



# SEQ City Deal

Gateway 1 Report

27 October 2016

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## **Purpose of this Report**

This report has been prepared for the Queensland Government and Council of Mayors (SEQ) by KPMG. This report has not been endorsed by the Queensland Government and does not represent Government policy.

The report has been prepared by KPMG for the purpose of outlining the progress undertaken in Gateway 1 of defining an SEQ City Deal and identifying the considerations for subsequent Gateways. This report will be used by all tiers of Government to gain a preliminary understanding of an SEQ City Deal.

KPMG has facilitated a series of workshops with State and Local Government representatives during Gateway 1, providing specialist advice as required. The content in this report, prepared by KPMG, has been informed through this consultative and collaborative process.

Council of Mayors (SEQ) has facilitated the engagement of Local Government during Gateway 1.

The information, statements, statistics, opinion and commentary (together the 'Information') contained in this report has been sourced from publicly available information and discussion with representatives of the State and Local Governments that participated in the Gateway 1 workshops.

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### ***Inherent Limitations***

This report has been prepared as outlined in the Scope Section. The services provided in connection with this engagement comprise an advisory engagement, which is not subject to assurance or other standards issued by the Australian Auditing and Assurance Standards Board and, consequently no opinions or conclusions intended to convey assurance have been expressed.

The findings in this report are based on a qualitative study and the reported results reflect a perception of the stakeholders participating in the development of the report, but only to the extent of the sample surveyed, being the Gateway One participants listed in Appendix One of this report. Any projection to a wider sample is subject to the level of bias in the method of sample selection.

No warranty of completeness, accuracy or reliability is given in relation to the statements and representations made by, and the information and documentation provided by, the Queensland Government and South-East Queensland Local Governments consulted as part of the process.

KPMG have indicated within this report the sources of the information provided. We have not sought to independently verify those sources unless otherwise noted within the report.

KPMG is under no obligation in any circumstance to update this report, in either oral or written form, for events occurring after the report has been issued in final form.

The findings in this report have been formed on the above basis.

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# An SEQ City Deal

# An SEQ City Deal

The competitiveness of Australia's major cities and regions is critical to the continued growth of our national economy and the retention of the opportunities and choices that Australians value.

*"Cities are the engines of the Australian economy today. Around the world, people are increasingly relocating to cities where a growing proportion of jobs are located and productivity per person tends to be higher."*

Grattan Institute, "Orange Book" 2016

*"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."*

Commonwealth of Australia, 2016, "Smart Cities Plan"

South East Queensland (SEQ) is the third largest urban region within Australia. It is home to one in seven Australians and the location of one in every eight Australian jobs.<sup>1</sup> It is a diverse region of cities, centres and towns extending from the Sunshine Coast in the north, to the Gold Coast in the south and Toowoomba in the west. The regional centres are interspersed with valuable areas of inter-urban open space containing rich agricultural areas, and areas of significant environmental value. The region is characterised by a desirable climate, affordable living and a range of employment choices.

For the leaders of the State Government and Local Governments that govern the region, the need to continue to improve the competitiveness of the region is a clear priority. This is reflected in the SEQ Regional Plan community conversation website 'Shaping SEQ', which positions the importance of:

*...build capacity in new areas to complement our traditional strengths in health care, construction, agriculture, tourism and manufacturing.*

Queensland Government, 2016, "Shaping SEQ"

An SEQ City Deal has been identified by the leaders of the region as a mechanism with the capacity to deliver on this vision through greater collaboration on infrastructure prioritisation; more targeted investment across all tiers of government; and the collective determination of a set of priority economic outcomes to guide investment decision making. This Strategic Business Case is the first step in defining the parameters of an SEQ City Deal and outlines the case for collaborative investment.

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<sup>1</sup> Australian Bureau of Statistics 2016. "ABS Census of Population and Housing, 2011", cat. no. 2001.0. ABS, Accessed 28 July 2016. [www.abs.gov.au/](http://www.abs.gov.au/).

# What is a City Deal?

The term 'City Deal' originated in the United Kingdom (UK) and has subsequently evolved to incorporate a range of UK policy reforms. At its core, however, are a series of principles around infrastructure prioritisation and funding that have a global application.

An SEQ City Deal seeks to articulate how these core principles could be adapted and applied under a new model for infrastructure delivery in South-East Queensland. It does not seek to adopt or transplant the reforms applied in the UK under the City Deal banner.

One of the clear differences between the Australian and UK settings, is that the City Deals in the UK were primarily driven through a devolution lens accompanied with the transfer of taxation powers to the local authority level. Nevertheless, there are a set of core principles that form the foundation for a City Deal which include:

## KEY PARAMETERS

- Long term funding commitments
- Funding linked to outcomes (economic, social and/or environmental)
- Investment prioritised at the regional level by the same outcomes
- A program of investment agreed to by all tiers of government across the City region

## Principle 1: Funding Commitment

A City Deal is a long term funding commitment over 10, 20 or 30 years that links funding with a set of economic, social and environmental outcomes that are agreed at the outset. In the most recent deals, funding is released in 5 yearly increments across the life of the Deal.

## Principle 2: Defined Geography

A Deal has a clearly defined economic geography, based upon the distribution of economic and social activity across a contiguous area. It may align with administrative boundaries, however this is not a mandated requirement. Rather, it is critical that the geography is relevant to the outcomes being targeted by the Deal.

## Principle 3: Agreed Outcomes

Investment in a Deal is prioritised around the delivery of outcomes that have been agreed to by the parties to the Deal. These outcomes typically include a core, economic lead metric (all Deals in the UK have applied 'GVA/GRP uplift'), as well as a series of minima that ensure the parallel delivery of social and environmental outcomes.

## Principle 4: Investment Prioritisation

The sequencing and prioritisation of infrastructure and non-infrastructure projects under a Deal is prioritised in line with the agreed outcomes. This prioritisation approach is integral to the Deal as it provides for the delivery of a transparent program, structured around a core economic outcome that contributes to the national economy.

## Principle 5: Program Not Project

A City Deal is structured around a program of infrastructure and non-infrastructure projects. It seeks to prioritise these projects in such a way that the collective program of investment is optimised to deliver on the agreed outcomes for the Deal. The programs can deliver a range of outcomes. The combination of infrastructure and non-infrastructure elements enables complementary outcomes to be delivered to ensure the full value of investments are realised. Each UK City Deal under wave 1 contained between four and nine tailored programs with each program addressing specific local priority (table 1.1).

Table 1.1- Table of UK City Deal Programs by Theme

	Skills	Housing	Investment/ Funding	Transport	Low- carbon	IT	Business support
Birmingham	✓	✓	✓		✓		
Bristol	✓		✓	✓			✓
Leeds	✓		✓	✓	✓		
Liverpool	✓		✓	✓	✓		
Manchester	✓	✓	✓	✓	✓		✓
Newcastle	✓	✓	✓	✓	✓	✓	
Nottingham	✓		✓	✓	✓	✓	✓
Sheffield	✓		✓	✓	✓		

1 Some cities have more than one program within each theme.

2 Some of the deals included other programs that do not come under any of the categories above, such as Birmingham's Institute of Translational Medicine (see paragraph 1.20).

Source: National Audit Office 2015. "Devolving responsibilities to cities in England: Wave 1 City Deals." Accessed 10 August 2016.  
<https://www.nao.org.uk>

## Principle 6: Pooled Funding

All parties to the Deal agree to pool their contributions to the Deal into a central fund. The size of this funding envelope determines the number of projects on the program list that can be delivered. The funding pool contributes varied amounts to each project within the scope of the City Deal. It is an expectation of the Deal that individual project funding sources are exhausted before the City Deal pool of funding is required to contribute. The relative share of contributions by parties to the Deal is negotiated as part of the supporting funding agreements that underpin the Deal.

## Principle 7: Payment by Results

In the UK this has initially been termed 'earn-back' and more recently as 'payment by results' or gain share. While earlier iterations of UK City Deals focussed on tax increment finance through local business rates and the designation of Enterprise Zones (i.e. a proportion of the incremental business rate uplift delivered by the investment in a designated spatial area is used to pay back the borrowing), more recent deals have tied payment by results to the short and long term delivery of the investments and achievement of key outcomes associated with the identified program.

In the Australian context, Commonwealth, State and Local governments would benefit from uplift in taxation revenue if a City Deal were to deliver an increase in economic activity over what would otherwise have occurred. Accordingly, the City Deal provides an attractive proposition to all tiers of government as it aligns strongly with objective of investing in 'outcomes', rather than simply infrastructure projects. It is important to note, the Deal



must demonstrate genuine economic value creation to trigger an earn-back payment. This is also a central outcome that underpins the rationale for entering into a City Deal.

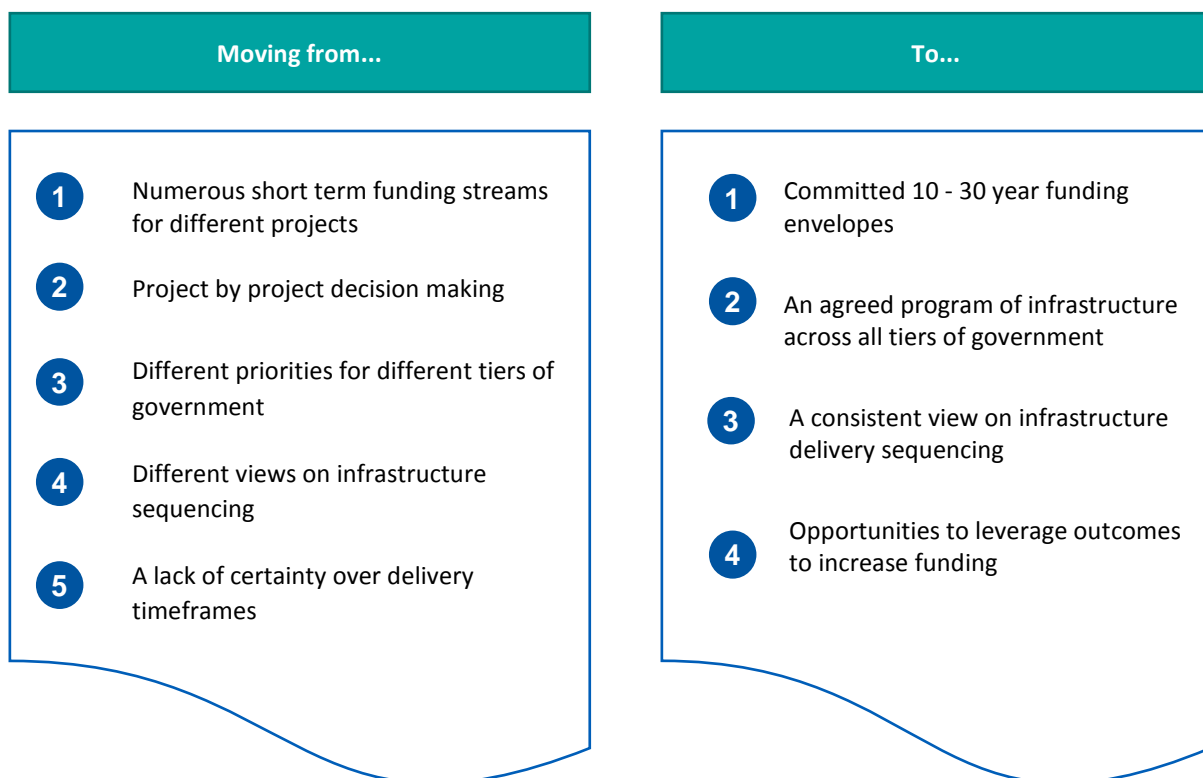
Payment by results mechanism incentivises the better prioritisation of regional infrastructure to regional outcomes as well as ensuring the reinvestment of genuinely additional value creation to all levels of Government contribute funding back into the pool. This cycle of reinvestment allows for the continued growth of the Deal and reinvestment into latter stage projects across the infrastructure program.

The advantage of this mechanism is that it will clearly align infrastructure investment to real economy outcomes. This is a core priority for all tiers of government and provides greater accountability and transparency around funding and key outcomes.

## Principle 8: Effective Governance

Governance parameters for all Deals have been designed to be fit-for-purpose. Accordingly, they need to reflect the prioritisation and funding arrangements agreed to by all parties to the City Deal. A core tenet of each of the City Deals has also been the need for program assessment to be undertaken independently of any single party to the Deal, with the City Deal priorities then established collaboratively through partnering model underpinning the governance arrangements.

City Deals aim to improve project prioritisation to better deliver on an agreed set of outcomes relevant to the region. In each Deal agreed in the UK, regional leaders have sought to recalibrate government infrastructure decision making in line with the following objectives:



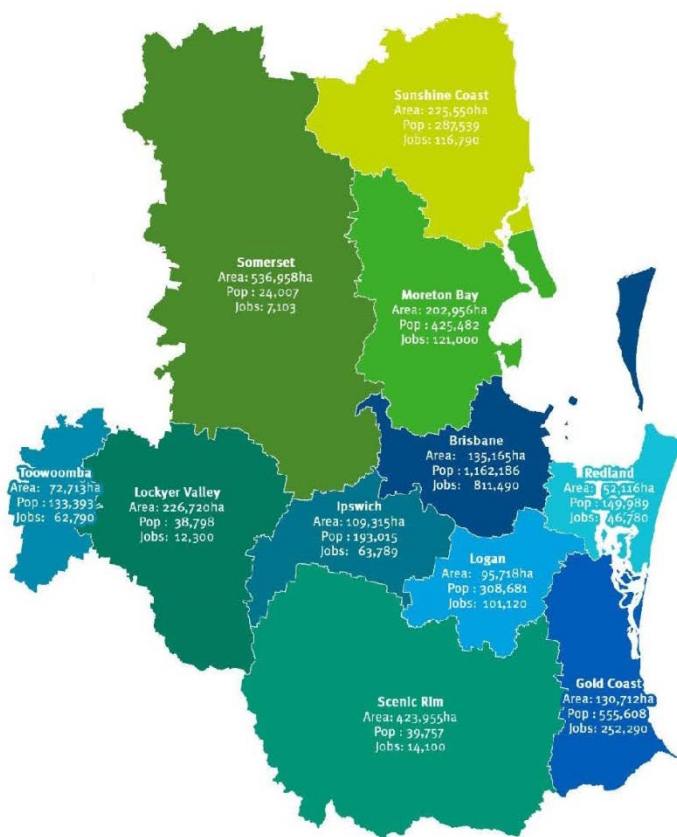
# The SEQ Region

South East Queensland is the economic, cultural and political hub for Queensland. It plays a critical role as the centre of the State's economic activity and is home to one in seven Australians.<sup>2</sup>

The region has an important national profile as the third largest urban region within Australia and has an international significance as one of the main conduits for trade to international markets, in particular to the growing Asian markets, such as China.

It is a diverse area stretching from the Sunshine Coast in the north to the Gold Coast in the south and Toowoomba to the West. An SEQ region has historically been one of the fastest growing regions in Australia. It boasts a rich natural environment with high levels of biodiversity, and is globally recognised for its natural amenity and climate.

Figure 1.1 – SEQ Local Government Areas, Population and Jobs (2016)



Source: Queensland Government, Department of Infrastructure, Local Government and Planning, 2016.

## SOUTH-EAST QLD

- Home to 1 in 7 Australians
- Location of 1 in 8 Australian jobs
- 3.4 million residents (70% of Queensland)
- Population projected to grow to 4.9 million residents by 2036 (72% of Queensland)
- Economy transitioning toward a service economy

Brisbane, the largest urban centre of the SEQ region, has been rated in the top 20 of the world's most liveable cities since 2012.<sup>2</sup>

The estimated resident population of SEQ at 30 June 2015 was 3.4 million. At the time this represented approximately 70 per cent of the state's population (4.8 million) and 14 per cent of Australia's population (23.8 million).<sup>3</sup>

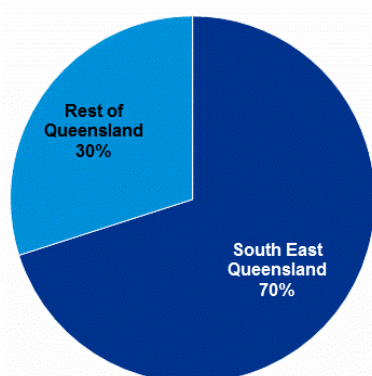
The region's population is due to grow by an additional 1.9 million over the next 25 years to 5.3 million residents by 2041.<sup>4</sup> This growth is projected to be at a higher rate than the remainder of the state, reflecting a broader urbanisation trend across the country.

<sup>2</sup> Queensland Government, Department of Infrastructure, Local Government and Planning 2016. "Live." Shaping SEQ. 2016. Live. Accessed 20 July 2016. <http://www.shapingseq.com.au/live>.

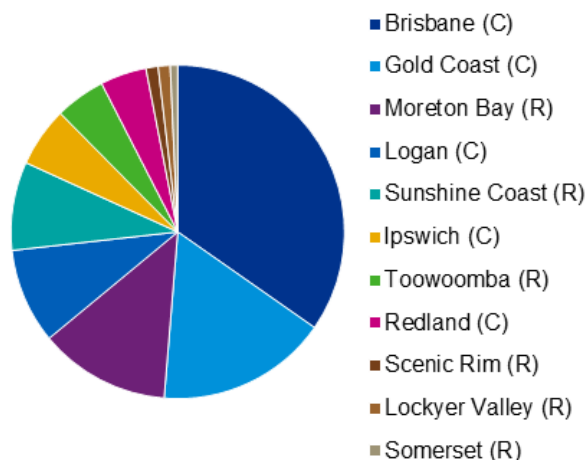
<sup>3</sup> Australian Bureau of Statistics 2016. "ABS. 3218.0, Regional Population Growth, Australia, 2015", cat. no.3218.0. ABS,-15. Accessed 28 July 2016. <http://www.abs.gov.au/AUSSTATS/abs@.nsf/MF/3218.0>.

<sup>4</sup> Queensland Government, Department of Infrastructure, Local Government and Planning, 2016.

Figure 1.2 – Queensland Estimated Resident Population 2015      Figure 1.3 – SEQ Estimated Resident Population 2015



Source: Australian Bureau of Statistics 2016. "Regional Population Growth, Australia, 2015-15", cat. no. 3218.0. Accessed on 27 July 2016. [www.abs.gov.au/](http://www.abs.gov.au/)



Source: Australian Bureau of Statistics 2016. "Population Projections, Australia, 2012 (base) to 2101", cat. no. 3222.0. Accessed on 27 July 2016. [www.abs.gov.au/](http://www.abs.gov.au/)

The majority of this growth is forecast to be driven by net overseas migration as well as growth in locally born residents. This reflects the perception of the region internationally as an attractive place to live and work.<sup>5</sup> This population growth will place strain on land and infrastructure within the region as a central economic hub for the state and highlights the importance of long term land use and infrastructure planning as well as improved certainty around funding to meet the needs of a growing population.

The growing population will place increasing pressure on the agricultural land within SEQ which is one of Australia's premium food bowls. The demand for high quality produce will increase into the future as the populations grow both regionally and internationally. Ensuring this agricultural land is managed sustainably for both current and future generations is necessary to support liveability, amenity and a diversified economy.

As well as being an attractive place to live, the SEQ economy is the engine room for the State, more recently however, with a shift away from the investment heavy mining boom in Queensland, the State's economic performance is a key focus. In the July 2016 *State of the States*, Commsec States and Territory economic performance report, Queensland ranked sixth overall for economic performance, behind NSW (ranked first), Victoria (ranked second) and ACT (ranked third). This is based on a number of key indicators such as dwelling starts (ranked second), construction work (ranked last), and economic growth and unemployment (ranked seventh).<sup>6</sup>

Historically, Queensland and SEQ have experienced high levels of growth. From 2000-01 to 2010-11 the average growth in real gross regional product (GRP) in SEQ was 4.3 per cent, above both Queensland at 4.1 per cent and the rest of Australia at 2.9 per cent.<sup>7</sup>

GRP growth was adversely impacted between 2007 and 2011 by the Global Financial Crisis and natural disasters in Queensland, however in more recent years has been lifted through the Liquefied Natural Gas (LNG investment cycle and export ramp-up.

