Independent and informed by both research and ongoing dialogue with the community, the Regional Australia Institute (RAI) develops policy and advocates for change to build a stronger economy and better quality of life in regional Australia – for the benefit of all Australians. The RAI was established with support from the Australian Government.

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Acknowledgements
The RAI and Centre for Cities acknowledges all the people and organisations who have contributed feedback and ideas during the development of this report. Specifically we would like to acknowledge the contribution of Regional Capitals Australia and several state and local government leaders for feedback insights and support.

This report can be referenced as

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Executive Summary

If we want Australia to prosper then we need our regional cities to perform well. Australia has benefited from the growth of our big cities. But the growth and development pathway for our small cities is more challenging.

Regional cities have the potential to produce $375 billion in output in 2031, cementing their 15 per cent contribution to the national economy. Putting this output in today’s terms, regional cities in 2031 will produce twice as much as all the new economy industries produce in today’s metropolitan cities.

Sustained growth in regional cities will require locally tailored policies to drive small city growth. In our major cities congestion and settlement patterns constrain performance.

Regional cities are now explicitly part of the Australian Government’s City Deals collaborative program, a cross portfolio, government investment approach with local flexibility. This Blueprint is about providing accountability and transparency in the Deal making process. It provides evidence-based criteria and transparent processes for identifying a competitive City Deal.

Experience from cities in the UK suggests that Australia’s regional cities will need to demonstrate clarity of purpose and commitment to change to be successful. This report provides a guide to all City Deal players - local, state and federal government and private businesses - to assist in the formulation of City Deal strategies in each of Australia’s 31 regional cities.

First, are city economic growth engines ready? Cities need to be clear on how the City Deal will deliver national economic growth opportunities by improving the performance of the city’s economic engine. Australia’s regional City Deals should lift the quality of the Business Dynamo, which supports business innovation and growth, nurtures local specialisations and highly talented people, and builds the cultural and creative capacity of our regional cities. Each city has its own weaknesses, specialisations and strengths, therefore each Deal must embrace this bespoke investment approach.

Second, are cities ready? The UK experience has shown that this policy is not for the faint hearted. City leaders need to be bold, innovative, coordinated and clear on the return on investment both for their cities and for national government. All players in a City Deal need to be clear on rules of engagement for a collaborative City Deal. Clear criteria on what makes a City ready is essential for efficient Deal formation.

The consensus in the UK is that City Deals have helped cities to improve their economic strategies, to progress their plans faster than would otherwise have been possible, to establish robust and lasting partnerships with businesses and civic organisations, and to increase the likelihood that City Deals will result in significant and lasting impact.

As Australia gears up to expand the City Deals program to regional cities across the country, there is an urgent need for clarity on the competition criteria and the Government’s ambitions for the quality of proposals, in order to generate quality bids and avoid time wasted on fruitless bids. Otherwise, our great small cities could lose out to big city funding options.

Without all the players in regional City Deals being ready we know from the UK that failure is imminent. City Deals are most effective when collaboratively negotiated with willing and ready cities. Therefore, city leaders must ask themselves.

Is your city ready to deal?
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A Blueprint for Regional City Deals

The Blueprint for investing in regional cities addresses one issue – is a city ready for a City Deal? In addressing this issue, two questions emerge (i) Are city economic engines ready? and (ii) Are cities ready? Both components draw heavily from UK City Deal experiences. The Blueprint provides guidance to local, state and federal governments, as well as private businesses and community groups on which cities are ready to Deal.

This Blueprint provides evidence-based criteria and transparent processes for identifying a competitive City Deal. It is to be used by all players in a City Deal to guide best practice.

Guidance to regional city players is critically needed now as, for the first time, regional cities are part of a Federal Government cities program.

We plan to develop a stream of City Deals specifically for regional cities to maximise their unique advantages and support long-term growth.

Assistant Minister for Cities; Taylor; 9 November 2016

Projections of future regional city growth are positive. Regional cities have the potential to produce $375 billion in output in 2031, cementing their 15 per cent contribution to the national economy. Putting this output in today’s terms, regional cities in 2031 will produce twice as much as all the new economy industries (finance, education, health and professional services) produce in today’s metropolitan cities. The RAI’s Lighting Up our Great Small Cities report explores this potential further.

Achieving this sustained growth in regional cities will require locally tailored policy approaches to stimulate the economic engine that drives small city growth. In contrast to our major cities where congestion and settlement patterns constrain performance.

This Blueprint is able to address many questions that are currently under discussion in the City Deal policy environment, such as ‘Are we competitive against other cities?’, ‘How can we transparently identify which are the next crop of cities for a deal?’ or ‘What is a good investment package?’ Figure 1 identifies key questions raised by all City Deal players local, state and federal government as well as non-government investors like universities, private companies, not for profit organisations and community groups, that can be addressed by the Blueprint.

What is an Australian City Deal?

City Deals are a collaborative agreement between the Australian Government, a state or territory government, and local governments that will make our cities better places to live in and do business. Through City Deals, governments, industry and communities will develop collective plans for growth and commit to the actions, investments, reforms and governance needed to implement them.
Since 2010 the UK has used City Deals to enable its cities to flex national policies, fill in gaps to meet local priorities, and experiment with new approaches. These City Deals have been delivered across the UK ranging from cities as small as Cambridge (120,000 residents) to the second largest city of Manchester (2.5 million).

Figure 2 outlines the key waves of City Deals here and in the UK as well as the specific contributions of report authors from the Centre for Cities, UK and the Regional Australia Institute. Insights from the UK can guide Australia on its path to effective and efficient implementation of the City Deal program. Box 1 sets out the lessons from the UK, along with Australian insights, to help cities understand the criteria they need to fulfil to be ready for a City Deal.
Figure 2. Timeline of UK and Australian City Deals and policy input from RAI and Centre for Cities

- RAI Issues 31 Regional Cities Report
  - October
  - RAI City Deals Report
  - June
- CEC City Deals
  - April
  - CEC City Deals
  - February
  - Report

2012
- CEC City Deals
  - July
- CEC City Deals
  - August
- RAI City Deals
  - May

2013
- CEC City Deals
  - November

2014
- CEC City Deals
  - September

2015
- CEC City Deals
  - October

2016
- CEC City Deals
  - January
- RAI City Deals
  - February
- RAI City Deals
  - March

2017
- RAI City Deals
  - January
- RAI City Deals
  - February
- RAI City Deals
  - March
- RAI City Deals
  - April
- RAI City Deals
  - May
- RAI City Deals
  - June
Drawing on these lessons there are two fundamental criteria that ultimately determined whether a UK City was ready to Deal – (i) understanding of the economic engine, and (ii) effective people and city structures. While the UK context drives these criteria and lessons, Australian cities can learn from their experiences to ensure they are ready to deal.
The Blueprint’s two questions

The Blueprint addresses a simple issue; is your city ready for a City Deal? In addressing this, two questions emerge – is the economy ready, is the city ready. The first question is related to economic characteristics while the second is related to people (Figure 3).

**Figure 3.** Blueprint for investing in a City Deal: are you ready to deal?

The following sections of the report focus on the two questions individually.

Together, this report and its companion *Lighting Up our Great Small Cities: Challenging Misconceptions* provide advice to policy makers and leaders in regional cities. This new analysis is a collaboration between the Centre for Cities, UK and the Regional Australia Institute. The collaboration builds on the long-term research agendas of both institutes in providing independent advice to government and communities on significant matters concerning City Policy, Regional Cities and Economic Growth, outlined in Figure 2.
Are Economic Engines Ready?

