached MOUs for Auckland, Otago Central Lakes, and Western Bay of Plenty;
6. **agree** that the Ministers for/of Infrastructure and Local Government will oversee the Deal negotiation process and return to Cabinet in October 2025 with the in-principle draft of the first Deal for Cabinet’s agreement;
7. **note** that the Ministers for/of Infrastructure and Local Government will return to Cabinet should the negotiation parameters need to deviate materially from what is in this paper;

8. 9(2)(j) [REDACTED]  
[REDACTED]  
[REDACTED]
9. **delegate** authority to the Ministers for/of Infrastructure and Local Government to;
- 9.1 make any minor and technical amendments to final MOUs, if required;
  - 9.2 appoint Crown Negotiator(s) to lead negotiations with the regions;
  - 9.3 decide on any matters needed to conclude Deal negotiations including consulting with relevant Ministers as needed;
  - 9.4 sign-off negotiation briefs in conjunction with relevant portfolio Ministers; and
  - 9.5 sign MOUs on behalf of the Crown;
10. **note** that the Ministers for/of Infrastructure and Local Government intend to discuss the CRD programme with the Opposition;
11. **delegate** authority to the Ministers for/of Infrastructure and Local Government to make decisions on the final design of a detailed monitoring and evaluation CRDs framework, including appropriate indicators to use to measure success;

Hon Simon Watts

Minister of Local Government

Hon Chris Bishop

Minister for Infrastructure