<sup>5</sup> Australian Bureau of Statistics 2016. "ABS. 3222.0, Population Projections, Australia, 2012 (base) to 2101", cat. no. 3222.0.. Accessed 1 August 2016. [http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/3222.02012%20\(base\)%20to%202101?OpenDocument](http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/3222.02012%20(base)%20to%202101?OpenDocument).

<sup>6</sup> CommSec. 2016. "State of the States – July 2016 State & territory economic performance report.". Accessed 25 July 2016. <https://www.commsec.com.au>.

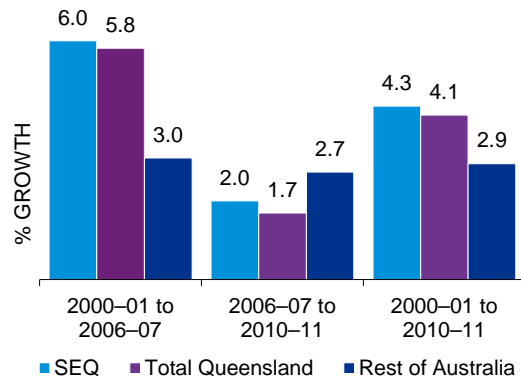
<sup>7</sup> The State of Queensland, Queensland Treasury and Trade, 2013. "Experimental Estimates of Gross Regional Product 2000–01, 2006–07 and 2010–11". Accessed 20 July. <http://www.qgso.qld.gov.au/products/reports/experimental-estimates-grp/>.

The comparatively high levels of historical GRP growth however are not necessarily forecast to continue in the out-years due primarily to the downturn in the Queensland resources sector as large projects move away from the investment heavy delivery phase to operations and business as usual.

The 2015-16 Mid-Year Fiscal and Economic Review projected growth in real gross state product for Queensland of 4.5 per cent in 2016-17, 3.75 per cent in 2017-18 and 3.25 per cent in 2018-19.<sup>8</sup> This projected growth will be driven in part by the LNG industry and overseas exports.

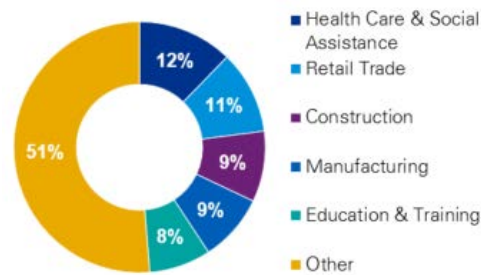
The largest industries in SEQ did not change significantly between 2006 and 2011 with more than half of employment in SEQ in 2011 being provided by the top 5 sectors:

Figure 1.4 – Average Growth in Real Gross Regional Product (%)



Source: Queensland Treasury and Trade 2016. "Experimental Estimates of Gross Regional Product 2000-01, 2006-07 and 2010-11".

Figure 1.5 - Top 5 SEQ Industries in 2011



Source: Queensland Government, Department of Infrastructure, Local Government and Planning 2016 "Prosper". Accessed 20 July 2016. <http://www.shapingseq.com.au/prosper>

<sup>8</sup>The State of Queensland, Queensland Treasury 2016. "Queensland Budget 2015-16 - Mid-Year Fiscal and Economic Review.". ISSN 1837-2848." Accessed 25 July 2016. <https://www.treasury.qld.gov.au/publications-resources/mid-year-review/mid-year-review-2015-16.pdf>.

- Health care and social assistance;
- Retail trade;
- Construction;
- Manufacturing; and
- Education and training industries.

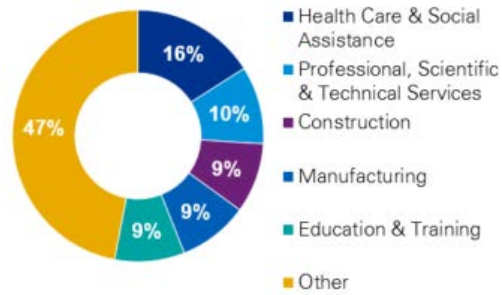
In the future, growth is expected in the services industries. Professional, scientific and technical services is expected to move into the top five industries in SEQ by 2041. The top five sectors in 2041 are expected to be:

- Health care and social assistance;
- Professional, scientific and technical services;
- Construction;
- Education and training; and
- Manufacturing.

These top five industries in SEQ are expected to generate 54 per cent of the total jobs workforce by 2041 with 2.6 million people expected to be working in SEQ at that time.<sup>9</sup>

The emerging industries of advanced manufacturing and service exports such as education, tourism and professional services are shifting into focus for SEQ as it diversifies its economy to become globally competitive. Fast paced global change places the burden on SEQ to keep up with global trends in order to support the jobs of the future and future economic growth.

Figure 1.6 - Top 5 SEQ Industries in 2041



Source: Queensland Government, Department of Infrastructure, Local Government and Planning 2016. "Prosper". Accessed 20 July 2016. <http://www.shapingseq.com.au/propser>

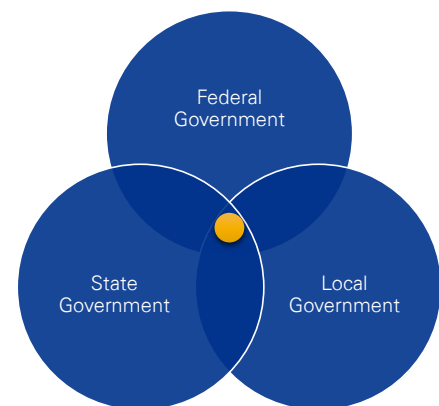
## Why Pursue a City Deal in SEQ Now?

The release of the Commonwealth Government's Smart Cities Plan, finalisations of the Queensland Government's State Infrastructure Plan and the progress between the Queensland Government and SEQ Councils on the SEQ Regional Plan provide a clear and immediate opportunity for a new model of delivering the infrastructure outcomes sought by all tiers of Government for this region. There is currently a clear alignment across Commonwealth, State and Local Government policy agendas that support the principles of an SEQ City Deal focussed on enhancing the economic competitiveness, connectivity and liveability for SEQ residents and businesses.

The policy environment in which an SEQ City Deal would be delivered is underpinned by consistent objectives across all tiers of government. These include the need to invest in infrastructure programs that will:

- 1 Drive more competitive cities and regions;

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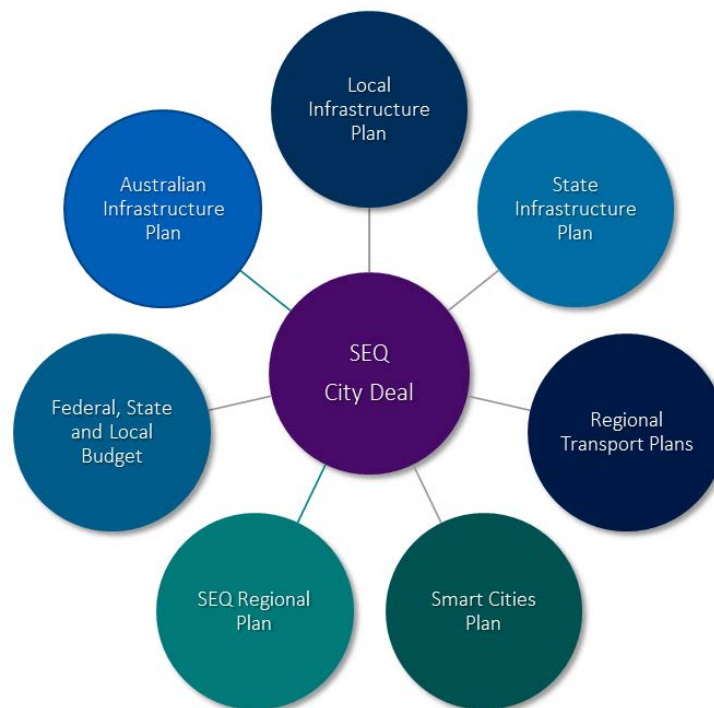
<sup>9</sup> Queensland Government, Department of Infrastructure, Local Government and Planning 2016. "Prosper". Accessed 20 July 2016. <http://www.shapingseq.com.au/propser>

- 2 Support economic growth and productivity improvements;
- 3 Improve liveability and the environment;
- 4 Assist with housing supply; and
- 5 Capitalise on technology and innovation.

An SEQ City Deal provides an opportunity to draw together these consistent policy objectives under regional governance measures to deliver better outcomes for the region.

These outcomes are reinforced by a set of clear directions and infrastructure priorities and opportunities under the State Government's State Infrastructure Plan and reinforced by the (currently draft) Regional Plan.

Key anchor points for this alignment are outlined in Commonwealth, State and Local Government policy, including:



## Comi

The Commonwealth Government policy agenda supports the investment in infrastructure that will improve the economic attractiveness of Australian city regions. This agenda has been outlined through key frameworks such as the Smart Cities Plan and Australian Infrastructure Plan.

### Smart Cities Plan

The Smart Cities Plan was released in April 2016. It articulates the Commonwealth Government's framework for cities policy and is focused on three pillars; *Smart Investment*, *Smart Policy* and *Smart Technology*.

The key themes that underpin these pillars include:



City Deals have been identified in the Smart Cities Plan as a key mechanism to drive the delivery of the framework. Since the launch of the Smart Cities Plan in April 2016, the Commonwealth Government has announced that Deals will be signed with Western Sydney, Townsville and Launceston, with others to follow. In response to this announcement, the Queensland and SEQ Local Governments have embarked upon the current scoping study to outline the parameters of an SEQ Deal that could truly present a ‘bottom-up’ view of what a City Deal could achieve.

The delivery of an SEQ City Deal directly aligns to the Smart Cities Plan. It has the added critical advantage of being a City Deal that has been sponsored and championed by the region’s State and Local Government leaders and by industry representatives such as the Property Council of Australia and its members.

The Smart Cities Plan also includes a commitment to delivering an **infrastructure financing unit to develop financing solutions incorporating the private sector, and a commitment of \$50 million for the development of business cases and investment options for major infrastructure projects.**<sup>10</sup> These commitments will be critical to the further development of key parameters for each of the Deals.

For the first time in many years, the Commonwealth Government is advocating an urban policy that is central to the country’s economic narrative.

<sup>10</sup> Prime Minister, The Honourable Malcom Turnbull 2016. “Smart cities will grow the innovation economy.” Accessed 26 July 2016. <https://www.pm.gov.au/media/2016-04-29/smart-cities-will-grow-innovation-economy>.

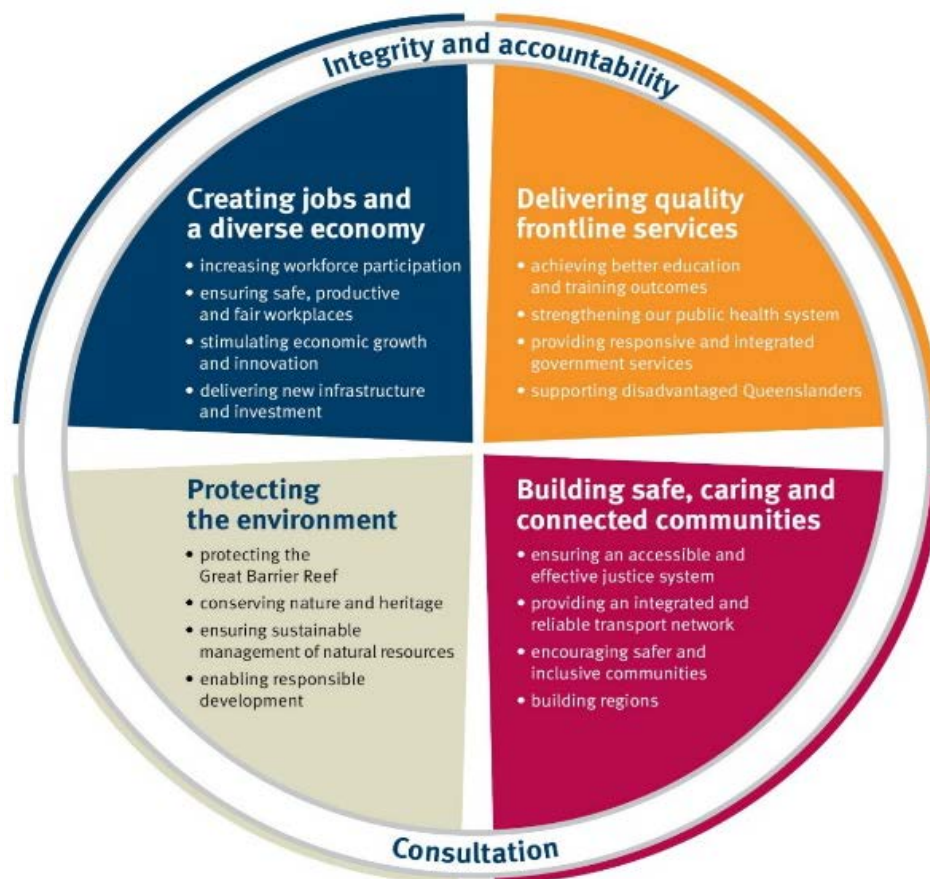
## Australian Infrastructure Plan

The Australian Infrastructure Plan (AIP) sets out the infrastructure challenges and opportunities Australia faces over the next 15 years and the solutions required to drive productivity growth, maintain and enhance standard of living. It complements the Smart Cities Plan by highlighting a commitment to achieving more productive cities, increasingly competitive markets and supporting better decision making and infrastructure delivery. Significantly, **the AIP specifically calls for commitment by State Governments to consistently investigate and utilise alternative funding and financing mechanisms.** City Deals offer one such mechanism to augment program funding for Australian cities.

## State Government

The Queensland Government has made a substantial commitment to infrastructure as a mechanism to drive increased economic activity. This is reflected in its 'Objectives for the Community', key planning and investment documents and the 2016 State Budget.

Figure 1.7 – Queensland Government's Objectives for the Community



Source: Queensland Government 2016. "The Queensland Government's objectives for the community." Accessed 26 July 2016. <http://www.queenslandplan.qld.gov.au/>



The Queensland Government is committed to the delivery of infrastructure, services and all other aspects of liveability and sustainability across the State in line with their commitments to the Queensland community, in objectives include:

- Creating jobs and a diverse economy;
- Building safe, caring and connected communities;
- Integrity and accountability;
- Delivering quality frontline services; and
- Protecting the environment.

### **State Infrastructure Plan**

The Queensland Government's State Infrastructure Plan (SIP) was released in March 2016. The State Government has committed \$2 billion over 5 years to deliver infrastructure priorities.<sup>11</sup> Of these funds, \$20 million has been allocated to maturing the infrastructure pipeline program by progressing strategic assessments and business cases.<sup>11</sup> In addition to these funds the State Government has committed to providing strong governance to support the plan by establishing:

- An Infrastructure Cabinet Committee - to lead infrastructure coordination and development;
- An Infrastructure Portfolio Office - to coordinate and integrate State Government infrastructure, land-use and economic planning; and
- A joint industry/government Infrastructure Innovation Taskforce and a Community Infrastructure Reference Group - to provide thought leadership through a prioritised program of work.

The SIP details the Government's infrastructure priorities and a vision for how infrastructure can enable the continued growth of the State. The objectives of the SIP set the frame for the prioritisation of investment in Queensland. They include that the program:

- Improves prosperity and liveability;
- Leads and supports growth and productivity;
- Connects communities and markets; and
- Improves sustainability and resilience.

The SIP is built around three components: directions, responses and programs. These components are outlined in two separate documents. The first two components are detailed in Part A: Strategy, while programs are detailed in Part B: Program.

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<sup>11</sup> Deputy Premier, Minister for Infrastructure, Local Government and Planning and Minister for Trade and Investment, The Honourable Jackie Trad 2016. "1.5 billion boost for State Infrastructure Fund to drive Queensland's infrastructure priorities." Accessed 27 July 2016. <http://statements.qld.gov.au/Statement/2016/6/14/15-billion-boost-for-state-infrastructure-fund-to-drive-queenslands-infrastructure-priorities>.

Part A of the SIP provides clear vision to guide infrastructure investment in Queensland. The plan articulates the key challenges and opportunities facing Queensland and sets the strategic direction to address them. The challenges and objectives highlighted in the plan inform decision making across government and within industry (Figure 1.8). The SIP provides framework for infrastructure planning and prioritisation that delivers a cohesive approach to infrastructure planning and delivery.

Figure 1.8 – Challenges, Objectives and Directions from the State Infrastructure Plan



Source: Queensland Government, Department of Infrastructure, Local Government and Planning 2016. "State Infrastructure Plan." Accessed 26 July 2016. <http://www.dilgp.qld.gov.au>

Part B outlines program of investment over the next four years and future unfunded opportunities. The implementation plan of the SIP provides clarity and certainty around the delivery of projects. By identifying future opportunities the plan encourages private sector involvement in developing innovative solutions to the State's infrastructure needs.

The SIP recognises the growing role of the private sector in delivering infrastructure through market-led proposals (Queensland Treasury) as well as opportunities for alternative funding solutions, such as value capture and sharing, to complement traditional funding. It also provides a clear indication of the State Government's infrastructure priorities for the next four years together with the core outcomes that it is seeking this infrastructure to deliver.

## SEQ Regional Land Use and Transport Planning

The Queensland Government is currently undertaking a series of major strategic planning exercises to refresh, reframe and recommit efforts to deliver the best economic, social and environmental outcomes for the State. Of particular relevance to an SEQ City Deal, is the current cooperation between the State Government and the SEQ Local Governments to deliver a revised SEQ Regional Plan and Regional Transport Plans, including individual plans for the Brisbane metropolitan area and the Sunshine and Gold Coasts.

These plans will be used to guide the development and growth of the SEQ region and set the framework for the delivery of infrastructure in the region. A SEQ City Deal provides a platform for the delivery of commitments and strategic directions outlined in both the SEQ Regional Plan and the Regional Transport Plan for the SEQ region.

*Shaping SEQ*, a review of the SEQ Regional Plan, is targeted for release in draft in the coming months.<sup>12</sup> Through its development, five core themes have been identified which articulate the areas of focus for the region. These themes are:

- 
- **Grow** in a sustainable, efficient and successful way to accommodate projected population growth.
  - Creating a diverse range of enjoyable and attractive subtropical places which contribute to and reflect SEQ's unique lifestyle.
  - Ensure resilient, socially-connected and healthy communities and enhance the natural environment.
  - Strengthen our economy by supporting existing and emerging industries and positioning the region to capitalise on new opportunities that will drive job creation and attract investment.
  - Improve liveability and ensure people can access employment and services efficiently and effectively by maximising the use of existing infrastructure investment, delivering new infrastructure efficiently and reducing the overall need for travel.<sup>13</sup>

These core themes highlight a strong commitment by the State Government and its Local Government partners to delivering improved regional prosperity, liveability and long term sustainability. Increasing regional productivity and support of economic growth is complemented by ensuring that the region retains and celebrates its uniqueness. The core objectives of an SEQ City Deal directly align to these core themes to deliver regional productivity improvements as well as agreed liveability, labour force and connectivity outcomes.

<sup>12</sup> Queensland Government, Department of Infrastructure, Local Government and Planning 2016. "About Shaping SEQ." Accessed 20 July 2016. <http://www.shapingseq.com.au/about-shaping-seq> (accessed 20 July).

<sup>13</sup> Queensland Government, Department of Infrastructure, Local Government and Planning "Shaping SEQ". Accessed 20 July 2016. <http://www.shapingseq.com.au>.

### **A Commitment to Competitive Cities**

The Queensland Deputy Premier has identified that SEQ is competing nationally and internationally to attract and retain the best talent, firms and ideas.<sup>14</sup> As a result SEQ needs to be better designed, better connected, have better social infrastructure and have better transport links to remain competitive. The State Government recognises investment infrastructure is fundamental to the growth of the region because of the transformation opportunities this investment can deliver.

The opportunities for investment in new infrastructure extend beyond the existing capacity of Commonwealth, State and Local Governments. The State Government is committed to alternative solutions and innovative approaches to delivering infrastructure to realise as many of these opportunities for investment. The SIP outlines that value capture and improved funding and financing will enhance the government's ability to deliver infrastructure. Alternative methods of funding are better at capturing the value of public investment and provide a return on investment to the private sector.