All regional cities are predicted to grow – but City Deals could deliver more. Policymakers need bespoke investment that reflects individual city constraints. Regional city constraints are hindering local economic growth and investment should drive the local economic engine through stimulating Business Dynamo for local innovation, nurturing local specialisation, attracting highly talented people and building cultural and creative capacity. Identifying which of these local weaknesses is holding back your city is the target for a City Deal. What is your city’s constraint for growth, and how are you addressing it?

This first element of the Blueprint unpacks regional city strengths and weaknesses to highlight opportunities for investment, identifying the unique investment mix required in each city.

The Lighting Up our Great Small Cities report identified the economic growth histories of the 31 regional cities, and the directions that their trajectories will take them in coming decades. It highlighted the differences across the cities, and the links between economic growth and key variables such as population level, population growth rate and extent of industry specialisation. In this first element of the Blueprint, we look deeper into the character of the 31 cities to identify the weaknesses in their economies.

Our assessment of economic engine readiness is based on the search for areas where investment of capital or other resources can have an impact on city economic performance. This section goes back to the four components of a regional city’s economic engine; Business Dynamo, specialisation, workforce engagement and lifestyle for each city to identify the strengths and weaknesses to focus investment. It then tackles the difficult task of providing projections for growth and estimates of where the city sits in its development path – the second crucial piece of information in understanding the economic engine of regional cities.

The economic engine is the horsepower that drives each city’s economy, and reflects each city’s ability to drive itself through the business cycle – capturing gains from boom times and having the power to push through the downturns. Historical and forecast economic performance positions each city on the business cycle, and sets the foundation for whether current investment needs are to manage recent growth or support a transition from one set of economic drivers to another. A key part of the economic engine is the vibrancy and capability of the business mix and this is captured in the RAI’s Business Dynamo, introduced in our 2016 Innovation report. Economic specialisations identify nationally and potentially internationally competitive business types that in a global marketplace are often the main differentiators between otherwise similar cities. With most jobs growth forecast to be in higher skilled tertiary sector industries, the scale of capacity in these industries is an important attractor for workforce engagement and growth. In addition, the lifestyle attributes of housing affordability and cultural diversity frame the desirability of a city as a place to live, and differentiate a city going through a short-term workforce boom from one with long-term lifestyle attractors.

The criteria and indicators for understanding regional city constraints for growth, and thereby guiding future investment decisions, are set out in Table 1. We use these 14 indicators to look for
signs of relative weakness in each city’s economic growth as measured in population, output and participation. As a ‘top down’ approach, the findings from our analysis need to be explored and augmented with detailed knowledge of local conditions.

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Indicators</th>
<th>Why</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Business Dynamo</strong></td>
<td>New business entrants</td>
<td>Vibrancy of business base</td>
</tr>
<tr>
<td></td>
<td>Knowledge Intensive Business Services (KIBS)</td>
<td>Business building capability</td>
</tr>
<tr>
<td></td>
<td>Trademark applications</td>
<td>Business sophistication</td>
</tr>
<tr>
<td></td>
<td>Business owner/managers</td>
<td>Scale of local entrepreneurship</td>
</tr>
<tr>
<td><strong>Specialisation</strong></td>
<td>Specialisation industries</td>
<td>Nationally competitive industries</td>
</tr>
<tr>
<td></td>
<td>New/ old economy foci</td>
<td>Extent of structural change towards a service economy</td>
</tr>
<tr>
<td></td>
<td>Hachman Index</td>
<td>Alignment of city economy to diverse national structure</td>
</tr>
<tr>
<td></td>
<td>Herfindahl – Hirschman Index</td>
<td>Specialisation of industry structure</td>
</tr>
<tr>
<td><strong>Workforce engagement</strong></td>
<td>High income earners</td>
<td>Scale of high value economy</td>
</tr>
<tr>
<td></td>
<td>Unemployment rate</td>
<td>Labour availability and business cycle</td>
</tr>
<tr>
<td></td>
<td>Income inequality</td>
<td>Spread of earning potential</td>
</tr>
<tr>
<td><strong>Lifestyle</strong></td>
<td>Tertiary qualifications</td>
<td>Scale of highly qualified workers</td>
</tr>
<tr>
<td></td>
<td>House price and affordability</td>
<td>Attractiveness</td>
</tr>
<tr>
<td></td>
<td>Lifestyle (Bohemian Index)</td>
<td>Scale of creative industries</td>
</tr>
<tr>
<td></td>
<td>Commute time</td>
<td>Congestion attractiveness</td>
</tr>
</tbody>
</table>

Table 1. Economic engine criteria for understanding regional city constraints for growth

Understanding the economic engine for growth

Comparing Australia’s 31 regional cities with our largest metropolitan cities reveals strong economic performance, but also deficiencies in almost all the indicators that characterise the economic engine. The biggest gaps are in share of high-income earners, new business entrants, KIBS, trademark applications and the Bohemian Index. Regional cities perform better in terms of house prices, income inequality and the share of business owner/managers.

Regional and Metro cities share economic performance

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Regional Cities</th>
<th>Metropolitan Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output growth rate of metro</td>
<td>83%</td>
<td>98%</td>
</tr>
<tr>
<td>Participation rate of metro</td>
<td></td>
<td>91%</td>
</tr>
<tr>
<td>Worker productivity of metro</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Business Dynamo

On every measure in the RAI’s Business Dynamo, regional cities trail metropolitan averages by large margins (other than the share of owner managers where the gap is small).

Regional city trademark application rates are less than half those across capital cities. Business entry rates are 20 per cent lower. Most concerning of all is that regional cities have a third less capability in KIBS. These are the business-to-business drivers of growth – such as marketing, design, packaging, advertising, financial advice, legal and intellectual property, human resource management – the high value professional services that businesses draw on to enable continuing growth.

The Business Dynamo in our regional cities is not yet strong enough to sustain the kind of economic performance that is needed to secure sustainable long-term growth in regional Australia. A key objective of the City Deals program must be to lift performance in this area.

Specialisation

The Lighting Up our Great Small Cities report showed that the economic structural changes in regional cities reflect the rise of new economy high value service industries like finance, education, health and professional services compared to a slowing in the old economy industries of agriculture, manufacturing and mining.

The old economy is far from dead, as primary and secondary industries still account for important shares of economic output in many regional cities. However, growth in old economy industries is increasingly reliant on high tech service industries. Regional cities need to be in a position to provide or access these services or they will miss opportunities for future growth.

New economy industries can also flourish in their own right in regional cities and attract private investment when there is adequate scale and identification of untapped opportunities for growth. Australia’s private education market, for example, periodically attracts significant private capital, and some regional cities (Toowoomba for example) have a distinct specialisation in private education at the school level. Health care and aged services also offer good prospects for private investment in regional cities.
Many cities offer unique specialisations such as the allied health sector in Sunshine Coast-Noosa, defence in Townsville and tertiary education in Wagga Wagga. Understanding the nature and extent of these specialisations and their growth opportunities is vital in ensuring that investment is targeted towards economic activities with the strongest national and international growth prospects.

Deliberately nurturing specialisations has not been a feature of Australian industry or regional policy for a long time, but it is fundamental to the future of regional city economies. Any City Deal should be clear about which specialisations matter most for the future of the city and should be framed around a plan to foster their growth.

Workforce engagement

Delivering a workforce environment that attracts people is a key growth driver for regional cities. Workforces that are educated, have access to high paying jobs, strong employment opportunities (low unemployment rates) and relatively equal, are more likely to stimulate local innovation and deliver city growth\textsuperscript{vi}. Regional cities are well behind the metro capitals in terms of share of the workforce with tertiary qualifications (15.9 per cent compared with 25.1 per cent) and share of high wage jobs (3.7 per cent compared with 7.7 per cent). The RAI work on human capital\textsuperscript{vii} shows that this gap continues across other qualifications levels and across lifelong learning measures as well. While there are many factors underlying this (including the differences in the availability of tertiary education opportunities, and the employment mix), education is consistently found in overseas research to be a key determinant of economic growth\textsuperscript{v}. More equal cities with low unemployment rates are also key attractors of a workforce. City Deals can directly target upskilling workforces here and in the UK, see Box 2 for one example of how a cross-portfolio City Deal tackled this issue in Ipswich, UK.