### **A Commitment to Delivery**

To support the transformation of the region the Queensland Government is committed to establishing the governance and resources required to deliver the identified infrastructure opportunities. The Queensland Cities Transformation Taskforce (CTT) is a specialist entity being established within the Department of Infrastructure, Local Government and Planning to oversee the development of City Deals at a program level in Queensland (e.g. SEQ, Townsville).

Building Queensland is an established independent entity that has been providing expert advice on major infrastructure to the Queensland Government. Building Queensland works closely with all departments, government owned corporations and statutory authorities to enable better infrastructure decision making. Having an established dedicated entity for major infrastructure advice means there are projects currently being matured that can be considered for an SEQ City Deal. Building Queensland will provide ongoing support to an SEQ City Deal utilising the established process for maturing projects and assessing business cases.

### **A Commitment to an SEQ City Deal**

More effective governance and aligned funding streams are considered essential if plans and strategies are to become reality through implementation. Both the State Government and SEQ Councils recognise this in their support for developing a City Deal framework for SEQ. An explicit commitment to delivering a SEQ City Deal has been articulated by Queensland Deputy Premier, the Hon Jackie Trad via the co-signing of a letter of commitment in April 2016 to the Commonwealth Assistant Minister for Cities and Digital Transformation, Hon Angus Taylor MP, which sought participation from the Commonwealth Government to deliver a SEQ City Deal. This letter was co-signed by The Lord Mayor for Brisbane, Cr Graham Quirk, in his capacity as chair of the Council of Mayors (SEQ), highlighting a commitment from the 11 mayors of SEQ councils to advancing City Deal reforms for SEQ.

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<sup>14</sup> Deputy Premier, Minister for Infrastructure, Local Government and Planning and Minister for Trade and Investment, The Honourable Jackie Trad 2016. "Brisbane Development Association 'Transforming Brisbane' Breakfast Seminar" 2 August 2016.

## Local Government

The Council of Mayors (SEQ) has had a long standing commitment to exploring alternative solutions for infrastructure delivery in the region in order to improve regional outcomes for local communities.

**The Council of Mayors (SEQ) recognised the value that a City Deal model could deliver for SEQ and has been a key facilitator of Council engagement in the process of scoping a Deal.** The momentum gained through investigations into City Deals in 2014, is now at a level where there is **significant traction among Local Government leadership** to progress action in this space via a commitment from Commonwealth and State Government to explore a specific SEQ City Deal model.

Local Governments in SEQ have also highlighted a number of strategic priorities through the Council of Mayors (SEQ) which directly align to the core objectives of the City Deal concept. Of specific relevance is the Council of Mayors' (SEQ) commitment to the developing a 'New World Region' through strength in leadership, innovation in funding and strong advocacy. This commitment to **investing in innovation for the benefit of the region** is likely to drive advancements in the Council of Mayors' (SEQ) other core priorities of economic development, telecommunications and digital technology, transport, environmental management and sustainability and planning.

Significantly, the Council of Mayors (SEQ) have highlighted 'Economic Development' as a key strategic priority until at least FY21.<sup>15</sup> **Driving productivity within SEQ is a core focus of this strategic priority through targeted commitment to improving labour force skills and retention, support improvements to the region's passenger and freight networks and delivering productivity improvements for key industry sectors.**

An SEQ City Deal is in clear alignment to achieving these strategic priorities, and provides a platform for ongoing commitment to regional cohesiveness in decision making, advocacy and Local Government leadership. The commitment by the Council of Mayors (SEQ) and the key partnerships in place through the SEQ Regional Plan process highlights the strength of alignment at the relationship and strategic level indicating this region and its leaders are ready to partner with the Commonwealth to develop a SEQ City Deal.

### COUNCIL OF MAYORS (SEQ)

Council of Mayors (SEQ) includes the following Local Councils:

- Brisbane City Council
- City of Gold Coast
- Ipswich City Council
- Lockyer Valley Regional Council
- Logan City Council
- Moreton Bay Regional Council
- Redland City Council
- Scenic Rim Regional Council
- Somerset Regional Council
- Sunshine Coast Regional Council
- Toowoomba Regional Council

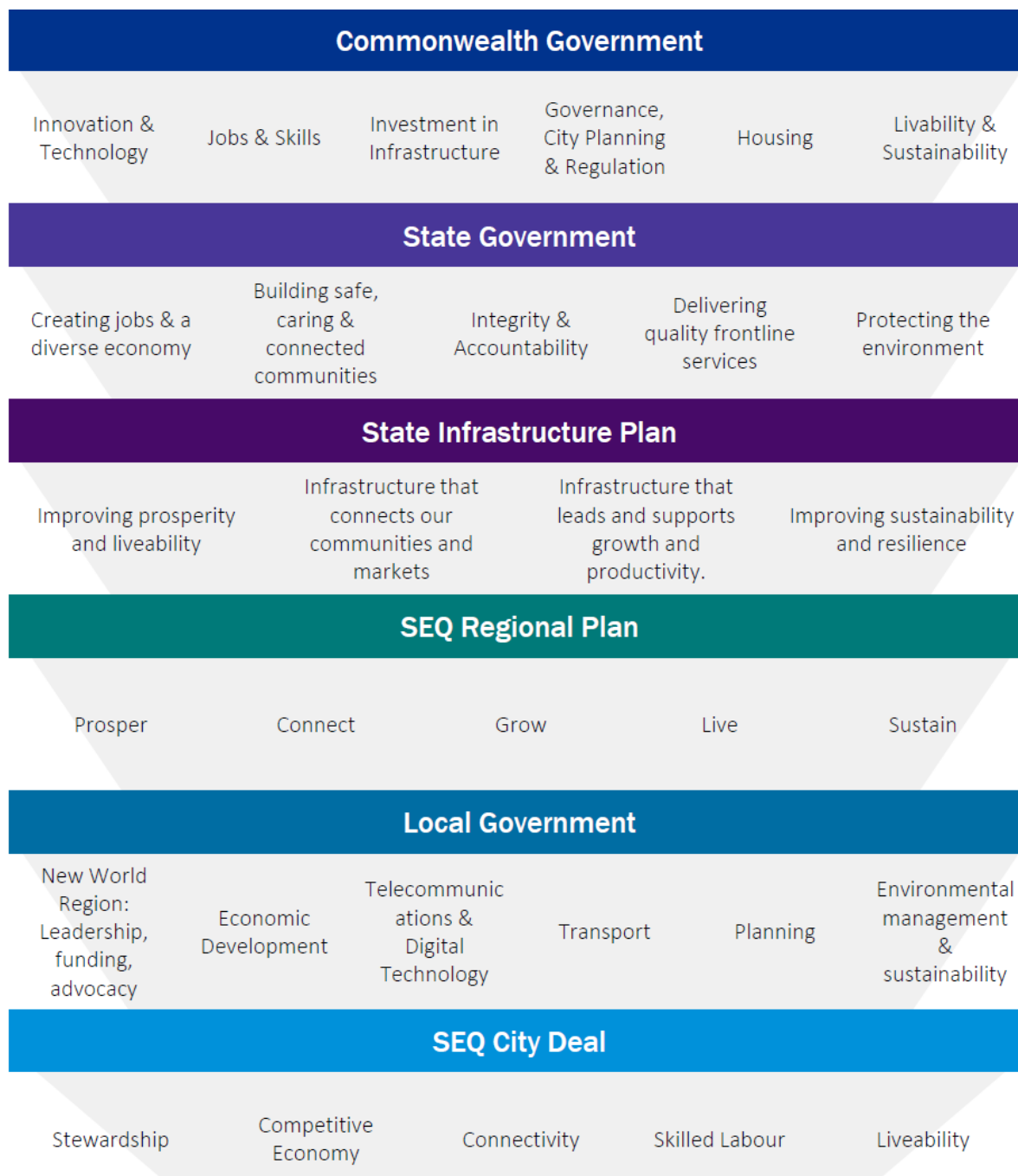
<sup>15</sup> Council of Mayors (SEQ) 2016. Strategic Plan FY17 – FY21.

## Why Now?

The current alignment of Commonwealth, State and Local Government policy directions provide a catalyst for a step-change in the delivery of improved infrastructure outcomes in SEQ. An SEQ City Deal provides a vehicle to realise these outcomes.

The alignment of key priorities and objectives across multiple tiers of government for the region are summarised in the figure below:

Figure 1.8 - Alignment of Key Policy Themes



An SEQ City Deal provides a mechanism by which the directions of the AIP, Queensland SIP, SEQ Regional Plan and Regional Transport Plans can be delivered. It will provide clear support for economic development and regional improvements to livability, connectivity, labour force outcomes and regional stewardship – as reflected in the priorities and strategic directions of SEQ Local Governments. An SEQ City Deal will also seek to bring together regional investment to address current and emerging regional challenges and opportunities that would be much harder to address in a bilateral relationship between the tiers of government.

# Why participate in an SEQ City Deal?

Participation and investment by all three tiers of government in the region is necessary for SEQ to address the challenges and leverage opportunities to enable it to be a prosperous and sustainable region into the future. Participation and investment in an SEQ City Deal to deliver these outcomes is an opportunity to capitalise on the strong governance, broad geographic scope of the City Deal, improved funding allocation, improved accountability and delivery, and ongoing funding certainty.

## Advantages of the City Deal Model

Beyond the benefits of SEQ as a region, the City Deal model itself has a number of key advantages as a mechanism to facilitate strategic infrastructure investment. These include:

### **Regional Cohesion**

An SEQ City Deal will bring together all tiers of government across a defined geography around a consistent narrative. This regional cohesion is a critical value proposition for the Deal to the extent that it allows for the alignment of funding, priorities and economic development outcomes.

### **Efficient Use of Funds**

Infrastructure is currently delivered through numerous short term funding streams for different projects. This fragmented approach to funding does not consider the relationship between the projects, timing and prioritisation of greatest economic benefit. The City Deal utilises the pool of funding to deliver those projects that generate the best outcomes for the region across a number of asset classes. Thereby removing project by project decision making and utilising the available funds for the highest and best use across the region as catalysts for economic development and growth.

### **Transparency & Accountability**

A City Deal is an agreed program of infrastructure across all tiers of government for a particular region, providing a consistent view on infrastructure prioritisation, funding and delivery. The highest ranking projects, those that deliver on the agreed outcomes, are funded and delivered first. The methodical approach to project prioritisation removes contestability and ensures long term certainty of infrastructure delivery.

With transparent and agreed prioritisation criteria, the process avoids attempts in the “end game” to redefine the criteria in order to change priority rankings, and subsequent alterations to the funding schedule for infrastructure projects.

### **Long Term Funding**

Ongoing funding under the City Deal is tied to the short and long term achievements of key outcomes associated with the identified program. An SEQ City Deal utilises a version of the UK's ‘payments by results’ where additional incremental funding is unlocked as the key projects are delivered and agreed benchmarks for economic

performance are achieved. This allows the benefits of the additional economic value created by the Deal to be reinvested back into the Deal. This reinforces the incentives created by the initial move to baseline budgets and real economy prioritisation, making it clear to local decision makers and stakeholders why they should follow through on the logic of the approach, whilst at the same time ensuring that localities in the region receive their fair share of the fiscal benefits their extra efforts create. There is also potential for additional benefits that are achieved beyond the set objective of the deal are reinvested in the local region.

## Advantages of the SEQ Region

The delivery of an SEQ City Deal will take advantage of a number of opportunities presented by the region's geography. As a package, these advantages are unique to SEQ and provide a platform for successfully delivering a well-considered program of infrastructure investment through the City Deal mechanism. The key advantages of the SEQ region are outlined in more detail below:

### **Clear and Functional Economic Geography**

SEQ has a strong economy with diverse industry representation. The economy of the region currently functions as a well-established network of interconnected industry clusters; largely within the bounds of the 11 Local Government Areas which collectively form SEQ.

This network of interconnected economic activities provides a sensible economic geography in which to deliver the City Deal. The concentration of specific industry clusters lend themselves to catalytic infrastructure investments to deliver productivity benefits and economic growth.

### **Strong Network of Activity Centres**

The SEQ region has strong network of activity centres with strong growth and connected by regional transport corridors. At the centre of SEQ is the Brisbane central business district (CBD). It is the region's primary activity centre, accommodating the largest and most diverse concentration of activities and land uses. The primary centre is supported by a number of regional activity centres which serve as key focal points for regional employment and in-centre regional development. Transport corridors linking these centres enable economic activity in the region.

### **Mature Regional Governance**

The robustness and magnitude of an SEQ City Deal reflects strong partnerships between the region's Local Governments and the Queensland State Government. The Mayors representing the SEQ Councils have demonstrated a strong political alliance since 2005 coming together under the Council of Mayors (SEQ) to advocate for strategic direction for the region. The Council of Mayors (SEQ) includes membership from Brisbane, Gold Coast, Ipswich, Lockyer Valley, Logan, Moreton Bay, Redland, Scenic Rim, Somerset, Sunshine Coast and Toowoomba Councils.<sup>16</sup>

A region experienced in collaboration, has effectively come together during the Gateway 1 process recognising the benefit of jointly improving the use of funds for the delivery of infrastructure in the region. Councils and State Government agencies have invested heavily in-kind through their participation in the extensive working group structure that has underpinned development of this Strategic Business Case.

The mature regional governance that comes with an SEQ City Deal overcomes current challenges where different tiers of government prioritise infrastructure differently, leading to mixed signal in the market and an uncoordinated approach to economic growth.

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<sup>16</sup> Council of Mayors SEQ 2016. "2015-16 Federal Advocacy Document – A Shared Future: Collaborative Opportunities for South East Queensland." Accessed 25 July 2016. <http://seqmayors.qld.gov.au/wp-content/uploads/2015/11/2015-16-Federal-Advocacy-Documents-Updated.pdf>.



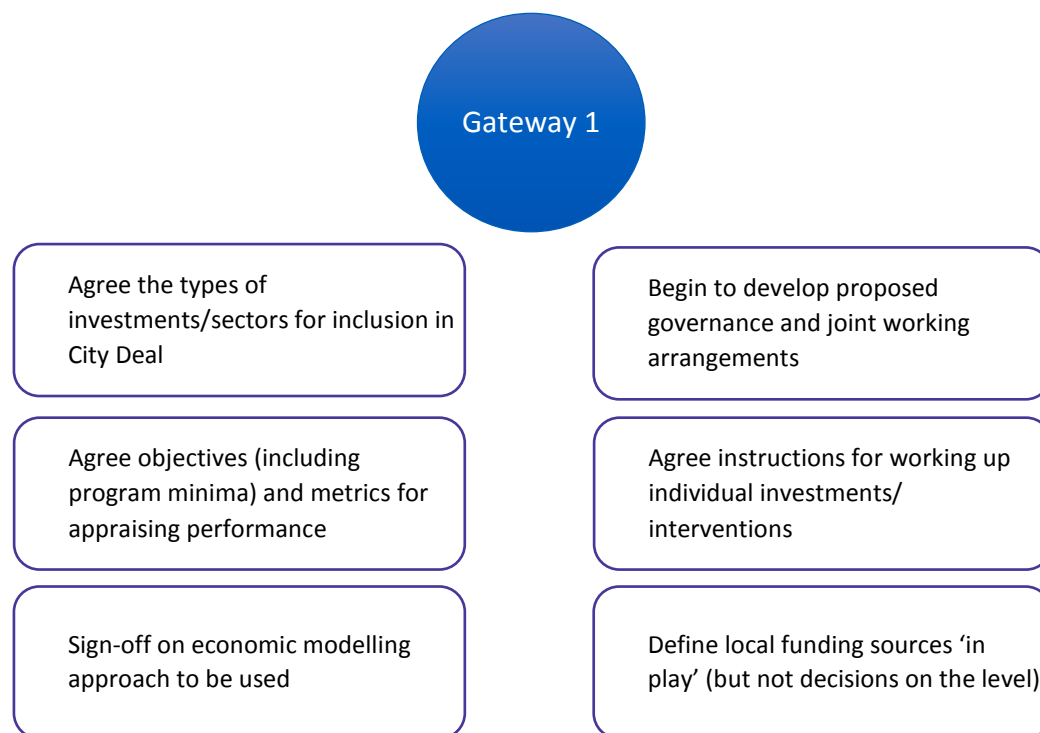
# A Gated Approach to Developing the Deal

An SEQ City Deal is being examined in accordance with a clearly defined gateway process. The utilisation of a gateway process ensures that an SEQ City Deal will be developed in iterations reflective of the priorities of all tiers of government.

The gateway process was originally established in the UK as a model of developing a 'bottom up' approach to defining the parameters of a City Deal. The UK gateway process has been adapted to suit local application so that the parameters for a SEQ City Deal are reflective of local context and priorities.

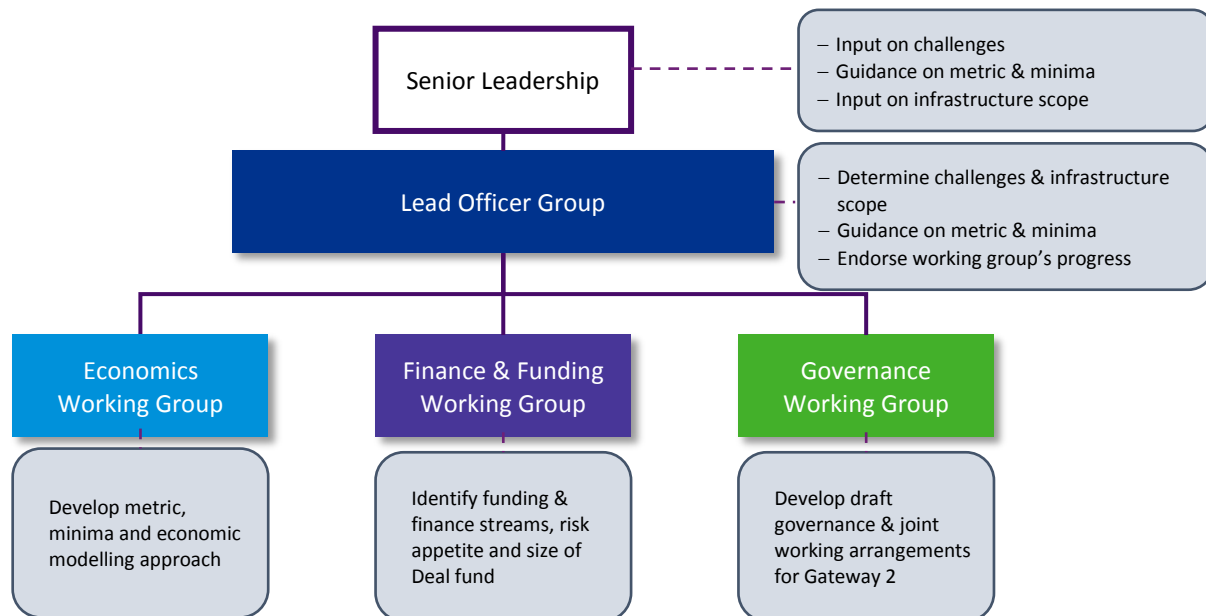
**The gateway process has been designed to empower Local and State Government representatives to shape the framework for an SEQ City Deal.** The key contributors to this gateway process have included Local and State Government representatives within the region. There has been engagement with Commonwealth Government at a Ministerial and agency level during Gateway 1. Specialist technical advice and project facilitation has been provided by KPMG.

The gateway process is a series of four distinct stages. **Gateway 1**, the focus of this strategic business case, seeks to establish agreement on the fundamental parameters that are used to shape development of a final SEQ City Deal. The key steps undertaken to deliver Gateway 1 outputs are detailed below:



The working group structure consists of the Senior Leadership group overseeing the program with the Lead Officer group managing the three technical groups: Economics, Finance and Funding, and Governance (figure 8.1). The roles of each of these groups are outlined below:

Figure 1.9 – Gateway 1 Working Group Structure



The **Senior Leadership** group convened twice during Gateway 1: at the beginning and at the end of the program. This group consisted of Local Government CEOs, the Queensland Government Architect and the Director General of the Department of Infrastructure, Local Government and Planning. The group was responsible for providing initial input on the parameters of the City Deal and endorsing the final parameters of an SEQ City Deal.

The **Lead Officer** working group provided input and guidance into the other working groups. This group was responsible for reviewing the progress of each group holistically and providing direction back into the working groups as required. The Lead Officer group was responsible for endorsing the lead metric, program minima and scope of an SEQ City Deal.

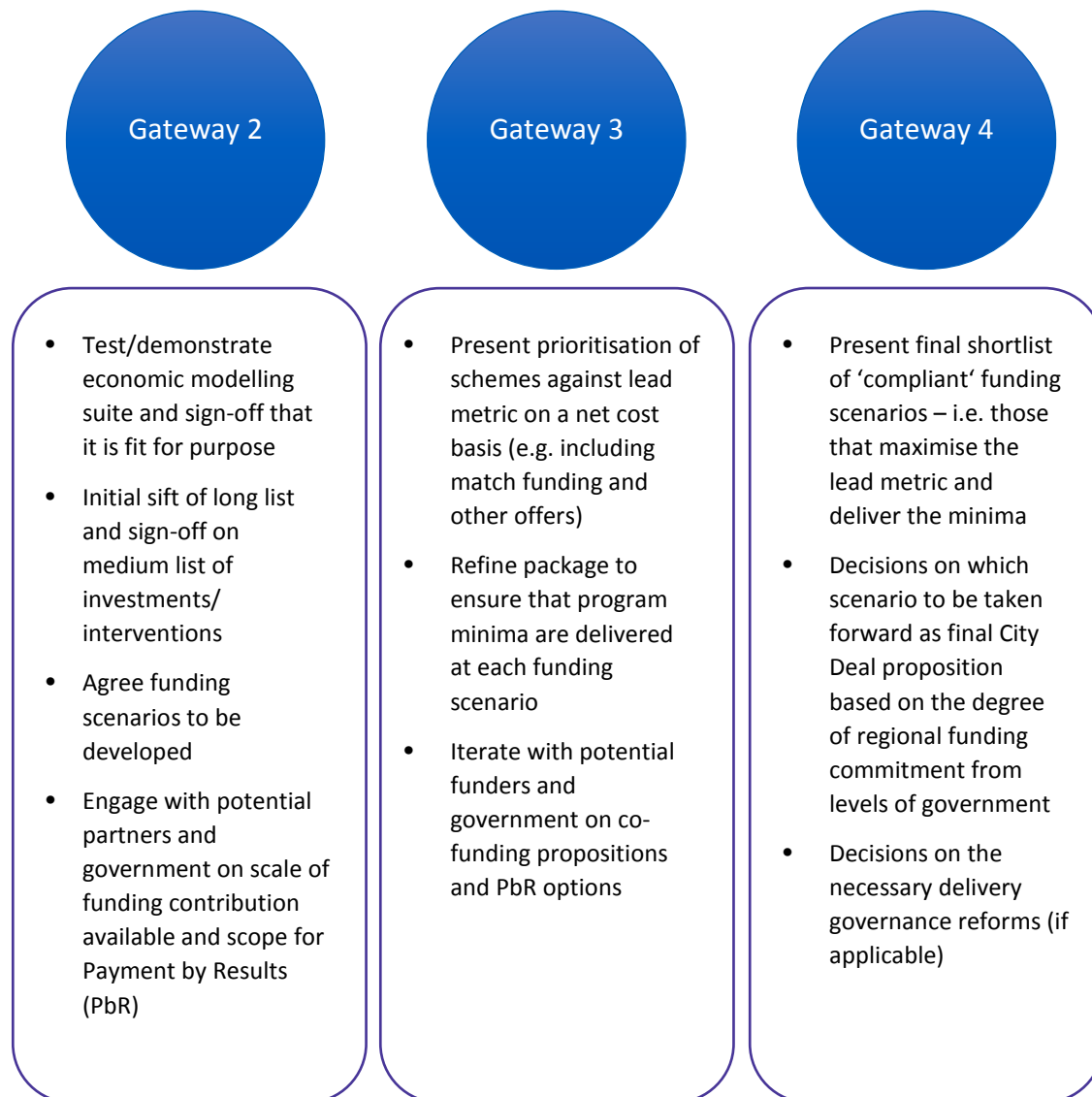
The **Economics** working group was responsible for developing the lead metric, program minima, and economic model approach for an SEQ City Deal. The Lead Officer group provided guidance on metric and minima to the Economics working group who refined the measures and determine how they would be quantified. This group considered the range of available measures and models that could be utilised in an SEQ City Deal.

The **Finance and Funding** working group considered how an SEQ City Deal would be funded by considering the various funding sources in scope. Financing was considered generally in Gateway 1, in that if financing is to be undertaken by the City Deal entity it would impact on the type of entity established (i.e. governance model). During Gateway 1 each of the Local Government participants detailed their capacity to contribute to the Deal and possible risks might limit their ability to contribute.

The **Governance** working group was responsible for considering the governance alternatives and joint working arrangements for consideration in Gateway 2. This group outlined the broad governance parameters which would inform subsequent Gateways and the subsequent delivery of the City Deal.

Further details on the working groups, meeting schedule and participants in Gateway 1 are detailed in [Appendix One](#) of this report.

**Gateways 2, 3, 4** will focus on establishing the detailed components of an SEQ City Deal should State and Local Government wish to advance a Deal following securing Commonwealth Government commitment to participate. Gateways 2, 3 and 4 would focus on City Deal implementation, governance and monitoring. An overview of these gateways is provided below:



# SEQ CityDeal Framework

# SEQ City Deal Framework

The SEQ City Deal framework has been designed to provide the foundation for the establishment of the first locally led Deal for an Australian city region. It will be a Deal for the funding of infrastructure and programs that will deliver a nationally significant uplift in economic activity. In doing so it will also provide a possible mechanism to deliver aspects of the SEQ Regional Plan and State Infrastructure Plan, as well as linkages to Local Government Infrastructure Plans.

The Deal will be characterised by improved investment prioritisation to maximize the delivery of the agreed regional outcomes. It will provide a process for improved planning and targeted investment by harnessing the power of multiple funding sources (including both public and private investment). A Deal for SEQ is intended to provide a more stable funding environment built on a model that pools resources to tackle region-wide challenges and pursue region-wide opportunities.

The work undertaken to date between the State Government and SEQ Councils is based on a co-design approach.<sup>17</sup> This is intended to provide a bottom-up approach that ties in with the top down Commonwealth policy commitment to City Deals under its Smart Cities Plan. This approach adapts a key tenant of UK best practice where:

“...the bottom-up emphasis of the initiative aims to ensure nationally-led projects and programs better reflect local strategies and priorities, and governance structures are reformed to unlock city-regional growth and development.”<sup>18</sup>

The co-design approach has established a framework for an SEQ City Deal that focusses the parameters of the Deal on a series of core regional challenges to be addressed and a series of associated regional outcomes to be achieved.

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<sup>17</sup> The collaborative process undertaken is further outlined in Appendix 1.

<sup>18</sup> HM Government, The Cabinet Office 2011. “Unlocking Growth in Cities.” Accessed 25 July 2016.

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/7523/CO\\_Unlocking\\_20GrowthCities\\_acc.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/7523/CO_Unlocking_20GrowthCities_acc.pdf),






# SEQ City Deal Framework

The framework for a potential SEQ City Deal has been constructed around a core objective that will be delivered through programs of investment to address regional challenges under five themes.

The core objective of an SEQ City Deal is to *increase economic growth through improved regional magnetism*. The concept of 'magnetism' refers to the relative attractiveness of the region to the core enablers of economic activity – residents, businesses, workers and capital.

**Objective:**  
*Increased Economic Growth Through Improved Regional Magnetism*

The region's leaders across Local and State Government have identified a series of regional challenges that need to be addressed to improve SEQ's magnetism. These are captured under the five themes for the City Deal and are summarised below:

SEQ City Deal Themes					
	<b>Competitive Economy</b>	<b>Connectivity</b>	<b>Skilled Labour Force</b>	<b>Liveability</b>	<b>Stewardship</b>
	Building a competitive economy	Connecting people, places and infrastructure	Supporting and fostering a skilled labour force	Making SEQ an attractive place to live and work	Leadership and engagement in the region

These themes provide a foundation for the City Deal metrics that will support program development, prioritisation and investment focus.

# SEQ City Deal Challenges

The 12 regional challenges identified by the SEQ regional leadership at the State and Local Government through the Gateway 1 workshop process are outlined below:



## Competitive Economy

### Challenge one: Economy in transition

The global environment in which SEQ competes is rapidly changing. Emerging global trends include: demographic shifts, the rise of Asian markets and middle income consumers, climate change and environmental concerns, technology change, urbanisation, globalisation and economic interconnectedness as well as the increasing demands on natural resources.

Advance manufacturing and service exports such as education, tourism and professional services are increasingly becoming the focus for Australia's comparative advantage in a knowledge intensive economy.

***Countries like Australia are increasingly turning to new sources of competitive advantage***

There are competitive advantages within SEQ that can be fostered through targeted investment in emerging industries. The State Government has identified competitive advantages including a diversified economy, climate and natural assets, connection to global supply chains, and a shared time-zone with expanding Asian markets.

Queensland Government's *Advance Queensland* Plan identifies several emerging and priority sectors with global growth potential. These industries have been selected to build on the competitive strengths, diversify the economy and create

the knowledge-based jobs of the future. For each of the following industries the government is working closely with industry to develop 10-year roadmaps and action plans for;

- Advanced manufacturing
- Aerospace
- Biofutures
- Biomedical and life sciences
- Defence
- Mining equipment, technology and services

It is vital that SEQ invests in these emerging industries as well as supporting the transformation of historically strong industries. The other strong industries include food and agribusiness, energy and resources, tourism and major events, and international education and training. Continued shifts to a more diversified and services oriented economy, and taking advantage of the emerging Asian markets is critical for economic growth and to make the SEQ economy more resilient.

### KEY CHALLENGES

- Economy in transition
- Lower export oriented economy compared to other capital cities
- Technology change
- Declining levels of inbound migration (retaining population)

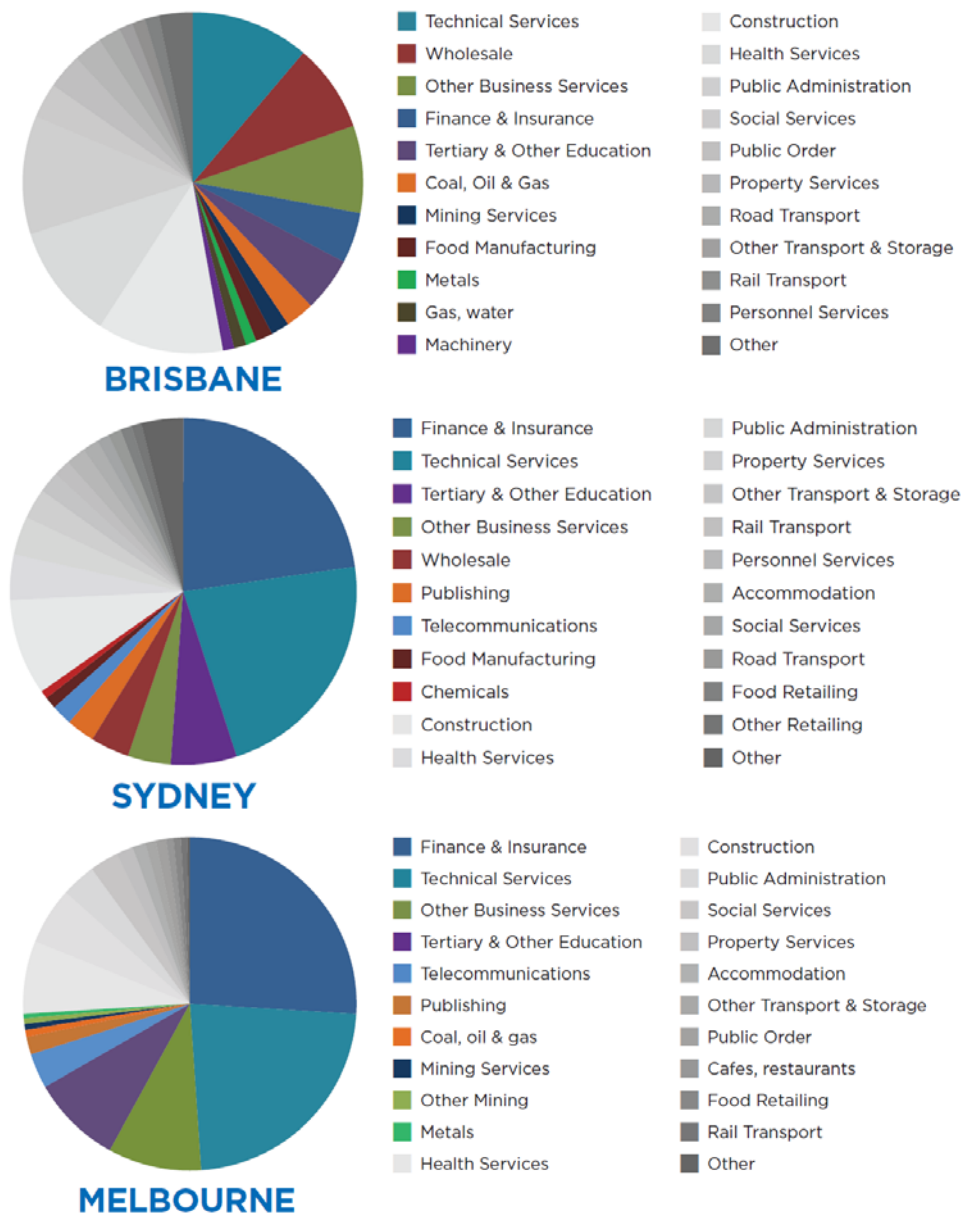
**Challenge two: Lower export oriented economy compared to other capital cities**

Growing the Queensland economy and leveraging international markets, including the high growth potential in the rise of Asian markets and new consumers in China requires a strong export focused economy. Queensland exports are primarily driven by coal which is the most significant export commodity on a volume and value basis.

When compared with other capital cities, Greater Brisbane export industries are significantly less than other capital cities in Australia. Greater Brisbane has been used as a proxy for the SEQ region due to limited availability of data. The large proportion of consumption industries in Greater Brisbane is identified in figure 2.1 which compares consumption industries to export oriented and tradeable industries. Greater Brisbane has been used as a proxy for the SEQ region as the data for the whole region is not available.

This trade gap in Greater Brisbane highlights the need to grow export industries in the region and develop trade relationships with international markets to reach the region's potential and drive economic growth.

Figure 2.1 - Consumption Relative to Export Oriented Industry Activity, Brisbane, Sydney and Melbourne



Source: Brisbane City Council 2015. "Brisbane 2022 New World City Action Plan". Accessed 1 August 2016.  
<http://choosebrisbane.com.au/2022plan>



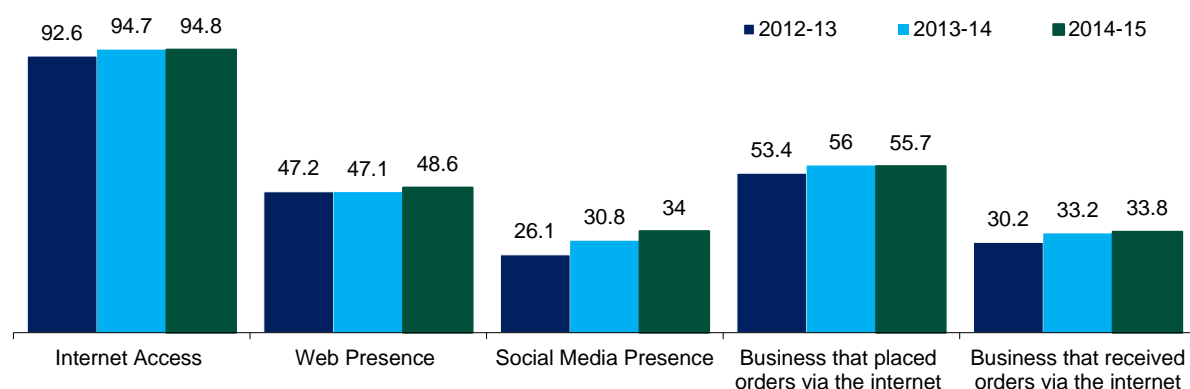
### Challenge three: Technology change

Technology change, digital disruption and digital advancements will impact on future economic activity, leading to significant changes to established business models. Failure to embrace technology change in SEQ exposes the economy to unharnessed digital disruption. This includes disruption from new products or services that drive significant change across the economy for workers, households and businesses. The impacts of these changes can result in significant adjustment costs, previous investment becoming obsolete and leave some of the workforce significantly underutilised for a period of time.

Digital disruption includes the automation of knowledge work, mobile internet, the Internet of Things (IoT), advanced robotics, cloud technology, autonomous and near-autonomous vehicles and 3D printing. A report on the startup ecosystem in SEQ produced for Department of Science, Information Technology and Innovation in 2014 estimated that the impact from digital technology on the Queensland economy is approximately \$6 billion per year.<sup>19</sup> However if SEQ businesses do not embrace the opportunities presented through the digital economy, SEQ faces the risk of losing competitiveness as an investment destination.

Key indicators that businesses are leveraging digital platforms include access to the internet, the use of broadband, web presence, social media presence and ecommerce.<sup>20</sup> In Australia, while the majority of businesses have access to the internet, the uptake of digital platforms to be more competitive has been less prevalent. The below figure shows the use of information technology by Australian businesses from 2012-13 to 2014-15.

Figure 2.2 - Business Use of Information Technology (%)



Source: Australian Bureau of Statistics 2016. "Summary of IT Use and Innovation in Australian Business 2014-15", cat. no. 8166.0. Accessed 1 August 2016. <http://www.abs.gov.au>

Less than half of Australian businesses have a web presence, and even less have a social media presence. Of the businesses which have internet access, those that place orders via the internet is relatively high at just over 55 per cent in 2014-15, however those that receive orders via the internet (ecommerce) are low increasing a small amount in 2014-15 from 30.2 per cent in 2012-13 to 33.8 per cent. This shows a latent capacity for Australian businesses to improve their use of digital tools to drive economic growth and be competitive in an increasingly global market.

<sup>19</sup> The State of Queensland, Department of Science, Information Technology and Innovation (DSITI). 2014. "Startup Ecosystem Report.". Accessed 26 July 2016. <https://www.qld.gov.au/dsiti/assets/documents/startup-ecosystem-mapping-report.pdf>.

<sup>20</sup> Australian Bureau of Statistics 2016. "Summary of IT Use and Innovation in Australian Business 2014-15", cat. no 8166.0. Accessed 27 July 2016. <http://www.abs.gov.au/ausstats/abs@.nsf/mf/8166.0>.

Low levels of embracing digital platforms is a challenge for the region to focus on in order to drive economic growth and make SEQ competitive with other hubs of commerce. Digital technologies are increasingly the key differentiator for businesses in a competitive economy.

**Challenge four: Declining levels of migration (retaining population)**

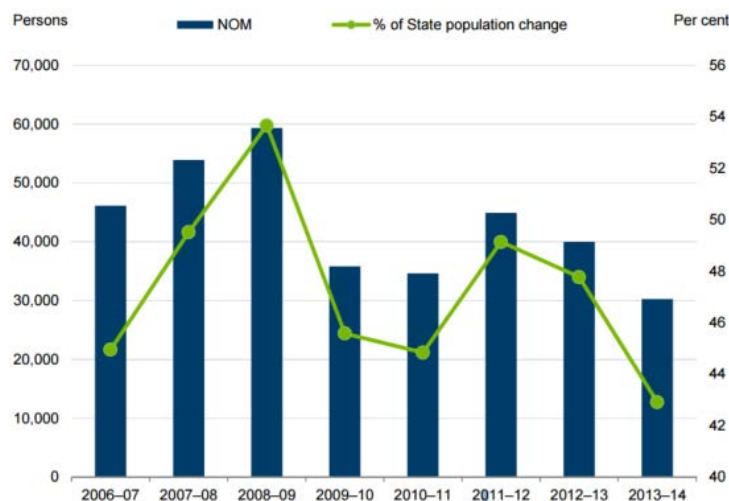
SEQ has historically experienced high levels of inbound migration. In recent years, however Net Overseas Migration (NOM) has declined substantially as a contributor to population growth (Figure 2.3).<sup>21</sup> More recently a large proportion of population growth in SEQ has been through net interstate migration driven by lower house prices and higher economic growth relative to other states.