Overall, regional cities can do better in attracting and developing highly qualified people who can take up local high paying jobs. Progress on this issue should be an essential concern for City Deals.

Box 2: How Ipswich (UK) dealt with preparing the workforce

The Greater Ipswich City Deal inspired MyGo youth employment service – the first of its kind in the UK. MyGo acts as a key part of the ‘City Deal Youth Guarantee’, drawing on national and international best practice on what works to help young people, educators and companies come together to enhance the preparedness of our future workforce. By joining up local services and working with businesses, the initiative ensures that young people have a clearer understanding of the career options available and are equipped with the skills and experience that recruiters are looking for.

Lifestyle

Business and cultural diversity play a key role in economic vitality and in particular as generators of innovation, entrepreneurship and growth\textsuperscript{vii}. The best cities in the world are magnets for growth, innovation and diversity\textsuperscript{vii}. Regional cities need to follow this lead and continue to deliver great places to live with affordable housing and diverse work and play opportunities.
The Bohemian Index captures the scale of employment in creative occupations such as media and arts as an indicator of creativity within cities and their potential for stimulating an environment and city identity. As with many of the indicators, regional cities trail metro centres with an average Bohemian Index score of 0.27 compared to the mainland capitals of 1.07.

Our regional cities need to grow up. Many regional cities feel like towns, they can do better in enhancing the attractive lifestyle and cultural diversity that makes them preferred places to live. City Deals can directly target lifestyle as part of the package that stimulates economic growth.

Determining city growth paths

Overall, Australia’s portfolio of regional City Deals should seek to lift the quality of the Business Dynamo that supports business innovation and growth, nurture local specialisations and highly talented workforces and build the cultural and creative capacity of our regional cities.

However, not every deal should seek to do all of these things in each city. Instead, Deals should be targeted to the most strategically significant deficiencies in the economic engines of each regional city. The most obvious priorities for groups of cities in different stages of growth and transition (introduced in the Lighting Up our Great Small Cities report), are described below with a more detailed discussion of each city in Appendix A. This analysis provides a starting point for focusing Deal design across the 31 Cities.

Australia’s regional cities have four potential economic output growth trajectories to 2031:

- **Gaining Cities**: Have experienced average or high past growth and are predicted to continue strong growing.
- **Expanding Cities**: Have previously had low or average growth, but are expected to achieve high growth into the future.
- **Slipping Cities**: Previously high or average growth and are falling back to below national average growth into the future.
- **Slow and Steady Cities**: Little change in growth trajectory from past to future at below national average expectations.
These cities are expected to continue their above average output growth (3.3 per cent Compounding Annual Growth Rate (CAGR)); Darwin, Townville, Fraser Coast, Gold Coast-Tweed, Sunshine Coast-Noosa, Mandurah, Bunbury, Bundaberg and Rockhampton. However, they face different challenges to achieve their gaining potential.

A number of cities in this group directly benefited from the mining boom but are now being challenged to transition from reliance on the mining investment boom for growth to building stronger business and employment growth in new economy industries. Townsville through its City Deal is drawing on the strength in the city’s transport infrastructure, universities, health care and defence. Similarly, Darwin’s medium-term growth (around 3.2 per cent per annum) is challenged into the future by high cost of living (goods, services and housing) ensuring they do not get out of step with wages, as there are emerging groups of ‘haves’ and ‘have nots’ already in Darwin, depending on the nature of employment.

Other cities (Mandurah, Fraser Coast, Gold Coast-Tweed and Sunshine Coast-Noosa) have economies that are driven by population growth and the need for its servicing. Mandurah and Fraser Coast have among the highest growth projections of all regional cities (4.8 per cent per annum and 3 per cent per annum respectively). The challenge for both cities is deepening their share of, and economic contribution from, locally-based jobs and moving away from the recent reliance on FIFO incomes. In both cities the participation rate has been low but there has also been a high share of residents with high incomes. Many locals are not working, and of those that do a high proportion are in high paying jobs, most of which are based elsewhere. These cities need to lift their Bohemian Index to improve business and cultural diversity, and deepen local capability in KIBS to underpin a wider range of local jobs that can lift the participation rate.

A consequence of high population growth for the lifestyle cities of Sunshine Coast-Noosa and Gold Coast-Tweed has been the rapid increase in house prices, with the two cities having the worst ratio of average incomes to average house prices of all regional cities. Sunshine Coast-Noosa and Gold Coast-Tweed share the need to raise incomes to keep pace with housing costs. In both, self-employment rates are quite high. The need is for more employing businesses with outward market and growth focus that will provide a foundation for more local jobs and more higher paying positions, rather than individuals ‘buying themselves a job’.

These cities have experienced average or low growth in the past (2001-2013) but are predicted to have above average growth into the future (3.4 per cent CAGR), including: Cairns, Central Coast, Toowoomba and Hobart. They are characterised as having low unemployment rates and high productivity per worker.

Cairns, Hobart and Central Coast share a foundation which is well positioned for growth, with high Bohemian Index scores along with quite high shares of KIBS and rate of business entries. While the foundations are strong in regards to these indicator sets, these cities share a need for more growth-oriented local businesses and associated higher income jobs.

Toowoomba does not have the same strength in underlying economic structure as these three cities, with markedly lower measures of Bohemian Index and KIBS as well as lower business entry rates.
Lifting these will be an important foundation for fostering entrepreneurship to underpin sustainable high performance.

These cities have experienced high or average growth in the past but are predicted to fall below the average growth projections (averaging 2.2 per cent CAGR), ensuring they have already or will shortly experience a downturn unless things change. Slipping cities are predicted to include Gladstone, Mackay, Bendigo, Coffs Harbour and Greater Newcastle.

Mackay and Gladstone have in common the need to raise Bohemian Index occupational diversity and business entry rates to pick up opportunities for post-mining growth. The high share of workers with high incomes in 2011 (10-17 per cent) is another sign of a big boom, unsustainable in the medium term, which will have major impacts on consumption and housing as these ratios return to more sustainable levels.

Greater Newcastle performs particularly well on residents with high incomes and overall productivity, but less well on business entry rates, and slightly higher on the Bohemian Index – emphasising the diversity across the city. The foundation indicators look promising, but all these cities are vulnerable to loss of higher income jobs since 2013 and the impact on the housing market.

Slow and Steady cities are expected to continue their low, but positive growth trajectories with below average growth rates (averaging 2.3 per cent CAGR). These cities are generally smaller, and lower in output – but still strong in productivity and participation rates. They have less knowledge-based employees and lower start up rates with strong housing affordability. While they share many challenges, there are also unique insights for each city.

Common for most slow and steady cities is the need to stimulate the local Business Dynamo. Wagga Wagga and Bathurst-Orange saw GVA growth averaging around 1.7 per cent pa over the 2001-13 period, and projected growth rates are higher at about 2.4 per cent per annum. The challenges for the two cities centre on the lower rate of business entries, KIBS and owner managers. Together, low scores on these three indicators suggest some lingering dominance by bigger employers, which is not translating into vibrant locally led economies.

Shoalhaven and Ballina-Lismore share many characteristics, with both showing low participation rates (especially Shoalhaven), high share of owner managers, but low share of KIBS and rate of new business entries. Ballina-Lismore has a high Bohemian Index as well, but appears locked into a low growth SME foundation and needs more vibrant KIBS to facilitate locally based micro and small businesses to expand.