This reflects an increase in departures per arrival from 62% to 76% and has seen net overseas migration figures drop from 43,620 in 2012 to 19,407 in 2015.<sup>21</sup>

This means that Queensland is experiencing declining levels of migration which may be reflective of a range of factors. These could include a shift in economic focus with downturn in mining and increases in opportunities available in other locations (for example, Sydney and Melbourne).

Focus on retaining the population and attracting migration by providing opportunities for jobs and economic growth is important to ensure that Queensland retains the skills to drive the next wave of the State's growth.

Figure 2.3 – Net Overseas Migration (extract)



Source: The State of Queensland, Queensland Government Statisticians Office 2016. "Overseas migration, Queensland, 2013-14". Queensland Government Statisticians Office. Accessed 27<sup>th</sup> July 2016. <http://www.qgso.qld.gov.au/>

<sup>21</sup> Australian Bureau of Statistics 2016. "Australian Demographic Statistics", cat. no. 3101.0 Dec 2015. Accessed 26 July 2016. <http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/3101.0Dec%202015?OpenDocument>.



## Connectivity

Over the next 20 years connectivity of the region will play a pivotal role in ensuring there is capacity to meet the demands of a growing economy and population. Issues such as traffic congestion, lack of strong linkages between centres and a lack of capacity and resilience in the region's infrastructure and digital networks will threaten the efficient movement of freight and people.

### Challenge five: Growing freight task projected

The freight transport network in SEQ connects industry to markets and is fundamental to economic growth. Export heavy production related industries in Queensland combined with the State's dispersed settlement pattern places strain on the freight network which in 2010-11 had a total freight volume of 871mt. This freight task is projected to grow in the future to 1643–1741mt in 2026, an increase of 89 per cent.<sup>22</sup> In addition to the increased strain on the network, other challenges such as the cost of infrastructure, geographical distances, transport hub bottlenecks, and extreme weather events all impact the freight network in Queensland.<sup>22</sup>

***The freight task in Queensland is expected to grow 89 per cent from 2010-11 to 2026***

This highlights how critical investment in freight infrastructure is for the future. Already the Department of Transport and Main Roads in Queensland has identified the importance of more efficient freight movement across Queensland through its *Moving Freight* strategy published in December 2013 which seeks to address the growing freight task. The strategy focuses on the importance of rail access for agriculture, investment into key freight corridors, freight network resilience (for example to natural disasters), and better collection and analysis of data as well as making heavy freight vehicle permits more accessible. These issues

for freight connectivity are key constraints on movement within the region and potential economic growth and are a shared challenge for the region.

The additional strain on the freight transport network can also exacerbate conflicts with passenger networks and may constrain economic growth in terms of export capacity, cost competitiveness and speed to market which all impact the attractiveness of SEQ as a place to invest for the future.

This challenge while Queensland wide, is particularly severe for SEQ, with the bulk of population growth out to 2026 in the State projected for the South East corner.<sup>23</sup> This will drive increased demand along the coastal corridors and north-south freight movement. The below figure from the *Moving Freight* strategy shows the density of population growth in the South East corner.

The projected growth across the SEQ region will place additional pressure on the transport network, increasing congestion which will detrimentally impact the freight network and disrupt supply chains. Congestion is a significant threat to freight connectivity in the SEQ region, an issue that links the region urban and rural communities.

### KEY CHALLENGES

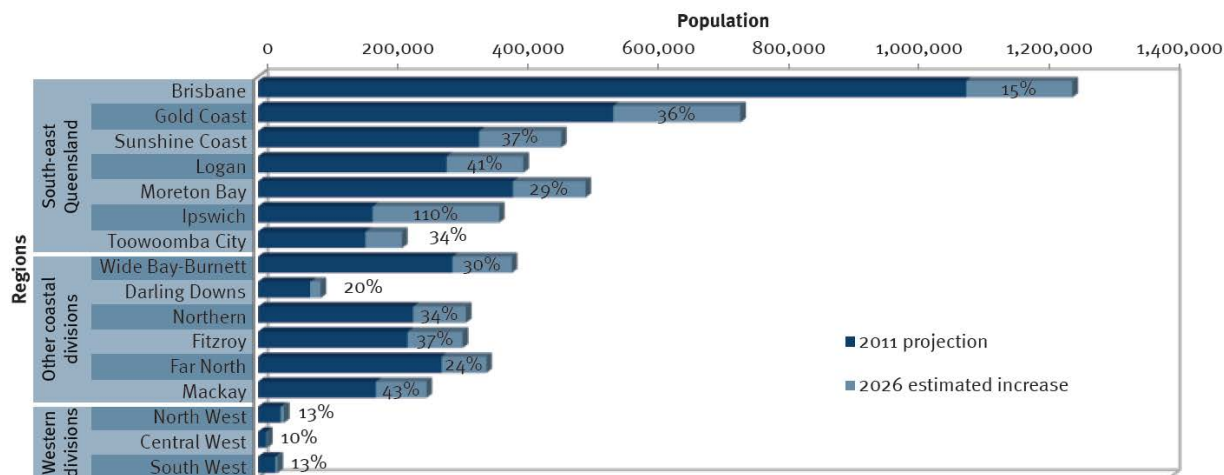
- Growing freight task projected
- Low passenger transport mode share and high cost of congestion
- Low levels of digital connectivity in the region

<sup>22</sup> The State of Queensland, Department of Transport and Main Roads 2013. "Moving Freight. Accessed" 26 July 2016. <http://www.tmr.qld.gov.au/movingfreight>.

Note – Changes in macro-economic environment may change the forecast freight movement. These figures represent the best available information at the time of writing.

<sup>23</sup> Queensland Government, Department of Infrastructure, Local Government and Planning, 2016.

Figure 2.4 – Projected Population in Growth Areas of Queensland (extract from *Moving Freight*)



Source: The State of Queensland, Department of Transport and Main Roads 2013. "Moving Freight". Accessed 26 July 2016. <http://www.tmr.qld.gov.au/movingfreight>.

Further, growth in general freight imports, which is largest commodity type for freight volumes, increases trade at the Port of Brisbane. Imports at this port are primarily destined for locations in SEQ accounting for 90 per cent of the container imports.<sup>24</sup>

These factors combined make freight in Queensland vital to the national economy and improving the freight network efficiency a key challenge for the future of SEQ.

<sup>24</sup> The State of Queensland, Department of Transport and Main Roads 2013. "Moving Freight." Accessed 26 July 2016. <http://www.tmr.qld.gov.au/movingfreight>.

**Challenge six: Low public transport mode share and high cost of congestion**

The SEQ passenger transport network faces similar capacity challenges as the freight network.

A number of people travel outside of their Local Government area to work. Particularly those in the areas surrounding Brisbane where proportions vary from 47 per cent to 60 per cent (figure 2.5). When this travel pattern is coupled with the heavy reliance on cars as the primary mode for travel to work (figure 2.6) the SEQ region suffers from congestion and accessibility issues which constrains economic growth. If the trend of longer journeys made by car is not addressed as the population grows these issues will only be exacerbated. In particular, the cost of congestion in SEQ was \$1.9 billion in 2011 and is forecast to be \$9.2 billion in 2031.<sup>25</sup>

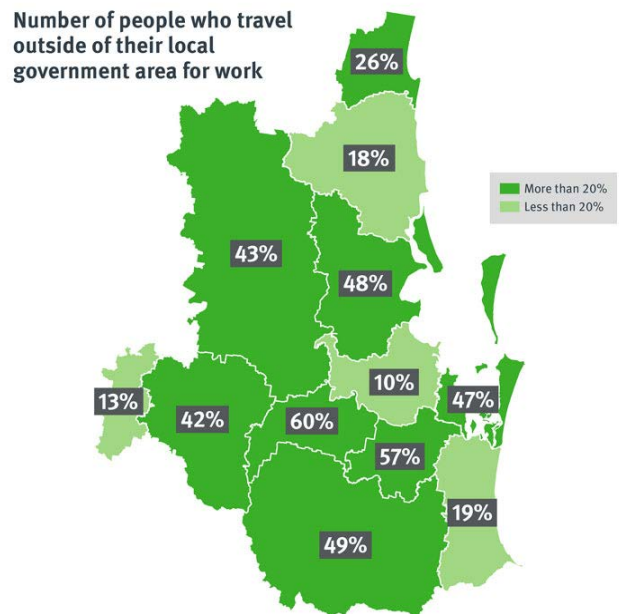
In key corridors between employment and residential nodes shifting people from cars to public and active transport modes will reduce congestion. These modes are more efficient at moving people around the region compared to private vehicles.

Improving the current low level of containment in each local government area is addressed through land based interventions to bring employment and residential areas closer together.

In addition to passenger movements, congestion impacts on the effectiveness of trading between firms, thus economic growth. Effective accessibility is a necessary input into a functioning economy and spatial distribution of economic activity. The SEQ region needs to address the travel behaviour of the growing population to ensure that economic growth in the region is not held back.

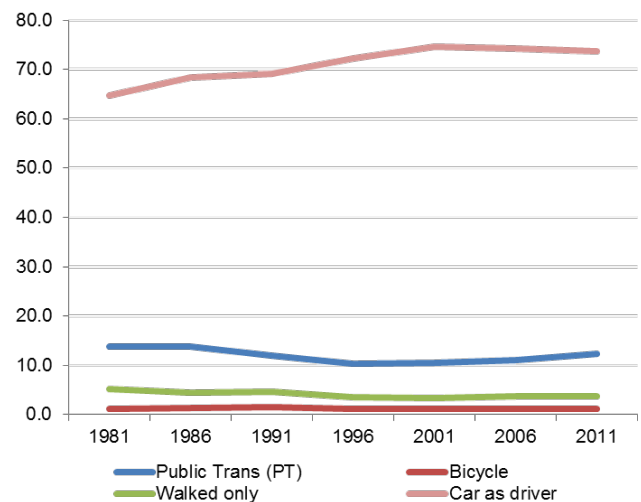
Congestion, passenger connectivity and mode share in SEQ are an important challenge for the region to ensure ease of travel and access to economic hubs and other parts of the region within reasonable travel times for residents. Effective connectivity also provides ease of transport for business to business interactions and brings key businesses together around key activity hubs to facilitate agglomeration benefits.

Figure 2.5 – Journey to Work- Travel to Other Local Government Areas



Source: Queensland Government, Department of Infrastructure, Local Government and Planning, 2016.

Figure 2.6 – Journey to Work by Mode Share SEQ (%)



Source: Council of Mayors (SEQ) Presentation – Review of the South East Queensland Regional Plan 2009-2031.

<sup>25</sup> Commonwealth Government, Infrastructure Australia 2015. “Australian Infrastructure Audit Report”.. Accessed 26 July. <http://infrastructureaustralia.gov.au/policy-publications/publications/Australian-Infrastructure-Audit.aspx>.

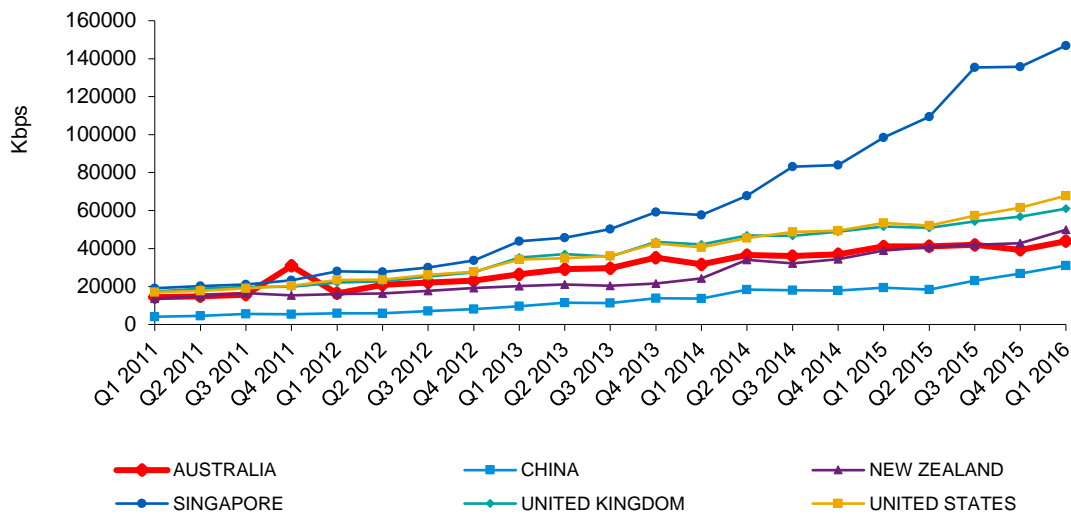
**Challenge seven: Low levels of digital connectivity in the region**

Digital connectivity is a critical enabler to growth around the world. Australia’s average peak connection speed of 39.3 Mbps is ranked a low 60th in the world in the quarter ending in December 2015. This is shown in Figure 2.7.

Australia’s speed is only slightly above the global average at 32.5Mbps showing a large scope for improvement.<sup>26</sup> Access to high speed internet connection is a key input into supporting a globally competitive market and is a key challenge for the region. Digital connectivity, speed of connection and improving access to communications and technology in the region will make the SEQ region more attractive for investment, as well as improve integration within the region.

*Australia’s average peak connection speed of 39.3 Mbps is ranked 60th in the world at the end of 2015*

Figure 2.7- Average Peak Connection Speed



Source: Akamai 2016. “Connectivity Visualizations – Internet connection speeds and adoption rates by geography.” Accessed 27 July. <https://www.akamai.com/>

<sup>26</sup> Akamai 2016. “Connectivity Visualizations – Internet connection speeds and adoption rates by geography.” Accessed 27 July. <https://www.akamai.com//>.

 **Skilled Labour Force**

**Challenge eight: Low proportion of high skills jobs in SEQ**

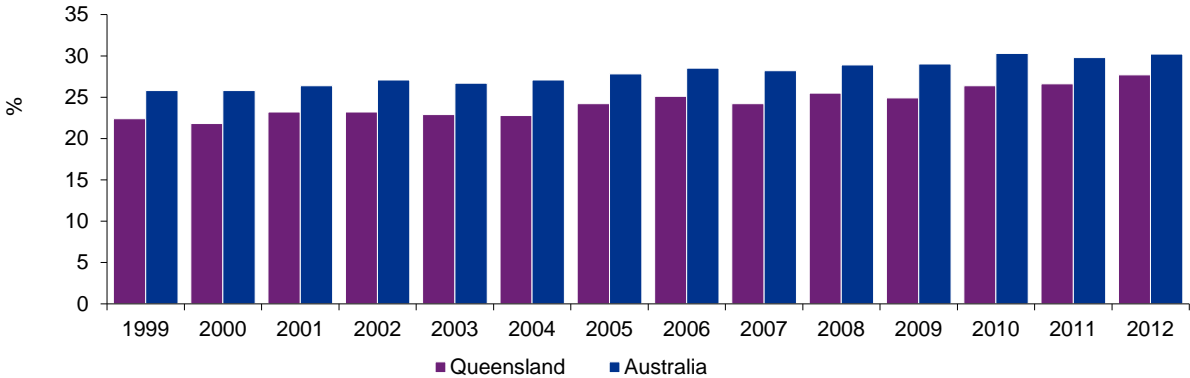
The workforce profile in SEQ is characterised by a large proportion of professionals (20.9 per cent), clerical and administrative workers (15.6 per cent) and technicians and trade workers (14.1 per cent) based on 2011 figures.<sup>27</sup> Occupations that experienced the largest growth in SEQ between 2006 and 2011 were professionals, community and personal service workers, clerical and administrative workers and managers.

**KEY CHALLENGES**

- Low proportion of high skills jobs in SEQ

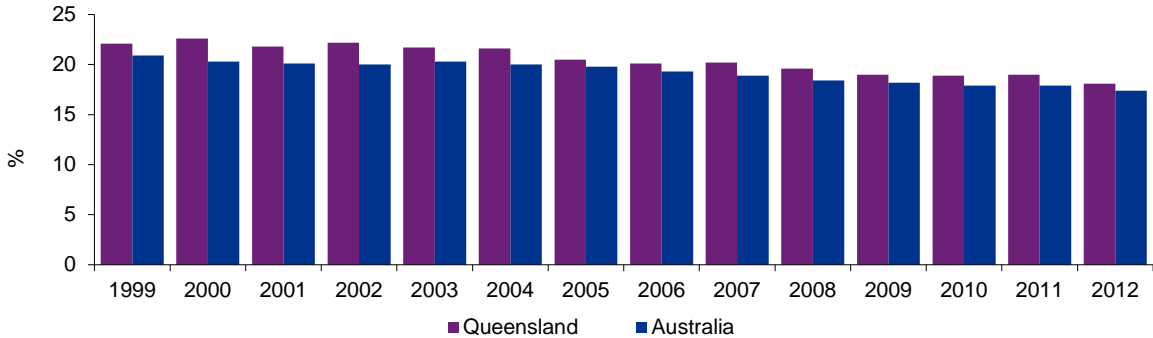
In comparison to the rest of Australia, Queensland has a lower skilled workforce which is indicated by lower proportion of high skill occupations (figure 2.8) and a higher proportion of lowest skill occupations as a percentage of total employed (figure 2.9).

Figure 2.8 - Persons Employed in Highest Skill Occupations of Total Employed (%)



Source: Australian Bureau of Statistics 2016. "Australian Social Trends Data Cube — Work", cat. no. 4102.0, Dec 2015. Accessed 26 July 2016. <http://www.abs.gov.au>

Figure 2.9 - Persons Employed in Lowest Skill Occupations of Total Employed (%)



Source: Australian Bureau of Statistics 2016. "Australian Social Trends Data Cube — Work", cat. no. 4102.0, Dec 2015. Accessed 26 July 2016. <http://www.abs.gov.au>

<sup>27</sup> Profile ID. 2016. "South East Queensland.". Accessed 20 July 2016. <http://profile.id.com.au/australia/occupations?WebID=330> (accessed 20 July).



This Queensland workforce profile depicts an SEQ workforce that tends to have with less high skill and more low skill jobs proportionally than the rest of Australia.

In terms of average weekly earnings, Queensland has historically trailed behind the rest of Australia with the average weekly earnings in 2014-15 being \$1,448.90 compared to the Australian average of \$1,480.10.<sup>28</sup> With lower weekly earning the retaining and attracting a workforce which supports the industries of the future is a challenge for the SEQ region.

Therefore there is a need to increase the skills of the workforce as well as ensure that the workforce has access to employment. It is also important to align the skills of the workforce with the knowledge-based and emerging growth industries.

***In order to improve jobs value, the development of a skilled labour force is a critical focus***

A workforce for the future which is skill enabled creates choices for employers and employees. To obtain this workforce requires the appropriate investment in education, and higher learning and training. This investment will transition the region from low skilled, low value jobs as well as help attract and retain the skilled workforce that the SEQ needs. Private investment can be leveraged in this space to cultivate a workforce with skills for competitive advantage.

A workforce for the future also needs to embrace digital skills. These are skills which will make SEQ competitive in the domestic and global marketplace as the Australian economy moves forward.

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<sup>28</sup> Australian Bureau of Statistics 2016. "Average Weekly Earnings, Australia", May 2015, cat. no. 6302.0. Accessed 28 July. <http://www.abs.gov.au/ausstats/abs@.nsf/mf/6302.0>.

 **Liveability**

**Challenge nine: Affordable living**

A key challenge for the region is to address inequality in affordable living across the region. Affordable living, as opposed to affordable housing, is a more holistic measure of affordability which also takes into account the cost of transport.<sup>29</sup>

Figure 2.10 shows median dwelling price, plus interest payments and travel costs in terms of their proximity to the city. It demonstrates that while a unit on the fringe may be at a lower price point than a city unit, transport costs are significant. Anecdotal evidence suggests consumers do not consider the combined costs of dwelling price, interest payments, and travel costs in their assessment of affordable living costs.