The clear aim for regional City Deals is to foster more growth-oriented businesses, secure more local high paying jobs and build cultural diversity and creative jobs. Table 2 provides a summary of the projected growth groups and their specific weaknesses.
Governments have the ability to directly influence some of these weaknesses, and indirectly influence others.

For example, while cities cannot directly influence the Bohemian Index, they can remove the impediments facing the creative sector and invest in the factors that support and enhance the growth of knowledge-based firms. A good example is Renew Newcastle Inc., where the organisation negotiated with landlords and the council to ‘change the use’ of empty CBD commercial spaces so they could be used at peppercorn rental levels by artists, new creative businesses and other start-ups to help add to diversity and refresh the vitality of the CBD.

Many Australian regional cities are also facing a challenge in fast tracking worker transitions as structural and business cycle changes reframe the employment mix. Box 3 provides examples from the UK on how one of their City Deals addressed weaknesses in the local Business Dynamo.

Table 2. Summary of regional city weaknesses across the economic engine

<table>
<thead>
<tr>
<th>City type</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gaining Cities</td>
<td>Participation rate, growth oriented local businesses, Income inequality, unemployment rate, Bohemian Index, housing affordability</td>
</tr>
<tr>
<td>Expanding Cities</td>
<td>Growth oriented local businesses, Higher income jobs, Bohemian Index</td>
</tr>
<tr>
<td>Slipping Cities</td>
<td>Growth oriented local businesses, business entries, High income job loss, Bohemian Index, housing affordability</td>
</tr>
<tr>
<td>Slow and Steady Cities</td>
<td>Growth oriented local businesses, business entries, KIBS, owner managers, Higher income jobs, Costs of living</td>
</tr>
</tbody>
</table>
Identifying economic engine investment priorities

The Lighting Up our Great Small Cities report showed that delivering on growth potential in regional cities is not as simple as investing in a common single issue like ‘new economy industries’, ‘population size’ or ‘industry growth in output’. Our analysis of the weaknesses in the economic engine of the 31 regional cities reveals what needs to be addressed for these cities to realise their growth potential. The most common needs are to build the local cohort of growth orientated businesses, secure more local high paying jobs and foster creative and cultural diversity in regional cities.

Each City has its own pathway to these and related goals. Table 3 outlines a set of questions that can be used by cities and policy makers to assess the readiness of a city to enter into a City Deal focusing on the economic engine and growth path issues.

The key is to use the opportunity for collaboration across jurisdictions and across portfolios to marshal the resources that stimulate transformative change in the local economic engine.

Box 3: Stimulating UK local business through City Deals.

The Greater Birmingham City Deal provides for an enhanced local business support program. The program strengthens the links between the business community and the City’s university, in particular focusing on enabling local firms to access the university’s RandD, skills and knowledge assets and commercialisation services. Complimentary to this is the Nottingham City Deal which focused efforts on providing appropriate buildings and space in the ‘Creative Quarter’, which aimed to lift the value of highly skilled, science and technology based jobs, through enabling the development of the Nottingham Growth Plan’s flagship project.
<table>
<thead>
<tr>
<th>Criteria</th>
<th>Questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Understand growth engine</td>
<td>What drives economic growth locally?</td>
</tr>
<tr>
<td></td>
<td>Where can our city best add to national economic growth?</td>
</tr>
<tr>
<td></td>
<td>What is the key constraint for economic growth in the city?</td>
</tr>
<tr>
<td></td>
<td>What aspects of the Business Dynamo are requiring intervention? why?</td>
</tr>
<tr>
<td></td>
<td>What is the local economic specialisation?</td>
</tr>
<tr>
<td></td>
<td>How is specialisation being balanced with a resilient economic structure?</td>
</tr>
<tr>
<td></td>
<td>What investment is needed to grow workforce engagement?</td>
</tr>
<tr>
<td>Determine city growth path</td>
<td>How ‘magnetic’ is the city? What needs to change for a valued lifestyle?</td>
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<td></td>
<td>What stage of the growth path is the city on?</td>
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<td></td>
<td>Are there clear economic performance measures of success that differentiate between short, medium and long-term outcomes?</td>
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<td></td>
<td>What is the big issue of economic performance that concerns the city? (e.g. output, jobs, population), and how can performance be measured?</td>
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<td></td>
<td>What strategy is needed to unlock constraints in current city growth projections?</td>
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</table>

Table 3. Criteria for assessing if the economic engine of a city is ready for investment.
Are Cities Ready?

Cities need to be ready for transformational investment if they are ready to deal. A ready city will have the political will and leadership, clear structures for implementation; and understand its capacity to deliver. Is your city ready?

City Deals require cities and all players to do things differently. There are new ‘rules of engagement’.

The Australian Government’s City Deals policy brings the process for collaboration on place-based economic development to life. The Minister has described Deals as a joined-up approach:

“The idea is that investment, policy and regulatory decisions will be taken together to look at the needs of the city as a whole. So unlike the usual approach to policy, where it is driven from Canberra without an awareness of the impact it’s having at the local level, the idea of the City Deal is to actually identify needs and opportunities at that local level and tailor policy behind it.

... at the heart of the City Deal is collaboration, each of them will be tailored to the unique needs and opportunities in each city.”

Therefore, City Deals are a collaborative program with clear goals. Drawing on the lessons from UK and Australian experiences to date. We see the program with three criteria that cities need to be aware of for success.

First, the Federal Government has stepped into the urban discussion in a programmatic way through the Smart City Policy. The City Deals component of this policy has identified six policy domains for inclusion in City Deals: Housing; Jobs and skills; Governance, regulation and planning; Infrastructure; Innovation and digital; and Liveability and sustainability. These six domains are further expanded on in Appendix B, the Memorandum of Understanding between the Australian Government and the Queensland Government.

Second, the approach of City Deals is to achieve collaborative cross-jurisdictional (local-state-federal), holistic outcomes for the local city. This ensures a wide range of interested players, e.g. government, private sector, across the government, quasi-government, non-government and community sectors, across each pillar of the City Deal e.g. housing, jobs and skills.

The final component of getting cities ready for a City Deal is getting the right players and structures from across the portfolios with the right leadership credentials. These players need the leadership and political will, decision-making structures and capacity to deliver. This is all in the context of a collaborative program, not a grant program. See Appendix C for an overview of the differences between grants and collaborative programatic approaches.

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1 Speech to RAI City Deals Forum 13 October 2016
This section explores the institutional and relationship structures required for readiness, specifically political will and leadership, strategic decision-making structures, and delivery capacity and resources. It sets out the rules of engagement for a successful collaborative City Deal.

**Do you have the political will and leadership?**

City Deals are a long-term investment plan for a city of up to 20 years. The first attribute required to ensure success, is to demonstrate political will within a city. This means a commitment to an investment strategy, supported by a consensus of local leaders in business, community and government. Securing broad political support depends on the extent to which a Deal can deliver value to the local people beyond the status quo and that it is solving problems that all the partners consider to be a high priority.

**Box 4: Strong political will and leadership in Portsmouth and Southampton**

The importance and benefits of clear and strong political will and leadership are seen in the Portsmouth and Southampton City Deal for the Solent region. The deal, in part a response to the closure of several large local employers, saw the city leaders working closely with business and civic leaders to develop a vision for the area that will bring thousands of jobs and pump millions of pounds into the local economy by stimulating the area’s maritime, marine and advanced manufacturing sector through development of a strategic land site. Importantly it was seen by the local businesses as “… not only a fantastic economic opportunity but a historic moment of cooperation between these two great cities for the benefit of the entire Solent area.”

To ensure that the political will and the leadership required to deliver over the long term is present, there is an increasing recognition in the UK that City Deals must include business partners, civic institutions such as universities as well as elected local leaders. Without this diversity of support, it is impossible to be confident that the right partners are involved from the beginning and that the community has clear lines of accountability and scrutiny.

The Solent Regional City Deal in the UK (Box 4) highlights the last issue for political will and leadership - a strong evidence base underpins long-term planning and commitment that can incorporate associated visions, strategic insights and community support within the City Deal rather than having it based on short-term political convenience.

In the Australian context, this means that local government may lead a City Deal negotiation, but they must have established networks of support in state and federal government and private business. Bendigo is showing how to align leadership and political will with the SMARTER Bendigo collaboration made of local and state governments as well as private business.

**Do you have the structures for making tough decisions?**

The right decision-making structures are essential in moving City Deals from strategic intent to on the ground action. A city ready to deal will have the structures in place to ensure there is strategic governance of the on-going collaborations necessary for implementation (including its monitoring and assessment) and the financial mechanisms to ensure delivery is successful.
With several partners involved in the delivery of any City Deal, clear structures for decision making and delivery are needed from the beginning. It is crucial to ensure that there are clear and accountable processes in place that set out who is involved in the decision-making process, what the role and responsibilities of each partner is, and how decisions will be taken. This includes the obvious good governance requirements of transparency, accountability and salience across the Deal.

It also means getting the mechanisms in place to ensure that pooled funds can be allocated to prioritised local initiatives with minimal red tape. See Box 5 for insight on how important these structures are to the success of the Ipswich, UK and Manchester City Deals.

In addition there should be independent scrutiny arrangements in place to review the decisions and outcomes of the decision-making process.

Lastly, there needs to be a clear framework for each City Deal that sets out how the effective development, delivery and appraisal of projects and programs, including relationships with delivery bodies, are to be managed.

**Box 5: Structures for implementation**

The Greater Ipswich City Deal is focused on supporting growth across the city-region in key industrial sectors. It will deliver this through development of a local skills system that is responsive to the needs of employers and supports economic growth. This is complemented by a business growth service to provide enhanced support for innovation, improved access to finance and more targeted business support. Integrating these employment and business support programs is regarded as critical to the successful delivery of this City Deal. The Greater Ipswich City Deal Board, chaired by a member of the business community, oversees the delivery of the whole City Deal. The Board takes decisions within a governance structure that is underpinned by a binding agreement between the five Greater Ipswich local authorities that sets out their commitment to align their individual and combined economic growth activities and resources to the Deal over the long term.

In relation to skills and employment the Greater Manchester Agreement (2014) sets out the powers and budgets the city will receive from government and the reforms and measures that Greater Manchester will deliver in return. The government proposes to work with Greater Manchester to reshape and restructure Further Education provision (with the re-commissioning process to be led by the Greater Manchester Combined Authority), enabling Greater Manchester to vary the level of financial support available to different types of learner, sizes of business and subject areas.

In the Australian context, this means that new governance arrangements might need to be established, such as the Townsville Development Corporation that is a central pivot of its City Deal for implementation.
Do you have the capacity to deliver?

Underpinning the structures necessary for strategic decision making and prioritisation is the need for capacity at the administrative level to ensure delivery occurs. Similar to the UK experience, it is clear that the Australian Government’s perspective is that City Deals do not represent new grant money, and are more about doing things differently and more effectively across governments to deliver solutions for city issues.

Box 6: Building on local collaborations for delivery

The Tees Valley has a long track record of public and private sector collaboration to address strategic economic development, transport and housing matters. The strength of the existing partnership enabled the area to move quickly in response to the government’s request for places to bid for a city deal. And because these collaborative structures were already in place, the Tees Valley City Deal has enabled the development of an area wide strategy and vision, the pooling of strategic economic functions – currently covering business engagement, economic strategy and intelligence, inward investment, marketing and promotions, strategic transport and investment planning, establishing a framework for cross-boundary prioritisation and decision making on spending, and the pooling of budgets.

Those leading City Deal and devolution efforts in Greater Manchester – generally considered to be the vanguard of devolution in the UK – emphasise that the conditions for its success were put in place through two decades of difficult joint-working and negotiation between the 10 constituent authorities that now comprise the Greater Manchester Combined Authority.

Several City Deals – Greater Manchester, Tees Valley, Sheffield City Region, Leeds City Region, and Solent – have catalysed the increased sharing of staff and money between different agencies at the national and local level. This has enabled cities to create efficiencies of scale and scope in the way programs and projects are designed, appraised and delivered. See Box 6 for examples from Tees Valley and Manchester on the success of pooling funds.

City Deals need to be deliverable. This means that there should be a clear strategy for implementing them and sufficient capacity to put them into practice.

Specifically, cities need four types of capacity:

- Analytical capacity – including robust data collection and the ability to identify ongoing local challenges and opportunities.
- Technical capacity – for example, the specialist skills needed to operate complex funding and outcome tracking systems previously held by government.
- Delivery capacity – an understanding of the composition and quality of partners and whether this contains the mix of specialisations and skills that the City Deal plans rely on.
- Personal capacity – ensure the negotiating and implementing teams are made of people with open minds and patience who are change oriented, flexible, persistent, diplomatic, trustworthy,
responsible, goal-oriented, decisive, friendly, and who have a sense of humour and the skills to deliver good communication, listening, and ability to work with people.

In the Australian context, this means that delivery will rely on capacity shared across all players. This might be as simple as broadening out the current one-stop-shop approach used in regional areas for Centrelink and Medicare delivery, or at least learning from their experiences for a local solution to delivering many services across different portfolios.

Combined, the political will, leadership, structures and capacity represent the ‘rules’ of engagement for a successful City Deal. Governance studies have dedicated significant effort to understand how and why successful collaboration works, we draw on this work below (Box 7\textsuperscript{xi}) to provide a synthesised ‘rules of engagement’ of necessary, but not sufficient, rules for successful collaboration. Box 7 outlines what the 10 rules of engagement might look like for a regional stream of City Deals.

**Box 7: Ten rules of engagement to sustain a collaborative policy process**

1. **Clear role and purpose:** players understand their role, their responsibilities, and the purpose of the effort.
2. **Transparency of decision-making:** How decisions will be made is agreed upon by players, to ensure players understand the decision-making ground rules before they invest their time in the process. This transparency extends to the term of the collaboration.
3. **Interest-based decision-making:** If collaborative action is among historical adversarial interests, then the decision-making structure needs to reflect this goal.
4. **Every effort to bring affected players into the process:** At the beginning of any collaboration, a conscious and serious effort is made to identify and recruit players whose interests are affected by City Deals. This will illustrate the sincerity and legitimacy of the process.
5. **Players represent organised constituencies:** The participants should represent and be accountable to established organisations, rather than serving as individual citizens.
6. **Common understanding of problems and joint fact finding:** Time and resources are devoted to developing a common information base among players.
7. **Policy and technical expertise:** Meaningful stakeholder processes require some level of external policy and technical support to accomplish their goals.
8. **Respectful and authentic process:** The process is managed so that all are heard and respected. A key role of a collaborative specialist / facilitator is to manage the dialogue so that the conditions of accuracy, comprehensibility, sincerity, and legitimacy are protected.
9. **Transparency of products:** The City Deal needs to accurately reflect the outcome of the collaboration, in terms of the level of stakeholder support expressed as well as the stakeholder rationale for their recommendation. Specifically, the City Deal should clarify who supports the recommendation, and why.
10. **Resources:** Collaboration needs to be funded such that there are appropriate resources to accomplish the above objectives.
Determining cities ready for long-term strategic investment

Alignment of delivery capacity with decision-making structures and political leadership is essential to ensure that City Deals are able to move from vision to strategy to delivery. Most Australian regional cities will only have elements of the structures and agreements outlined above in place before a Deal process commences. New structures and agreements will need to be built locally at the outset of a Deal and added to and refined during negotiations. This is not something that has been a regular feature of local governance in Australia in either our big or small cities. Cities who can bring these structures and agreements to the table at the outset should be much more competitive in a Deal’s process than those who cannot. Table 4 provides the three elements required for assessing a city’s readiness to deal.