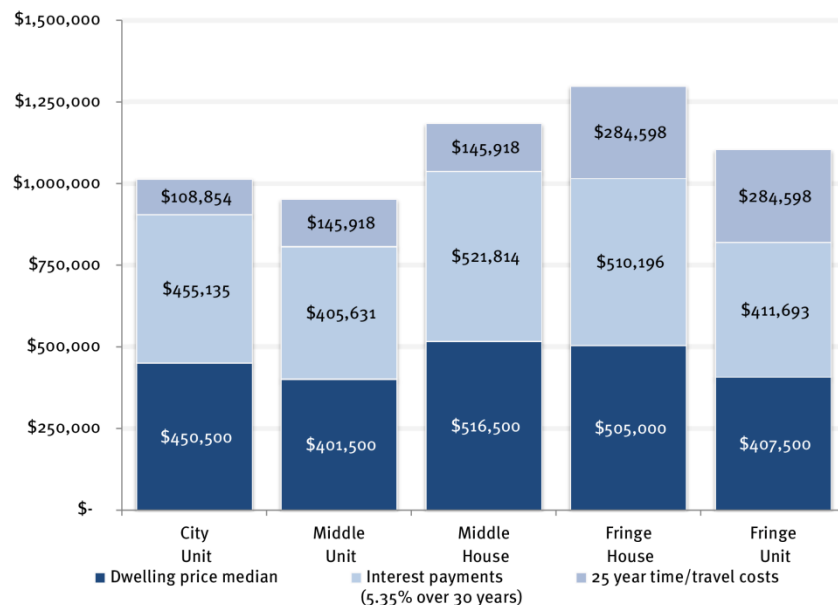
This disparity presents a growing challenge in SEQ to promote affordable living. While a house might be affordable, its location compared to where the residents need to travel to for employment and other needs is an indicator of affordable living and might reveal that an affordable house is in a location where access to transport and cost of travel is high, or level of jobs that can be accessed is low.

While housing in SEQ is relatively more affordable than in the larger metropolitan centres of Sydney and Melbourne, it is critical that the region's housing choices and transport networks be designed in such a way to maximise the local benefits that come with relative affordability. This will be critical to provide workers and residents with a broader array of affordable living options across the region.

**KEY CHALLENGES**

- Affordable living
- National focus on environment
- Growing region placing pressure on environmental amenity

Figure 2.10 – Sample Affordable Housing Costs



Source: Council of Mayors (SEQ) 2011. "My Home, My Suburb".

<sup>29</sup> Council of Mayors (SEQ) and the State of Queensland, Department of Local Government and Planning 2011. "Next Generation Planning- A handbook for planners, designers and developers in South East Queensland". ISBN 978-0-9870751-0-9. Accessed 26 July 2016. <http://www.statedevelopment.qld.gov.au/resources/guideline/ngp-handbook.pdf>.

**Challenge ten: Impact of growth on the environment**

Increasing global economic activity, industrial activity and consumption has seen an increased global and national focus on environmental issues such as the impact of climate change and decreasing biodiversity. In Australia there is recognition of the rising costs of natural disasters on communities and the need to balance growth while building resilience of communities.

*Queensland represents over a quarter of emission contributions and is the largest contributor out of all States and Territories*

SEQ is rich with open spaces, however preserving the environmental values and being able to address the cost of environmental degradation and natural disasters are key challenges for ensuring the liveability of the region. Preserving the region's natural environment and ecosystems supports biodiversity, clean air and water and reduces land degradation. In addition, the natural environment supports multiple values including scenic amenity, outdoor recreation and cultural heritage. Preserving the natural environment through effective land management has positive flow on effects to water and air quality. Clean air and water are both important for attracting tourism as well as maintaining a quality of life standard expected by residents.

Past development in SEQ has fragmented the region's natural environment; threatening these environmental values. As SEQ's population continues to grow, the related urban and commercial development will continue to exert pressure on the natural environment. If growth is not effectively managed continued clearing and fragmentation of natural areas will result further degradation of natural environmental processes. Further degradation will adversely affect the region's biodiversity, resilience to climate change, air and water quality, agricultural land, economic potential and community's health. Unless these factors are prevented, managed or reversed, they will continue to threaten regional sustainability. Preserving the region's natural environment and ecosystems is fundamental to achieving a sustainable future for the region.

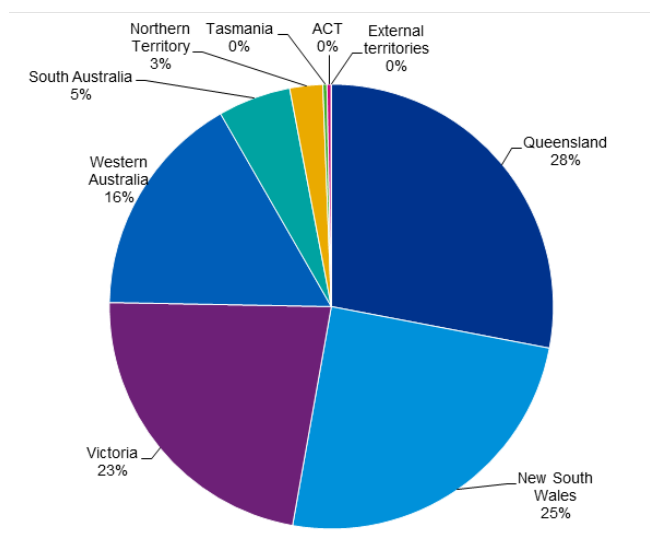
One component of the national focus on the environment is climate change. Following the Paris climate change conference in 2015, Australia has defined its target to reduce emissions to 26-28 per cent on 2005 levels by 2030.<sup>30</sup>

The Queensland Government has also articulated their commitment to tackling climate change which includes both adapting to climate change impacts (for example in hardest hit coastal areas) and reducing emissions.<sup>31</sup>

The adjacent figure shows Queensland's contribution to national emissions in 2014 at 28 per cent of total emissions, Queensland represents over a quarter of emission contributions and is the largest contributor out of all States and Territories.

In aligning to the national and state focus on the environment and in order to protect the natural assets of the region, protecting the environment and reducing emissions is a key challenge for the region.

**Figure 2.11 – Contribution to National Emissions by State and Territory, 2014 (%)**



Source: Commonwealth Government, Department of Environment 2016. "State and Territory Greenhouse Gas Inventories 2014." Accessed 20 July 2016. <https://www.environment.gov.au>

<sup>30</sup> Commonwealth Government, Department of Environment and Energy. 2015. "Australia's 2030 climate change target." Accessed 29 July 2016. <https://www.environment.gov.au/climate-change/publications/factsheet-australias-2030-climate-change-target>.

<sup>31</sup> The State of Queensland. 2016. "About climate change." Accessed 29 July 2016. <https://www.qld.gov.au/environment/climate/about-climate-change/>.

### **Challenge eleven: Growing region placing pressure on amenity**

SEQ is recognised as an attractive, liveable subtropical region as a result of the exceptional climate and environment. National parks, open space, waterways and beaches underpin the region's attractiveness, sustainability and contribute significantly to its economic and social capital. Amenity is the competitive advantage of the region which makes it a desirable place to visit, work and live. Economic growth relies on attracting and maintaining a skilled workforce. When employment opportunities are similar across locations, other locational factors like natural and urban amenity are the differentiator.

The amenity of the region is further enhanced by quality urban design creating inclusive centres, towns, villages and neighbourhoods across SEQ. Good design provides more housing choice, inclusive neighbourhoods, and functioning centres adds economic and social value to the SEQ region. Quality precinct design brings communities together and, in combination with the region's natural amenity attracts people to the region. Natural and urban amenity are the primary contributors to the identity of the region and the value behind the SEQ regional brand.

The SEQ region needs to preserve the region's amenity whilst supporting the growing population. The growing population will result in increasing pressure on land with residential and commercial uses competing for space with environment. Through good design the growing population will need to be accommodated in urban areas which are inclusive, provide housing choice and are functioning precincts. Effective land use planning and environmental management is required to ensure that competing interests are addressed and the amenity of the region is preserved.

***Maintaining the environment and open spaces throughout the South East is an important challenge for the future of the region***

Maintaining the environment and open spaces throughout the South East is an important challenge for the future of the region. SEQ needs to effectively balance these competing priorities to preserve the amenity of the region, its liveability and protect the brand of SEQ as an attractive place to live, work and invest.



## Stewardship

### Challenge twelve: Increased community expectations

Community expectations, (including citizens and businesses), of government are growing. A global trend of the rise of the individual has led to increased demands for transparency from government and participation in public decision making<sup>32</sup>.

Technology has changed the way government provides services, engages with the public and fosters economic growth. Governments can leverage technology to address changing community expectations by;

- using data to drive improved decision making;
- using data to tailor service delivery to the public need;
- providing open data to help create innovative solutions to regional issues; and
- improving communication and engagement with the public.

In an unprecedented age of digital information, with data about individuals and businesses being collected through various means in amounts not previously imagined. This data, known as 'big data', has the power to reveal new patterns and trends which can better inform policy decisions and strategic local planning.

***Community, including citizens and businesses, expectations of government are growing***

Government is also facing pressure from external factors (research bodies, start-ups and industry) to provide better access to data, through 'open data' policies. This means making data available for use in the private sector to create new business opportunities (innovative solutions, more connected services, etc.). Government's role is critical in supporting access to data including resolving legislative and policy challenges while protecting individuals from inappropriate use of their data.

SEQ must keep up with the demand and expectations of the community and continue to improve their role in order to remain an attractive place to live and work. The use of technology and data is an opportunity to improve efficiently and effectiveness of government in the SEQ region.

### KEY CHALLENGES

- Growing community expectations
- Delivering regional outcomes requires effective regional governance

<sup>32</sup> KPMG International. 2014. "Future State 2030: The global megatrends shaping governments." Accessed 28 July 2016. <https://www.kpmg.com/Global/en/IssuesAndInsights/ArticlesPublications/future-state-government/Documents/future-state-2030-v3.pdf>.

**Challenge thirteen: Delivering regional outcomes requires effective regional governance.**

Strong and cohesive regional governance is critical to ensuring that the identified regional challenges can be addressed. While SEQ has a strong history of collaboration between local governments, a City Deal presents a challenge for greater coordination across all three tiers of government and the private sector.




Accordingly, regional governance needs to be improved to enable;



- An agreed program of infrastructure across all tiers of government to be delivered;
- A consistent view on infrastructure delivery sequencing; and
- Opportunities to leverage outcomes to increase funding to be considered.

Recent work to develop the SEQ Regional Plan has demonstrated that effective collaboration between local government, state government and the private sector can be achieved. This has been reflected in the SEQ Regional Planning Committee and the associated working groups. Nevertheless, the proposition for an SEQ City Deal would involve oversight of investment in a greater scope of infrastructure, involvement of the Commonwealth Government and ongoing monitoring and revision over a lengthy period. Accordingly, it is critical that formal governance mechanisms are established to appropriately bring together the broad range of public and private interests that would need to be reflected in an SEQ City Deal. Despite some experience in collaborative regional governance, there has been limited coordination between the three tiers of government, across multiple departments in the SEQ region. There is an opportunity to leverage existing governance structures and experience to further improve regional coordination. The regional governance model needs to be designed to align with the scope of the Deal as well as the outcomes that it seeks to deliver.

## Summary

The shared challenges in SEQ which will sought to be addressed through a SEQ City Deal are summarised below:

City Deal Theme	Key Challenges the Deal will Address
<p><b>Competitive Economy</b></p> 	<ol style="list-style-type: none"> <li><b>1 Economy in transition</b> – Transitioning to a more diversified and services oriented economy is critical for economic growth in the future and to make the SEQ economy more resilient.</li> <li><b>2 Lower export oriented economy compared to other capital cities</b> – The region must increase its share of the region’s economy that is export driven. Currently, in comparison to other capital cities in Australia, Greater Brisbane consumes more than it exports when comparing consumption to export oriented and tradeable industries.</li> <li><b>3 Technology change</b> – Technology change, digital disruption and advancements will impact on future economic activity, leading to significant changes to established business models.</li> <li><b>4 Declining levels of migration</b> – The region must attract and retain skilled workers. The trend in Queensland of increasing levels of departures compared proportionally to arrivals resulting in lower net migration indicates a perception of declined economic opportunity and potentially skills drainage from the region.</li> </ol>
<p><b>Connectivity</b></p> 	<ol style="list-style-type: none"> <li><b>5 Growing freight task projected</b> – An improvement to the movement of freight is a priority. On current projections, the freight task in Queensland is expected to grow 89 per cent from 2010-11 to 2026.</li> <li><b>6 Low public transport mode share and high cost of congestion</b> – Improved passenger connectivity for public and active transport is required. An increasing cost of congestion due to traffic volume delays impacts the region’s economy.</li> <li><b>7 Low levels of digital connectivity in the region</b> – Improved mobile and broadband accessibility and connectivity enhances economic competitiveness. Current data shows digital connectivity in Queensland and across Australia is not competitive with the global economy.</li> </ol>
<p><b>Skilled Labour Force</b></p> 	<ol style="list-style-type: none"> <li><b>8 Low proportion of high skill jobs in SEQ</b> – The region needs to develop, attract and retain a skilled workforce and businesses. SEQ has proportionally less high skills occupations and more low skill occupations in comparison to the rest of Australia.</li> </ol>

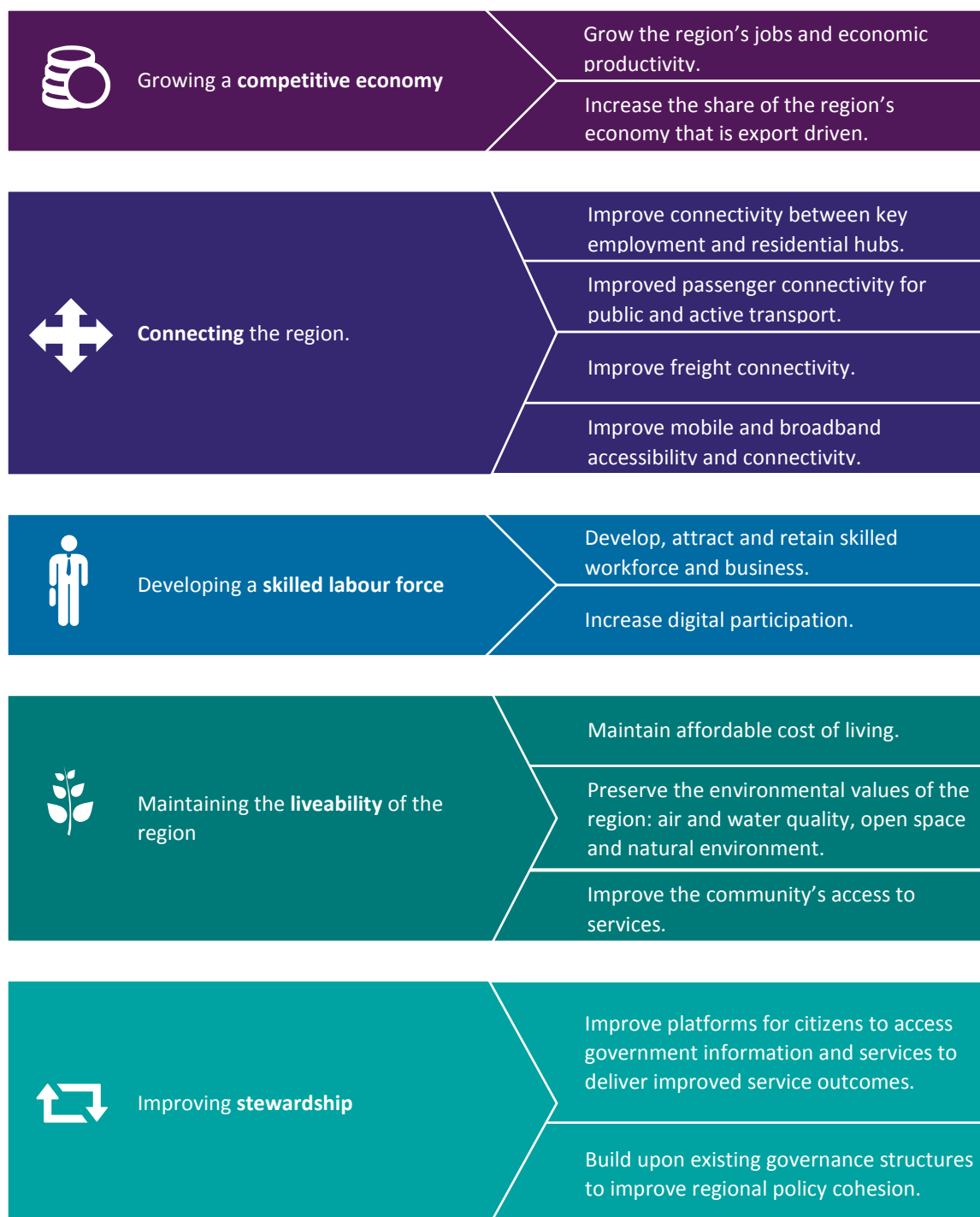
<p><b>Liveability</b></p> 	<p><b>9 Affordable living</b> – The region needs to improve the cost of living in different (both in terms of housing affordability and the cost of travel to work).</p> <p><b>10 Impact of growth on the environment</b> – It is important to preserve the environmental values of the region and to address the challenge of reducing emissions.</p> <p><b>11 Growing region placing pressure on amenity</b> – SEQ needs to continue to utilise the values of the region to differentiate itself as an attractive place to live, work and invest. At the same time manage growth and balance land use planning to protect the amenity of the region.</p>
<p><b>Stewardship</b></p> 	<p><b>12 Increased community expectations</b> – SEQ governments need to improve service delivery by leveraging technology opportunities to meet the increased expectations of the community.</p> <p><b>13 Delivering regional outcomes requires effective regional governance</b> - There is a need for strong and cohesive governance to facilitate policy and investment alignment.</p>



# What will an SEQ City Deal Deliver?

The outcomes of an SEQ City Deal have been developed to address the themes of economic growth, connectivity, skilled labour, liveability and stewardship. These outcomes define the parameters of the City Deal including the lead metric, minima and project scope.

## The SEQ City Deal will...



# Scope of a SEQ City Deal

# Scope

The scope of an SEQ City Deal is underpinned by two fundamental components:

1

**Administrative Scope**

Forms the geographic boundaries of the City Deal and is underpinned by arrangements made between the parties who are subject to the City Deal (for example, the Commonwealth, State and Local Government) in the region in which the City Deal applies.

2

**Program Scope**

Includes the agreed projects delivering specific infrastructure assets and programs that are material to delivering the agreed outcomes for the City Deal.

## Administrative Scope

The administrative scope for an SEQ City Deal framework could utilise the boundaries of the 11 Local Government areas within the SEQ region to form the geographic confines of the Deal. The administrative boundary of the Deal reflects the political, administrative, economic and environmental functions of the region. It recognises that while SEQ comprises a network of unique urban and rural settings, at a functional level the region operates as a single system.

The Mayors representing SEQ councils have demonstrated a sustained political alliance since 2005 coming together under the Council of Mayors (SEQ) banner to advocate for the region's strategic direction and investment needs. This collective approach to achieving strategic priorities for the broader region is beneficial to establishing the conditions and parameters under which an SEQ City Deal could be delivered.

The region has also provided a working foundation for collaboration between State and Local Government through the SEQ Regional Planning Committee which continues as the primary vehicle for bringing together the interests of various State Government Departments and the local governments to consider statutory regional planning requirements and cooperative planning activities across transport, economic development and the environment.

SEQ has a mature administrative framework and collaborative regional leadership to deliver a SEQ City Deal. Beyond this framework, SEQ is a functioning economic region in its own right, with high degrees of regional self-containment and established frameworks for the delivery of key cross-boundary infrastructure projects.

Acknowledging the established strength of the region as it currently functions, the administrative scope of the SEQ City Deal framework will leverage existing administrative functions, information and monitoring of key indicators already established in the region. Further definition of the scope of governance structures for a Deal are discussed in the Governance Chapter of this report.

# Program Scope

The clear articulation of the scope of the program of infrastructure and non-infrastructure projects delivered through an SEQ City Deal is fundamental to its success. It is recognised that in order to maximise the potential outcomes of the Deal, clear prioritisation of the types of projects included within the scope of an SEQ City Deal Program is important.

Program scope includes infrastructure assets and non-infrastructure investment that will deliver on the desired outcomes of the SEQ City Deal.