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Questions</th>
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<tbody>
<tr>
<td>Political will and leadership</td>
<td>Are public sector leaders (cross party) co-signatories to the City Deal?</td>
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<td>Which players are involved – are they the right ones with track record and leadership credentials?</td>
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<td>Are local non-government players involved (are they signing off the City Deal)? e.g. universities, private businesses, not for profit and community groups.</td>
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<td>Do leaders have support of the community (e.g. letters of support)?</td>
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<td>Are community values represented (e.g. alignment to strategic documents, vision)?</td>
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<td>Is there a clear additionality provided by the City Deal that requires 3 levels of government?</td>
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<td>Is there a clear (and compelling) vision for what the City Deal will realise locally that is supported by all partners?</td>
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<tr>
<td>Structures for implementation</td>
<td>Are there good governance principles in place (e.g. accountability and transparency)?</td>
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<td>Is there a monitoring framework to measure outcomes?</td>
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<td>Are the necessary financing and coordination mechanisms suitable for purpose?</td>
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<td>Capacity to deliver</td>
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<tr>
<td>Is there an overarching strategic framework to inform investment decisions?</td>
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<td>Are there the processes and capacity to assess and manage risk during the City Deal process?</td>
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<tr>
<td>Are partners clear on the risks involved in this type of program and their role in holding local areas to account for their performance?</td>
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<tr>
<td>Is there sufficient analytical, technical, delivery and personal capacity to deliver the City Deal?</td>
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<tr>
<td>Is there a clear identification of implementation challenges?</td>
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<tr>
<td>Have current delivery mechanisms been considered and augmented to be fit for purpose?</td>
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<tr>
<td>Is there a track record of multiple bodies pooling resources, sharing risks and benefits, agreeing strategic investment programs and working together to deliver projects?</td>
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<tr>
<td>Is there clarity as to which institutions will oversee the commissioning and day-to-day delivery of the City Deal?</td>
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**Table 4. Criteria for determining cities ‘readiness’ for City Deal investment**
Conclusion

This Blueprint addresses one issue – is a city ready for a City Deal? Australia’s regional City Deals need to stimulate the economic engine, which supports innovation and growth, nurtures local specialisations and highly talented people and builds the cultural and creative capacity of our regional cities. City Deals also need the right structures and players ready. The Blueprint provides guidance to local, state and federal government, as well as private businesses and community groups, on which cities are ready to deal. Are you ready to deal?

Learnings from the UK highlight that City Deals are not for every city. Importantly, they are a collaborative policy that requires all players to be ready. The Blueprint has been structured to address the key questions being asked by the four Australian City Deal players now. The Blueprint can be used to guide the design and implementation of the regional stream of City Deals.

Local government needs to understand their local economy—its constraints and growth opportunities. They need to provide strong leadership and political will, know the rules of engagement and ensure they have the capacity to deliver the Deal.

State government can be ready by understanding which regional cities are on a growth path and which cities’ economic constraints are ‘fixable’ within the six City Deal policy domains, as well committing to the rules of engagement.

Federal government needs transparent and accountable structures in place for decision making, offering strong leadership and political will, and ensuring capacity is available for implementation.

Private businesses and local community groups must be clear about the returns from investment—including on economic growth, liveability—and the rules of engagement.

If players are not ready, then City Deals will fail.

We learn this hard lesson from the UK. Where success and failure in the shorter term is related to how well the collaboration process was undertaken, the longer-term outcomes have yet to be assessed. But it stands to reason that if the strategy is not based on firm evidence and then poorly implemented, then the opportunity to boost long-term economic growth will be missed and even damaged.

This Blueprint is about providing accountability and transparency in the deal making process between players. By providing clear guidance around two questions: Are city economic engines ready? And are cities ready?

To turn the Blueprint into action requires deal partners to work together and identify their priorities, measures, targets, and timeframes.

This report builds on the RAI’s work program on regional cities and the Centre for Cities program on City Deals to provide new insights and guidance for all parties involved, helping deliver effective long-term growth of both the national economy and regional city growth.

Are you ready to deal?
Appendices

Appendix A: City investment opportunities explored

Gaining cities (9 cities – 3 subgroups)

There is a cohort of 9 cities forecasted to have future prospects that follow the Gaining trajectory. These cities have experienced mining-driven and population-driven high growth as well as average growth.

- **Townsville and Darwin**
  - Townsville and Darwin experienced mining-driven high growth. Townsville’s growth through to 2013 was quite high (at an average of 4.2 per cent per annum), and was spread over a wider group of industries than seen in Gladstone and Mackay.
  - Similarly, Darwin is in the high growth mining-influenced group as its population growth has not been as rapid as those in the high growth population-influenced group. And yet mining is a much smaller component of Darwin’s economy – an economy which grew at 5.7 per cent per annum through to 2013, with that growth based in construction accounting for 35 per cent of Darwin’s GVA growth over the period.
  - RAI’s forecasts for Darwin and Townsville identifies them as Gaining cities with continuing growth at around 3.2 and 3.6 per cent per annum respectively.
  - However, there are differences in future challenges for Darwin and Townsville. Darwin’s challenges will be based on cost of living (goods, services and housing) getting out of step with wages as there are emerging groups of ‘haves’ and ‘have nots’ already in Darwin, depending on the nature of employment. Townsville will need to transition from its traditional industries (agriculture and mining) to build business and employment growth in new economy industries – drawing on the strength in the city’s transport infrastructure, universities, health care and defence.

- **Mandurah, Fraser Coast, Sunshine Coast-Noosa and Gold Coast-Tweed**
  - All four cities have seen recent growth based on high population growth rates. Fraser Coast, Sunshine Coast-Noosa and Gold Coast-Tweed experienced population growth rates ranging from 2.6 to 2.8 per cent per annum, with Mandurah experiencing the highest population growth rate of 4.2 per cent per annum. There is also associated strong growth in GVA in the four cities.
  - Mandurah and Fraser Coast’s economy structures are similar, with little in the way of ‘old economy’ activity, and instead strong foundations in healthcare, construction and retail. Similarly, Sunshine Coast-Noosa and Gold Coast-Tweed share many characteristics as relatively new economies based on lifestyle and services – and increasingly on high skill tertiary sectors.
  - With existing strength in the new economy services growth industries, RAI’s forecasts for Mandurah and Fraser Coast are among the highest of all regional cities – 4.8 per cent per annum and 3 per cent per annum respectively. The challenge for both cities is deepening their share and economic contribution from locally-based jobs – moving away from the reliance on FIFO incomes. In both cities the participation rate has been
low but there has been a high share of residents with high incomes – meaning that many locals are not working, and of those that do a high proportion are in high paying jobs, most of which are based elsewhere. Both cities need to lift their Bohemian Index to improve business and cultural diversity, and also deepen local capability in Knowledge Intensive Business Services (KIBS) to underpin wider range of local jobs and lift participation rate.

- Sunshine Coast-Noosa and Gold Coast-Tweed have experienced rapid increase in house prices due to the desirability of the cities, and have the worst ratio of average incomes to average house prices of all regional cities. Both cities share the need to raise incomes to keep pace with housing costs. In both, self-employment rates are quite high but both cities need more employing businesses with outward market and growth focus, and with more employees and higher paying positions, rather than individuals ‘buying themselves a job’.

- **Bunbury, Bundaberg and Rockhampton**
  - Bunbury, Bundaberg and Rockhampton experienced similar recent histories of GVA growth at 2.9, 3.5 and 2.9 per cent per annum respectively. Population growth rates were average, ranging from 1.3 to 2.5 per cent per annum.
  - They have different industry structures as Bunbury has fast become a service town for a resident population working elsewhere, scoring particularly well on residents with high incomes and overall productivity. Rockhampton has a strong manufacturing base and Bundaberg has strengths in accommodation and retail.
  - The RAI’s economic forecasts are of a Gaining trajectory of 3.0 per cent per annum for Bunbury, 2.9 per cent per annum for Rockhampton and 3.2 per cent per annum for Bundaberg.
  - The challenges for these three cities are to address their common deficiencies in KIBS and the Bohemian Index. Additionally, Bunbury and Bundaberg do not score as well on business entry rates. New entries are needed along with KIBS and entrepreneurial drive to support growth and thereby create local jobs.

**Expanding cities (4 cities – 2 subgroups)**

- **Cairns, Central Coast and Toowoomba**
  - Cairns, Central Coast and Toowoomba have all seen GVA growth of 2-2.7 per cent per annum, and population growth of 0.9 to 1.4 per cent per annum – though Cairns has been higher at 2.6 per cent per annum.
  - Cairns and Central Coast have mixed economies incorporating agricultural processing, manufacturing and construction, as well as a strong base in service industries. Toowoomba has a strong manufacturing base.
  - The RAI’s forecasts for these cities are all very positive growth and lie in the range from 3.2 to 3.9 per cent per annum. These three cities all share a foundation which is well positioned for growth. All three have quite high share of KIBS and rate of business entries, though Toowoomba has the least among the three cities. While the foundations are strong in regards to this indicator sets, these three cities share a need for more growth oriented local businesses and associated higher income jobs.
**Hobart**

- Hobart experienced low historical GVA growth and population growth (2.03 and 0.5 per cent per annum respectively). Its performance on most indicators are average, but it scores high on the Bohemian Index. It is not clear from this indicator set why growth lags, it is probably the influence of state economic performance. Hobart may not be able to decouple its relatively vibrant local economy from the slower rate of state growth, but it needs greater depth in locally-based higher income jobs.

**Slipping cities (5 cities – 2 subgroups)**

**Mackay and Gladstone**

- Mackay and Gladstone experienced mining-driven high growth with the highest rates of GVA growth of all regional cities over the 2001-13 period – 5.7 and 6.4 per cent per annum respectively. The growth was concentrated in construction and transport (together accounting for 36 and 53 per cent respectively of GVA growth), so that by 2013 the economies of these cities were heavily weighted to construction, mining and transport. RAI’s economic forecasts for these two cities shows a transition towards Slipping, or returning to moderate growth of 2.5-2.1 per cent per annum. This is a very significant change to the scale of growth experienced in the last decade, and there will be major adjustment impacts on these two economies.

- Looking at the underlying characteristics of these two cities in relation to their economic foundations, Mackay and Gladstone have in common the need to raise Bohemian Index occupational diversity and business entry rates to pick up opportunities for post-mining growth.

**Greater Newcastle, Bendigo and Coffs Harbour**

These three cities have experienced average growth in the past and are forecasted to be Slipping in the future.

- Historical growth has been strong in Greater Newcastle (3.3 per cent per annum) but population growth has countered this as it has only grown at 1 per cent per annum. Greater Newcastle is a large amalgamation of economies covering mining, energy and tertiary industries. The city scored well for overall productivity and average on the Bohemian Index – suggesting some diversity across the City. The foundation indicators look promising, but the city is vulnerable to loss of higher income jobs since 2013 and the impact on the housing market. The RAI’s economic forecasts are for Greater Newcastle to have slower growth, following a Slipping trajectory at 2.3 per cent per annum.

- Bendigo has a lower historical GVA growth rate of 2.9 per cent per annum and population growth rate of 1.4 per cent per annum. The City has a manufacturing base and scored relatively low on KIBS. Lifting this will be an important foundation to improving performance.

- Coffs Harbour is a coastal city with similar recent history of GVA growth (3.1 per cent per annum) and population growth (1.1 per cent per annum). Underlying these growth
pattern is a broad industry structure with strengths in accommodation and retail. However, the city does not score as well on participation rate, KIBS and business entries. New entries are needed along with KIBS and entrepreneurial drive to support growth and thereby create local jobs.

Slow and Steady (13 cities – 2 subgroups)

The cities projected to be on a slow and steady trajectory have experienced historical average or low growth.

- **Geelong, Ballarat and Port Macquarie-Hastings**
  - Geelong and Ballarat have similar historical GVA growth (2.7 per cent per annum). There has been low population growth of 1.2 per cent per annum and 1.5 per cent per annum respectively. Both cities have mixed economies incorporating agricultural processing, manufacturing and construction, as well as a strong base in service industries. The RAI’s forecasts for these cities are all very positive but at a Slow and Steady pace. Both cities share a foundation which is well positioned for growth with relatively high Bohemian Index scores along with quite high share of KIBS and rate of business entries. While the foundations are strong in regards to this indicator set, growth oriented local businesses and associated higher income jobs are necessary.
  - Port Macquarie-Hastings is a coastal city with GVA growth (2.6 per cent per annum) and population growth of 1.4 per cent per annum. The City has strengths in accommodation and retail. RAI’s forecast is for Slow and Steady growth of 2 per cent per annum. The future challenge of the city is in increasing participation rate, KIBS and business entries – though owner manager shares are high. This combination indicates that there is already a mix of existing small (owner managers) as well as large employers, but that new entries are needed along with KIBS and entrepreneurial drive to support growth and thereby create local jobs.

- **Shoalhaven, Ballina-Lismore, Wagga Wagga, Bathurst-Orange, Launceston, Albury-Wodonga, Shepparton, Tamworth, Wollongong-Shellharbour and Latrobe**
  - Shoalhaven and Ballina-Lismore are both coastal lifestyle cities – the furthest of these cities from their state capital. Both have seen steady population growth but there has been a lag in incomes seen in relatively high welfare dependence and slow growth of well-paying locally-base jobs. Forecast growth rates reflect these characteristics and are on the low side at around 2 per cent per annum. Shoalhaven and Ballina-Lismore share many characteristics with both showing low participation rates (especially Shoalhaven), high share of owner managers but low share of KIBS and rate of new business entries. Ballina-Lismore has a high Bohemian Index as well. Shoalhaven and Ballina-Lismore appear locked into a low
growth SME foundation and need more vibrant KIBS to facilitate locally-based micro and small businesses to expand.

- Wagga Wagga and Bathurst-Orange saw GVA growth averaging around 1.7 per cent per annum over the 2001-13 period, and population growth of 0.8 and 1 per cent per annum. Both cities have a typical regional centre industry structure, augmented by strong tertiary education facilities. Growth forecasts are solid at 2.3 per cent per annum, reflecting the foundations the two cities have in high participation rates, reasonably high shares of higher income jobs, and quite high Bohemian Index scores. The challenges for the two cities centre on the lower rate of business entries, KIBS and owner managers. Together, low scores on these three indicators suggest some lingering dominance by bigger employers which is not translating into vibrant locally-led economies.

- Launceston, Albury-Wodonga, Shepparton and Tamworth saw relatively low GVA growth rates from 2001-13, from 1.3 to 1.9 per cent per annum, and under 1 per cent per annum population growth. All four cities have industry structures which reflect a mix of agricultural processing, manufacturing, trade and transport, as well as showing gradual growth in service industries. Growth forecasts are around 2-2.6 per cent per annum. The underlying foundations of these four cities have many characteristics in common, with low shares of high income jobs, business entries and KIBS. These cities need to see more entrepreneurial home grown businesses – especially growing businesses with higher pay potential.