Non-infrastructure investments support the infrastructure assets by providing non-infrastructure solutions and/or develop the non-physical assets within the community such as skills, business and innovation. The inclusion of both physical infrastructure and non-infrastructure investments an SEQ City Deal program has the flexibility to select a varied scope of projects to deliver the greatest uplift in GRP to the region, for the best value-for-money.

For the purpose of the SEQ City Deal, program scope does not include infrastructure assets or programs which are highly regulated or have an established delivery framework. Program scope captures projects associated with infrastructure asset classes and non-infrastructure investment commonly delivered by Local, State and Commonwealth Government and the private sector.

Projects for consideration in a City Deal program may be submitted by Commonwealth, State and Local Government, and Market Lead Proposals (MLP) by the private sector. For example, the SIP identifies a range of unfunded projects that could be put forward for consideration in the City Deal. Infrastructure projects are not limited to new assets but may include upgrades to existing assets which deliver a higher standard of service and deliver the core objectives of the SEQ City Deal.

For projects to be considered as in scope for an SEQ City Deal program they must be:

- **Regionally significant** – outcomes of the project are wider than the Local Government Area/s that the project is located in.
- **Enabling** – a catalyst for other regional outcomes, such as unlocking other projects, employment or economic growth.
- **Contribute to achieving the six themes of the City Deal** – complementary across regional outcomes.

Detailed justification for the inclusion of specific infrastructure asset and non-infrastructure investments in an SEQ City Deal program scope is provided in subsequent sections of this Strategic Business Case.

Following the determination of the scope, prioritisation of infrastructure projects is critical to developing the City Deal. The priority listing of infrastructure projects determines the programs they are related to and the order in which they are funded by the government through the City Deal Model. It is important that prioritisation is undertaken using a lead metric and set of project minima relevant for the region.

## Infrastructure Assets

Infrastructure assets in the scope for an SEQ City Deal include the physical assets constructed for the provision of essential services to the region. These infrastructure assets will support the region's economic activity by providing good connectivity, facilitating market access, attracting business activity and enhancing competition to generate greater productivity. Discussions with State and Council officers during Gateway 1 considered which infrastructure asset types would generate the greatest uplift in GRP, are regionally significant as well as deliver assets that align to Commonwealth, State and Local Government priorities.

The infrastructure asset classes recommended for inclusion in an SEQ City Deal program are:



Transport



Water Supply  
and Sewerage



Digital

Infrastructure asset types that are considered outside the scope of an SEQ City Deal will continue to be delivered through existing mechanisms across all tiers of government.

The eligible infrastructure asset types and their relevance to delivering the objectives of an SEQ City Deal are outlined below.

## Transport

Transport infrastructure is critical to the functionality and success of a region. Transport infrastructure assets will provide new capacity within SEQ transport network to connect people to employment and secondly reinvigorate land use, creating a platform for broader regional transformation. The scope of the transport infrastructure is outlined in Table 3.1

Table 3.1- Scope of Transport Infrastructure Assets

Transport Infrastructure Assets
Road
Rail - Freight
Public Transport
Rail
Bus
Light Rail
Ferry
Active Transport
Cyclist
Pedestrian

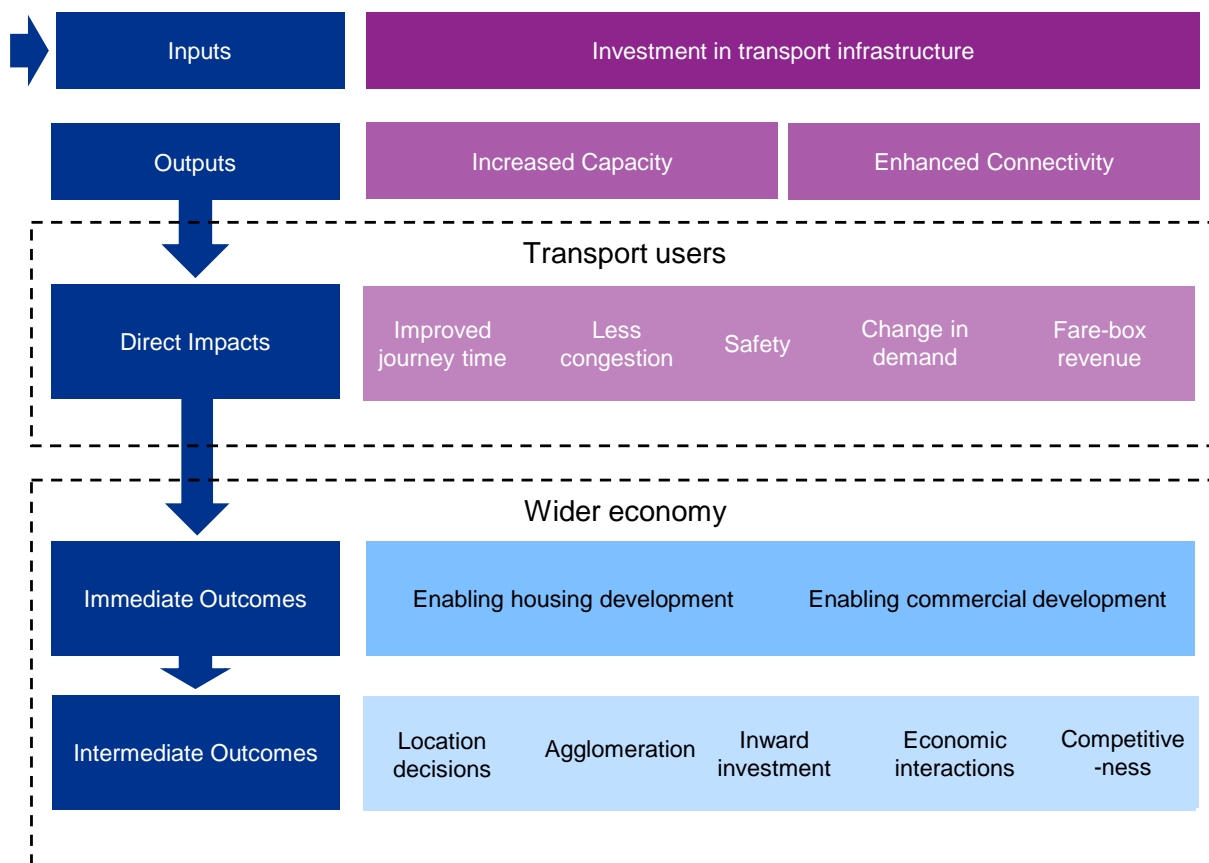
As SEQ continues to grow into the future, challenges relating to the region's transport connectivity will be exacerbated without strategic infrastructure interventions and investments. The coordination of Commonwealth, State and Local Governments to deliver transport infrastructure that meets these challenges will be a focus within an SEQ City Deal.

As a result of this coordinated approach to transport infrastructure planning and delivery, these networks will continue to play a regionally significant role in addressing future challenges by connecting to production areas to export gateways (such as airports and ports) as well as key labour markets in the region's emerging residential areas (such as Caloundra South, Ripley Valley, Greater Flagstone and Yarrabilba).

Transport infrastructure will facilitate the uplift of GRP through direct benefits to the freight industry through provision of improved freight networks and connectivity between industry and ports for export activity. Secondly, the investment in transport is regionally significant as it generates wider economic impacts as follows:

- First, transport investment is fundamentally about increasing the capacity of the existing networks and enhancing connectivity between places, so this is the main output of the investment;
- Second, the direct impacts of the investment include such as changes in journey times and reduced congestion;
- Third, the immediate outcome of the investment is to change the patterns of land uses, both commercial and residential; and
- Finally, together with the transport investment itself, the impact on land uses will interact to create intermediate outcomes, such as on location choices, agglomeration economies and economic interactions between places, and effectively on the competitiveness of these places; which translates into an increase in economic growth.

Figure 3.1 - Wider Economic Impacts Generated by Transport



Delivery of transport infrastructure in SEQ varies across asset type. Roads are delivered in SEQ by Local Council, State Government and through private delivery of toll roads and associated development infrastructure. Public transport infrastructure is largely planned and delivered by the Queensland Government through the Translink system. Local Government along with the State Government funds the provision of public transport in SEQ. Local Governments have been a leader and partner in a number of significant public transport projects (e.g. Gold Coast Rapid Transit, Moreton Bay Rail Link). In addition, delivery of public transport services ranges from Queensland Rail for passenger rail and 20 public and private passenger transport operators. Active transport is primarily delivered by Local Councils with some assets being provided by private sector associated with private development.

The inclusion of transport infrastructure in an SEQ City Deal will likely result in the following:

**Transport Infrastructure...**

**The region benefits from...**



...provides efficient transport networks for the freight and passenger movements.

...more efficient movement of people and goods, from business to business, within the region and between its centres.



...provides strategic links for the freight network.

...improved supply chains and more competitive export markets.



...links labour markets with employment and education.

...increasing the labour force skills, number jobs, access to labour markets and driving economic growth.



...reduces congestion and travel time.

...reduced cost of living and subsequent improvements to the region's attractiveness and ability to retain the population.



...connects communities and provides access to services.

...improved social inclusion, citizen engagement and acceptance with Government policies and strategies.



## Water Supply and Sewerage

Water supply and sewerage projects in scope are catalytic investments which will unlock development potential to support new productive areas and infill, brownfield and greenfield residential opportunities. These assets are necessary precursors for any development. The initial investment in these assets will create an environment that attracts ongoing, market-led, private sector investment. Given these outcomes from investment it has been determined that Water Supply and Sewerage are regionally significant investments given their impacts at a sub-regional level.

Table 3.2 - Scope of Water Supply and Sewerage Infrastructure Assets

Water Supply and Sewerage Infrastructure Assets
<b>Water</b>
Bulk water supply
Treatment plants
Reservoirs
Pump stations
Booster
Supply network
<b>Sewerage</b>
Treatment plants
Pump stations
Network

To enable new economic activity the region requires strategic investment to remove major infrastructure threshold constraints to private sector investment. The momentum that is created by unlocking development forges social change, attracts new residents, workers and visitors to the region. The catalytic infrastructure generates long term sustainable economic activity and returns on investment to both the community and governments. Effectively unlocking development in key locations is also critical to improving the connectivity between employment nodes. By improving the density of key locations through effective infrastructure investment, governments can increase the density of economic activity in activity centres. In doing so, they present the opportunity for businesses to greatly improve the efficiency of business to business interaction and the benefits that come from increased density of employment in key sectors. Therefore Water Supply and Sewerage infrastructure has been included in the scope of the City Deal as an investment which provides significant long term uplift to GRP.

Water distribution and sewerage is delivered in SEQ by both distributor retailers (Unitywater and Queensland Urban Utilities) and Local Councils (Gold Coast City Council, Logan City Council and Redland City Council). Bulk water supply is undertaken by Seqwater responsible for water supply assets and the natural catchments of the region's major water supply sources. Water and Sewerage projects for consideration in the City Deal program will be generated by all of these entities.

Figure 3.2 – Process of Economic Growth Delivered by Water and Sewer assets



The inclusion of water and sewerage infrastructure in an SEQ City Deal will likely result in the following:

**Water and Sewerage Infrastructure...**

**The region benefits from...**

 ... delivers development opportunity within the region by ensuring supply of residential and commercial land to the market.

... economic activity associated with development as well as the longer term productivity benefits associated with improved choice for business and residents seeking to locate in the region.

 ... enables the delivery of developable land to continue the supply housing.

... continued supply of housing which caters for the growing population, and is fundamental to the region's magnetism.

 ... can effectively deliver land use plans to realise coordinated and integrated land use outcomes.

... improved accessibility, less demand on infrastructure networks, and better regional liveability through greater housing choice.

## Digital

Telecommunications infrastructure under the City Deal consists of wireless transmission towers and base stations for mobile phone, and wired telecommunication infrastructure for data transmission, particularly fibre-optic cables for high speed internet. This infrastructure scope will be broadly referred to as 'digital infrastructure' with the key outcomes being both mobile phone and fixed line internet connectivity.

Table 3.3 - Scope of Digital Infrastructure Assets

Digital Infrastructure
Mobile Coverage
Mobile base station
Internet (Broadband Connectivity)
Fixed Fibre Network
Satellites
Fixed Wireless
Mobile wireless
Wi-fi

High-speed internet has changed the way we learn, do business, buy goods and interact with each other. Digital infrastructure connects people and businesses to the information and opportunities they seek, wherever they may be, across any industry. This infrastructure is fast becoming seen as 'essential infrastructure' for a functioning and prosperous community. Digital infrastructure projects under the City Deal will enable the construction of world-class broadband infrastructure, increase options for broadband service in underserved areas, and provide free Wi-Fi access in public spaces across the city. This infrastructure will transform the region.

Digital connectivity is the predecessor for any economic development in a modern city. High-speed Internet is essential for both residents and businesses. Improved digital connectivity will accelerate job creation, provide increased digital access and skills improve the quality of life for all, generate cost savings in government operations, and continue to grow citizen engagement.

Telecommunications infrastructure is delivered by private providers and the Commonwealth Government (NBN). Under the Deal Local and State Government partner with these organisations to deliver digital infrastructure. Digital infrastructure projects for consideration in the City Deal program are generated by all of these entities.

The Commonwealth Government has also committed \$50 million in funding through the Smart Cities and Suburbs Program to support local governments fast-tracking innovative technology solutions to long-standing urban problems. This reflects the commitment of the Commonwealth Government to invest in key digital outcomes as a component of their Smart Cities policy and further reinforces the importance of including digital infrastructure in the scope of the City Deal.

The inclusion of digital infrastructure in an SEQ City Deal will likely result in the following:



## Non-Infrastructure Investments

Non-infrastructure investment in the City Deal includes programs which develop skills, business, and innovation and non-infrastructure solutions (NIS). These programs are 'soft' initiatives that change behaviour, manage supply and demand, or increase human capital to achieve the City Deal outcomes. These types of programs are identified in table 3.4 overleaf.

Non-infrastructure investments can be delivered in conjunction with physical infrastructure in order to deliver broader range of outcomes, enhance the benefits from investment in the physical infrastructure, and in some instances deliver outcomes that cannot be generated by physical assets alone. For example, ensuring the region's workforce has the skills local employers need or, to bring together advisory and support services for small and medium-sized enterprises to promote start-up business growth.

Non-infrastructure investment projects for consideration in the City Deal program will be generated by Commonwealth, State and Local Government and the private sector.

### **Non-infrastructure solutions**

Non-infrastructure solutions (NIS) are programs that specifically relate to physical infrastructure. These investments can augment the existing network without duplicating or extending existing assets. NIS encompass solutions targeted at addressing a particular infrastructure problem through no, or low cost infrastructure interventions that either improve the capacity of, or demand for, the asset. For example, the SEQ 'waterwise' campaign changed usage behaviour which permanently reduced water consumption.

NIS are strategic investments capable of delivering comparable outcomes to high-cost physical infrastructure assets. Subsequently, their implementation can delay, or prevent, the need for significant capital investment to achieve the service requirements of asset. Investment decision making is improved – by considering solutions which preserve optionality and provide an opportunity to defer significant investments until they are actually required. Inclusion of NIS in the City Deal program scope will enable improved delivery of projects through improved sequencing of projects, efficient use of funds and achievement of wider outcomes.

Table 3.4 - Scope of Non-Infrastructure Assets

Scope	Purpose
Environment and Open Space	Maintain regional liveability by protecting the natural environment.
Transport	Manage transport network capacity through both demand and supply side intervention. Including mode shift and utilising existing capacity.
Waterways	Improve the region's liveability by improving the health of the region's waterways, beaches and Moreton Bay. Improve the resilience of river catchment to avoid costs associated with extreme weather events.
Water Supply	Utilise existing infrastructure and supply more efficiently.
Land Supply	Enable residential and commercial development through utilisation of statutory mechanisms and other land asset management functions.
Social Housing	Assist people to access suitable accommodation to improve their accessibility to employment.
Housing Supply	Unlock the potential of under-used public land by kick starting housing development. Enable housing choice in local areas and to accommodate lifestyle changes.
Carbon Reduction	Maintain the region's liveability by protecting natural environment through reduced carbon emissions and improved air quality. Contribute to the national and state carbon reduction targets through the enhancement of natural assets to store carbon.
Skills Development	Increase the value and number of jobs by targeting under participation and under skilled labour markets.
Innovation	Grow new and existing business by supporting the creation of new products, processes and business models.
Digital	Maximise utilisation of available infrastructure and increase digital uptake. Grow digital economy. Grow the use of open data for government functions and services. most transparent, innovative, effective, and efficient municipal government.
Investment Attraction	Develop the regional branding and promotion.

## Example Project Skills Development: Get Set for Work

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The Get Set for Work is one of seven programs that form part of the Queensland Government's Skilling Queenslanders for Work initiative. Any of these seven program that target skills and training programs would be considered a non-infrastructure investment suitable for possible inclusion in the SEQ City Deal.

The Get Set for Work aims to provide young people aged 15-19 years with skills training, in conjunction with integrated learning support measures that will enable them to successfully transition to employment and/or further education and training. The program provides funding to community-based organisations throughout Queensland to help disadvantaged young people obtain nationally recognised training to gain qualifications.

## Example Project Waterways: Resilient Rivers

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The Resilient Rivers Initiative aims to improve the health of the SEQ regions waterways and Moreton Bay by delivering a better coordinated catchment management approach to protect the region's water.

The Initiative's goals focus on keeping soil on the land and out of the waterways, protecting the region's water supply security and improving the climate resilience of our region.

The Resilient Rivers Initiative will deliver :

- Better coordination of existing projects;
- Identification and implementation of agreed new projects;
- Development of a strategy to guide long term coordinated management; and
- Progressive development and implementation of more detailed and consistent catchment action plans for all of SEQ's catchments.

Better land management, the protection of key natural assets and overcoming institutional barriers are key actions.

## Example Project Non – Infrastructure Solutions: TravelSmart Workplaces

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The TravelSmart Workplaces was a marketing and public education program designed to increase public awareness and understanding surrounding the impacts and costs of congestion. The program was implemented in 2008 to address traffic congestion in South East Queensland.

The TravelSmart Workplaces project engaged 10 workplaces across Government Agencies, Local Councils and private organisation providing information to assist in the promotion of walking, cycling, carpooling and public transport. The key measures of success included:

- Reduction in car mode share
- Steady or improved public transport and cycle mode shares
- Around 11% changed their behaviour as a result of the program (self-reported)

Overall, Vehicle Kilometers Travelled (VKT) per person remained consistent across the project period. However, some workplaces experienced significant reductions, e.g. VKT for State Library.

## Alignment of Program Scope & Outcomes

The alignment of the project scope with the SEQ City Deal framework outcomes has been identified in the table below. Overall the range of infrastructure assets classes and non-infrastructure investment satisfy the outcomes sought by an SEQ City Deal.

Table 3.5 - Alignment of Program Scope and Outcomes

Outcomes	Program Scope				
	Transport	Water Supply and Sewerage	Digital	Non-Infrastructure Investment	
 Economic Growth	Grow the region's jobs and economic productivity.	✓	✓	✓	✓
	Increase share of the region's economy that is export driven.	✓		✓	✓
 Connectivity	Improve connectivity between key employment and residential hubs.	✓		✓	✓
	Improved passenger connectivity for public and active transport.	✓			✓
	Improved freight connectivity.	✓			✓
	Improve mobile and broadband accessibility and connectivity.			✓	✓
 Skilled Labour	Develop, attract and retain skilled workforce and business.	✓		✓	✓
	Increase digital participation.			✓	✓
 Liveability	Maintain affordable cost of living.	✓	✓		✓
	Preserve the environmental values of the region: air and water quality, open space and natural environment	✓	✓	✓	✓
	Improve the community's accessibility to services.	✓			✓
 Stewardship	Improve platforms for citizens to access government information and services to deliver improved service outcomes.			✓	✓
	Build upon existing governance structures to improve regional policy cohesion.				✓



# Developing & Prioritising the Program

# Developing & Prioritising the Program

The development of *an agreed regional program* of infrastructure *that delivers greater regional outcomes* is one of the core benefits of a City Deal.