- Wollongong’s economy is somewhat polarised reflecting its heritage as a mining, energy and steel city, offset by coastal lifestyle and very strong connections with Sydney’s services economy. Wollongong’s economy is also somewhat polarised in terms of its underlying foundations with both low participation rate and a high share of high income jobs – both due to proximity to Sydney. Therefore, the challenge is to increase local participation and availability of better paying local jobs – without undermining the value of the Sydney connection to the local economy. Wollongong needs to address the income inequality impacts from its polarised economy, and the high costs of living that is induced. A key aim for the future will be more growth oriented local businesses and associated higher wage local jobs.

- Latrobe shows the hallmarks of a single (big business) industry dominated city with a low participation rate, relatively high share of high incomes and high productivity, low Bohemian Index and low rates of owner managers, business entries and KIBS. The challenge for Latrobe is to build business growth in other industries than energy supply if it is to improve future performance and reduce exposure to external economic shocks.
Appendix B: City Deal MOU between Australian Government and Queensland Government

MEMORANDUM OF UNDERSTANDING TO ESTABLISH AND IMPLEMENT CITY DEALS
between

The Commonwealth of Australia and
The State of Queensland

Preamble
This Memorandum of Understanding (MoU) provides an undertaking by the Commonwealth and Queensland Governments to work together cooperatively on City Deals. City Deals will improve the lives of people through better transport, improved housing supply and affordability and access to jobs.

Australia’s growth as a knowledge based economy, and the prosperity this offers, goes hand in hand with the growth of our cities and the regions surrounding them. To succeed in the 21st century economy our cities, both regional and metropolitan, need to be productive and accessible, but they also need to be liveable with a clear focus on serving citizens.

City Deals will formalise the partnership across the three levels of government and define priorities, actions, timeframes and accountabilities for achieving joint goals. City Deals will improve collaboration, consultation and coordination between all levels of government. The establishment of City Deals will require all levels of government to consider all appropriate levers to support improved outcomes in our cities.

The Commonwealth will provide support for key transformative infrastructure to implement City Deals, in partnership with the Queensland Government. The Commonwealth and Queensland Governments will work with local governments to bring the full strength of appropriate policy levers to give effect to City Deals.
As a first priority, the Commonwealth and Queensland Governments will work with local government to deliver a City Deal for Townsville by the end of 2016. The City Deal will be focused on improving the lives of Townsville residents through more jobs and investment, a renewed urban centre, and a more vibrant and liveable city.

Principles for collaboration

The goal of City Deals is to provide an ambitious plan to generate economic growth, jobs and housing, reduce travel times and improve environmental outcomes to deliver measurable improvements to people’s quality of life and standard of living.

This will be achieved by streamlining governance to enable effective collaboration, coordination within and across governments and strong leadership with clear accountabilities. The Commonwealth and Queensland Governments will continue to develop a robust process of consultation and negotiation to investigate and establish City Deals, and commit to the following foundational principles in support of this process:

- Community engagement: Involve the community in determining regional priorities and how they can contribute to implementation, and maximise opportunities for local Indigenous communities in delivery of City Deals.
- Private sector engagement: including creating better policy and regulatory settings that provide greater certainty for investment.
- Accountability and transparency: define measurable goals, priorities, actions and implementation timeframes and support access to open data to enable performance to be measured and all parties held to account, while also providing flexibility to allow for changing needs and emerging priorities.
- Relevance: prioritise local needs within the context of a nationally significant reform, and ensure governments are empowered to deliver at the local level.
- Efficiency: prioritise actions and reform that drive productivity and competition, including the 'game-changers', catalyst actions and smart technology solutions that will deliver a step-change in growth outcomes and that are additional to governments’ usual operations.
- Collaboration: Both Commonwealth and Queensland Governments will consult and communicate in good faith to ensure a streamlined and coordinated process to promote community and private sector confidence and participation in the City Deal process, and will take the legitimate concerns and interests of other governments into account in their decision-making to maximise benefits for local communities. Both parties will ensure that prior agreement is reached on the nature and content of any events, announcements, promotional material or publicity relating to City Deals developed under this MOU, and that the roles of the relevant Parties will be acknowledged and recognised appropriately.
Domains for action

Every City Deal will be different. Each will be tailored to reflect the specific needs and growth opportunities of that region. The focus will be on collaborative actions that will build on the economic, social and environmental strengths for the area.

City Deals will prioritise domains for action that reflect the needs and growth opportunities for each region, including consideration of the following:

**Governance, city planning and regulation** - To facilitate economic growth through the delivery of planning and regulatory reforms that improve metropolitan governance arrangements, and enhanced integration of infrastructure, land use and environmental planning decisions.

**Investment in Infrastructure** - To improve accessibility and transport choice in our cities by supporting innovative private and public sector financing solutions and programmed, co-ordinated and evidence-based infrastructure commitments across all three levels of government.

**Housing** - To improve housing supply and affordability, including by encouraging higher density development, and greater diversity of housing options.

**Jobs and skills** - To improve employment outcomes by supporting skills and industry development and removing barriers to employment.

**Innovation and digital opportunities** - To harness the productive potential of information and communications technologies and the digital economy, including through a conducive and adaptive regulatory environment and a commitment to make data publicly available wherever this is practical.

**Liveability and sustainability** - To improve the environment, attractiveness and resilience of our cities, including support for clean air, green spaces, vibrant arts and cultural experiences, community amenity and active transport.

Agreement

Through this Memorandum of Understanding the Commonwealth and Queensland Governments agree to work cooperatively and collaboratively to agree priority locations and improve Queensland’s cities through the implementation of tailored City Deals.

This Memorandum of Understanding is not intended to create legal relations between the parties.

*SIGNED* for and on behalf of the *SIGNED* for and on behalf of the State of Queensland by:
Appendix C: Collaborative versus grant programs

Collaboration programs are owned by the collaborators or players, have co-agreed outcomes, and self-defined performance measures within federally defined priority areas. They are bespoke programs, which can reflect local issues and priorities with shared effort throughout design and implementation and are focused on long-term goals and outcomes. Collaborations are about trust and rely on partners being focused on nurturing long term working relations and outcomes. Appendix B outlines the ‘Principles of Collaboration’ that the Australia and Queensland Governments have agreed to undertake with reference to City Deals. The MOU between The Australian and Tasmanian governments was different but held similar principles, reinforcing the bespoke nature of each Deal.

The differences between a traditional grant and a collaboration program are important when determining program fit for cites within City Deals (see Figure C.1). Acknowledging that these differences may be ‘clear but fuzzy’ in implementation, it is important for all partners to realise the broad remit of the program and its aspirations, and that all players from local councils and federal government are redefining their powers to be partners, rather than the traditional single transaction buy and sell relationship.
Collaboration programs in inception are also different to traditional programs, with lots of time spent negotiating between partners, aligning interests and trying to resolve issues up front. As highlighted in this Blueprint, having the structures in place for these negotiations with capacity and leadership is critical for success.
End Notes

1 Innovation in Regional Australia: Spreading the Ideas Boom June 2016

2 Local knowledge is vital to refining the understanding and definition of the key problem, and emerged as the main early stage engagement task in each of the Launceston and Townsville City Deals. The analysis presented here does not replace that engagement, it helps to define the target of the Deal.


6 UNESCO 2005 Convention on the Protection and Promotion of the Diversity of Cultural Expressions

7 KPMG identify these as Magnet Cities at https://www.kpmg.com/PL/pl/IssuesAndInsights/Articles/Publications/Documents/2016/02/magnet-cities.pdf


9 Smarter Bendigo is an initial collaboration idea to show leadership and engender political will for the Bendigo City Deal, early draft can be found here http://bebendigo.com.au/wp-content/uploads/2017/03/BgoSmarterCity_Summary-Brochure-Doc-v1.pdf