The program of investment is central to the Deal. It brings together the interests of all tiers of Government and the private sector around a consistent set of projects that deliver a consistent set of outcomes. This consistency is fundamental to the shift away from a process of iterative capital and grant funding applications between governments and a move towards greater funding certainty and levels of investment.

The achievement of this certainty requires confidence by all parties in the transparency around:

- 1 The process for project application to be included in the Deal;
- 2 The metrics against which projects (and ultimately the program) will be assessed;
- 3 The modelling that will be applied to assess the projects; and
- 4 The process by which projects will be prioritised into a program for investment.

Under Gateway 1 of an SEQ City Deal, initial parameters for each of these processes have been drafted by the Economics Working Group and signed off by the Lead Officer and Senior Leadership Group.<sup>33</sup> These parameters will be refined over subsequent Gateways as they are tested against potential projects and a preliminary program is drafted. For now, however, they provide a framework against which the merit and practical application of an SEQ City Deal can be considered.

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<sup>33</sup>The methodology applied to determine these parameters over a series of iterative workshops is outlined in Appendix One of this report.

# Project Application

The scope of infrastructure targeted for inclusion in an SEQ City Deal has been detailed in the 'Scope' section of this report. It highlights regionally significant transport, water and digital infrastructure investment as within scope, alongside a raft of supporting programs of non-infrastructure investment. Furthermore, it is required that the project be:

- **Regionally significant** – outcomes of the project are wider than the Local Government Area/s that the project is located in.
- **Enabling** – a catalyst for other regional outcomes, such as unlocking other projects, employment or economic growth.
- **Contribute to achieving the six themes of the City Deal** – complementary across regional outcomes.

Beyond setting these scope parameters, the SEQ City Deal framework does not seek to limit the number or source of projects for consideration. Rather, it adopts the principle that the greater the list of projects submitted for consideration, the greater the opportunity to identify a program that maximises the desired outcomes for the Deal.

It is expected that both the government and private sectors would submit proposals for inclusion in the Deal. There are already a range of unfunded projects that have been identified through the:

- Australian Infrastructure Plan;
- State Infrastructure Plan;
- SEQ Regional Plan;
- Queensland Market Led Proposal framework;
- Council of Mayors (SEQ) Commonwealth and State advocacy documents; and
- Local Infrastructure Plans.

The State Government has also invested \$20 million in a '*Maturing the Infrastructure Pipeline Program*' in the 2016/17 State Budget. This program is targeted at fast tracking infrastructure projects and opportunities at the early stage of their development to improve the quantity and quality of projects under consideration for investment. This investment will support both public and privately sponsored projects that have been identified through public consultation for the State Infrastructure Plan.

The process of application will draw upon this broad array of projects to develop an extensive list of projects for consideration. The methodology by which this 'call for projects' will be progressed will ultimately be determined in subsequent Gateways, following the determination of the final governance structure and the nature of the entity responsible for project assessment against City Deal criteria. Nevertheless, this application structure will follow these broad principles:

- 1 **Transparent Decision Making** – The process of application and decision making is clearly communicated to project proponents across the public and private sector, with regular updates made available on the progression of projects.
- 2 **Equitable Access** – The opportunity to submit a project for consideration is equitable across all stakeholders regardless of sector, project size or tier of government. All projects will be considered on their merits in line with the assessment criteria.
- 3 **Value-Adding** – The process will not seek to replicate existing project assessment frameworks. It recognises that Queensland already has a mature framework of project assessment tools that will still be required to be applied for a project to progress. The City Deal process will seek to add value to this process by drawing together a consistent set of regional outcomes for assessment.

# Program Metrics

Through the Gateway 1 process, a lead metric and a suite of supporting program minima have been articulated to underpin an SEQ City Deal. The clear articulation of these outcomes, and the construction of a program that is clearly aligned to them, is a fundamental component of the City Deal. It is critical that the metrics be selected to align to the challenges that the region is seeking to address as well as the outcomes that it is seeking to achieve.

## Lead Metric

Every Deal in the UK has been constructed around a central 'real economy' metric. For example, uplift in economic activity (gross value added in the UK, or gross regional product in Australia). The utilisation of a lead metric that captures the regional shift in economic activity is fundamental to the extent that it moves beyond prioritisation around short term/ direct impacts and considers the flow-on effects of any investment.

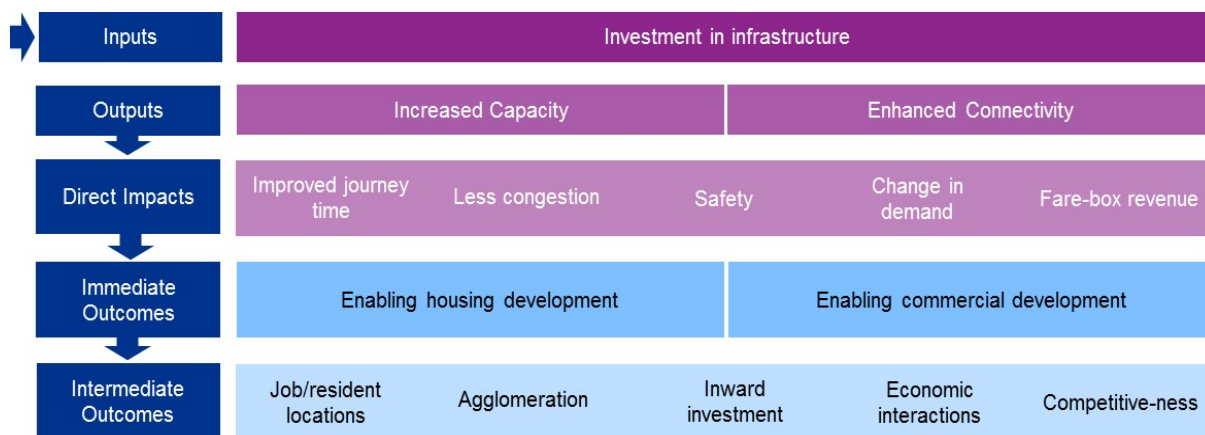
***Contribution to the uplift in Gross Regional Product (GRP)*** has been identified through the Gateway 1 process as the lead metric to guide a program of investment into regional economic outcomes. The delivery of GRP uplift through a targeted program is designed to deliver real economic outcomes; such as jobs growth, investment attraction and regional agglomeration (not traditionally captured through a traditional project cost-benefit analysis).

### Lead Metric Contribution to Uplift in Gross Regional Product

The rationale for the inclusion of a real economy metric aligns with the flow of benefits associated with investment in an infrastructure program. This is outlined in the diagram overleaf and follows the following flow:

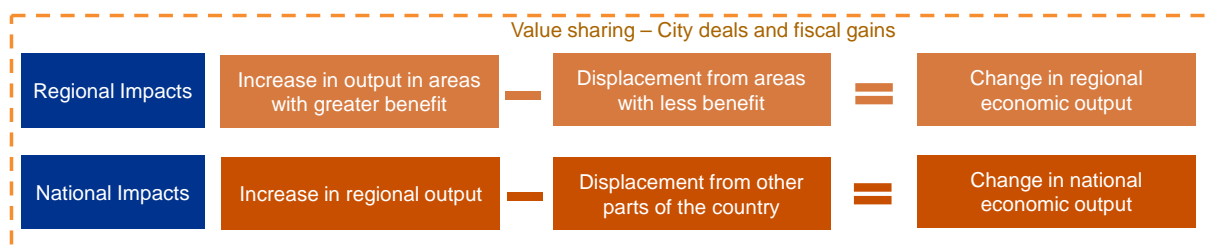
- First, transport investment is fundamentally about increasing the capacity of the existing networks and enhancing connectivity between places, so this is the main output of the investment;
- Second, the direct impacts of the investment are captured by the impacts that are generally included in conventional appraisal approaches, such as changes in journey times, reduced congestion and increased fare-box or toll revenues;
- Third, the immediate outcome of the investment is to change the patterns of land uses, both commercial and residential;
- Fourth, together with the transport investment itself, the impact on land uses will interact to create intermediate outcomes, such as on location choices, agglomeration economies and economic interactions between places, and effectively on the competitiveness of these places; and
- Finally comes the spatial distribution of these impacts, including both positive and negative effects, and what that eventually means for net regional and national impacts.

Figure 4.1 - Intermediate Impacts of Infrastructure Investment



The selection of a GRP as a lead metric for prioritisation reflects the desire of the region's leaders to better understand and deliver the immediate and intermediate outcomes that move beyond direct impacts. This aligns with the strategic intent of the region's policy and planning frameworks and also provides a meaningful impact on the outcomes that are of greatest interest from a Commonwealth perspective (i.e. change in national output, net of any displacement effect).

Figure 4.2 - Regional Impacts on Regional and National Economic Output



A key observation is that the framework is not appropriate for every individual project assessment. For small or locally oriented projects, a conventional appraisal would typically capture most of the potential benefits. But for a program of investment such as that proposed under an SEQ City Deal, the conventional appraisal will fail to capture all the potential impacts. A framework that helps to bring a better understanding of these impacts is fundamental to unlocking the revenue streams that will eventually fund these investments, and importantly prioritise the projects or programs that will generate the best economic returns.

The SEQ City Deal framework has been designed to provide a transformational impact on the SEQ Region through the prioritisation and funding of a program of transport, water and digital infrastructure and non-infrastructure program investments. Accordingly, it has been determined that a broader, real economy measure is the appropriate lead metric against which this program should be structured.




## Program Minima


Program minima have been developed to balance regional values by offsetting potentially negative outcomes associated with increased GRP. Importantly, program minima link the desired outcomes of the City Deal with the infrastructure outcomes that the program delivers. Program minima have been developed to address competitive economy, connectivity, skilled labour force and liveability.

Stewardship, whilst identified as a challenge and outcome in the SEQ City Deal framework, is not included in the program minima. The program minima are achieved by projects. Stewardship is not achieved by projects, rather by the overarching governance structures required to deliver a City Deal.

While the program minima may form the basis of a payment by results mechanism (refer to Funding Chapter), these minima have been structured to be used for the purposes of assisting in prioritising the program of investment. They would be applied as a secondary process of filtering the project list once the lead metric has been applied.

Figure 4.3 - Program Minima

City Deal Theme	Program Minima
<b>Competitive Economy</b> 	<ol style="list-style-type: none"> <li>1 The program will deliver an uplift in the number of jobs in the SEQ region over a baseline projection.</li> <li>2 The program will deliver an uplift in the real wage across the region relative to baseline growth.</li> </ol>
<b>Connectivity</b> 	<ol style="list-style-type: none"> <li>3 The program will improve the proportion of SEQ residents that have the option to access employment within a 30 minute catchment.</li> <li>4 The program will improve freight efficiency in the region, measured through a shift in contestable freight from road to rail.</li> <li>5 The program will improve passenger mode shift to public and active transport.</li> <li>6 The program will improve employment access for the most disadvantaged 20% of areas.</li> <li>7 The program will Increase the number of broadband connections in the SEQ region.</li> <li>8 The program will increase the share of the region able to access average peak internet connection speeds above 50 Mbps.</li> </ol>
<b>Skilled Labour Force</b> 	<ol style="list-style-type: none"> <li>9 The program will increase the proportion of working age SEQ residents with a non-school qualification.</li> </ol>

City Deal Theme	Program Minima
<p>Liveability</p> 	<p><b>10</b> The program will move SEQ regional Councils closer to a target of being carbon neutral.</p> <p><b>11</b> The program will deliver an improvement in water quality across the key catchments for SEQ.</p>

Further detail on the rationale for the selection of the lead metric and suite of program minima is provided below.

## **Competitive Economy**

- 1** The program will deliver an uplift in the number of jobs in the SEQ region over a baseline projection.

Regional Challenge Targeted	Regional Outcome Targeted
<ul style="list-style-type: none"> <li>• Economy in transition.</li> <li>• Lower export oriented economy compared to other capital cities.</li> <li>• Technology change.</li> <li>• Declining levels of migration.</li> </ul>	<ul style="list-style-type: none"> <li>• Grow the SEQ region's jobs and economic productivity.</li> <li>• Increase the share of the region's economy that is export driven.</li> </ul>

The creation of employment in South-East Queensland is a core focus for an SEQ City Deal. An increase in the number of jobs will directly contribute to increasing GRP, while also contributing to improved quality of life and sustainability for the region's residents.

The inclusion of an employment minima is important to ensure that the lead metric focus on GRP does not result in an increase of economic activity that does not provide substantial local employment opportunities. It also reflects that emphasis the region's leadership places on creating employment opportunities for local residents.

The specific industry sector in which job growth is occurring is not a primary focus of the City Deal, however it is anticipated that job growth will be experienced in both emerging high value sectors as well as well-established, traditional industry sectors across the region.

<p><b>Measured by:</b></p>	<p><i>Employment Figures:</i> ABS Census of Population and Housing</p> <p><i>Employment Projections:</i> Queensland Government Statisticians Office, Regional Employment Projections</p>
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2

The program will deliver an uplift in the real wage across the region relative to baseline growth.

Regional Challenge Targeted	Regional Outcome Targeted
<ul style="list-style-type: none"> <li>• Economy in transition.</li> <li>• Lower export oriented economy compared to other capital cities.</li> <li>• Technology change.</li> <li>• Declining levels of migration.</li> <li>• Low proportion of high skill jobs in SEQ.</li> </ul>	<ul style="list-style-type: none"> <li>• Grow the SEQ region's jobs and economic productivity.</li> <li>• Increase the share of the region's economy that is export driven.</li> </ul>

The creation of 'high value jobs' and not just employment opportunity is a critical priority for the leadership of the region. While this minima is tied to the lead metric as a contributor to the levels of regional output, it was determined that it should be included as a standalone minima. This was reinforced through the identification of the low proportion of high skills jobs located in SEQ relative to the country.

The minima will need to measure not only the improvement in average wage over time, but the performance of 'real wages' in the region (i.e. the impact that the City Deal investment has on wage levels independent of inflationary impacts). Accordingly, it is proposed that a minima of 'average real wage' across the region be applied. This measure will be applied to the ABS estimate of 'place of work' rather than 'place of residence' in order to capture the uplift in employment opportunity in the region, rather than the wages of residents in the region (who may work elsewhere). The uplift will consider the relative improvement to real wages relative to the wage and industry profile under a baseline scenario.

**Measured by:**

*Average Wage:* ABS Census of Population and Housing

*Real Wage:* Australian Bureau of Statistics, Queensland Wage Price Index

*N.B. An alternative measure discussed over the course of Gateway 1 to reflect a similar theme was the change in local value added per employee across the region. This would articulate the average contribution of a job in a given sector and track how the changing employment dynamic in the region was reflected in an average estimate of value add across all jobs. It may be appropriate to test both minima in subsequent Gateways once the testing of alternative programs of investment commences.*





## Connectivity

- 3 **The program will improve the proportion of SEQ residents that have the option to access employment within a 30 minute catchment.**

Regional Challenge Targeted	Regional Outcome Targeted
<ul style="list-style-type: none"> <li>• Economy in transition.</li> <li>• Low public transport mode share and high cost of congestion.</li> </ul>	<ul style="list-style-type: none"> <li>• Improve connectivity between key employment and residential hubs.</li> <li>• Improved passenger connectivity for public and active transport.</li> <li>• Improve the community's access to services.</li> </ul>

It is now widely accepted that the economic performance of cities is in large part due to 'cluster' economies. Whereby, providing infrastructure to support the proximity of economic centres, both in the physical sense and through good connectivity, generate productivity benefits. Residents view regions that have efficient access to the CBD or major employment centres, good amenity, recreational activities and social infrastructure favourably. Transport infrastructure is central to a successful modern city. SEQ's dispersed residential workforce converges on key centres daily, particularly the Brisbane CBD. The performance of the region relies heavily on the accessibility it provides its workforce through alternative transport connections.

Accordingly, this minima is centred on quantifying the uplift in employment accessibility across the region. Given the polycentric nature of the SEQ region, it was determined that accessibility to the Brisbane CBD was an inappropriate measure. Rather, the minima focuses on quantifying the relative self-containment (ratio of jobs to employees) of each of the principle activity centres nominated in the SEQ Regional Plan, within a 30 minute travel catchment. Accordingly the minima that will be quantified for the program will be that:

***The program will improve the employment self- containment of the catchments around each of the 13 principal regional centres and primary regional centre as defined in the SEQ Regional Plan.***

Average travel time was intentionally not selected as a metric as it was recognised that there will always be residents who will choose to travel further to access specific employment opportunities. Rather, the emphasis of the minima has been placed on the assessment of employment choice and accessibility.

<b>Measured by:</b>	<p><b><i>Forecast Travel Times:</i></b> Queensland Department of Transport and Main Roads, SEQ Strategic Transport Model – Multi-Modal</p> <p><b><i>Accessibility:</i></b> Queensland Department of Transport and Main Roads, Land Use &amp; Public Transport Accessibility Index</p>
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**4** The program will improve freight efficiency in the region, measured through a shift in contestable freight from road to rail.

Regional Challenge Targeted	Regional Outcome Targeted
<ul style="list-style-type: none"> <li>Growing freight task projected.</li> </ul>	<ul style="list-style-type: none"> <li>Improve freight connectivity.</li> </ul>

This program minima has been established as a proxy for the relative efficiency of freight movements through the region. This efficiency is a fundamental determination of the relative attractiveness of the region as an export gateway as well as a location for business establishment or relocation.

Available data that can be applied to estimate this efficiency, however, is currently limited. Addressing this limitation is currently a focus for the Policy, Planning and Investment Division of the Queensland Department for Transport and Main Roads.

In the interim, the mode shift of contestable freight from road to rail has been used as a proxy for relative freight movement efficiency. This approach has been endorsed by the leaders of the region to the extent that it will contribute to improved GRP, reduce road user conflicts and improve traffic congestion. Nevertheless, it will be important to revisit this minima in subsequent Gateways in line with the further exploration of appropriate local datasets to measure freight movement efficiency.

<b>Measured by:</b>	<p><i>Mode Share:</i> Department of Transport and Main Roads, SEQ Freight Movement Model</p> <p><i>Freight Data:</i> Australian Bureau of Statistics, Freight Movement Strategy</p>
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**5** The program will improve passenger mode shift to public and active transport.

Regional Challenge Targeted	Regional Outcome Targeted
<ul style="list-style-type: none"> <li>Low public transport mode share and high cost of congestion.</li> </ul>	<ul style="list-style-type: none"> <li>Improved passenger connectivity for public and active transport.</li> <li>Improve the community's access to services.</li> </ul>

Passenger mode shift toward public and active transport has a range of benefits to regional amenity, productivity and accessibility through reduction in road congestion and associated externalities. It has been a historical policy objective of the SEQ Regional Plan and has been a driver of investment in public and active transport networks by all levels of government.

The minima does not target a threshold mode-share target, rather it focusses on improving the trend level of public and active mode share.

<b>Measured by:</b>	<p><i>Mode Share:</i> Queensland Department of Transport and Main Roads, SEQ Strategic Transport Model – Multi-Modal</p>
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**6** The program will improve employment access for the most disadvantaged 20% of areas.

Regional Challenge Targeted	Regional Outcome Targeted
<ul style="list-style-type: none"> <li>• Low public transport mode share and high cost of congestion.</li> <li>• Affordable living.</li> </ul>	<ul style="list-style-type: none"> <li>• Improve connectivity between key employment and residential hubs.</li> <li>• Improved passenger connectivity for public and active transport.</li> <li>• Improve the community's access to services.</li> </ul>

This minima has been included to ensure that there is:

- 1 **An equity consideration** to the prioritisation on the lead metric (i.e. that the investment program doesn't simply seek to move higher earning workers to higher earning jobs more expediently); and
- 2 An **investment in improving employment access** for relatively disadvantaged regions (including unemployed, lower value employed workers and under-employed workers), and in doing so, creating further opportunities for greater economic participation and contribution.

The identification of relative disadvantage has been determined through the utilisation of the SEIFA Index for Relative Socio-economic Disadvantage (IRSD). SEIFA (Socio-Economic Indexes for Areas) is an Australian Bureau of Statistics product that ranks areas in Australia according to relative socio-economic advantage and disadvantage. These are produced on the basis of the information contained in the five-yearly Census. The indexes are constructed through the combination of a range of variables relating to income, education, employment, occupation, housing and other indicators.

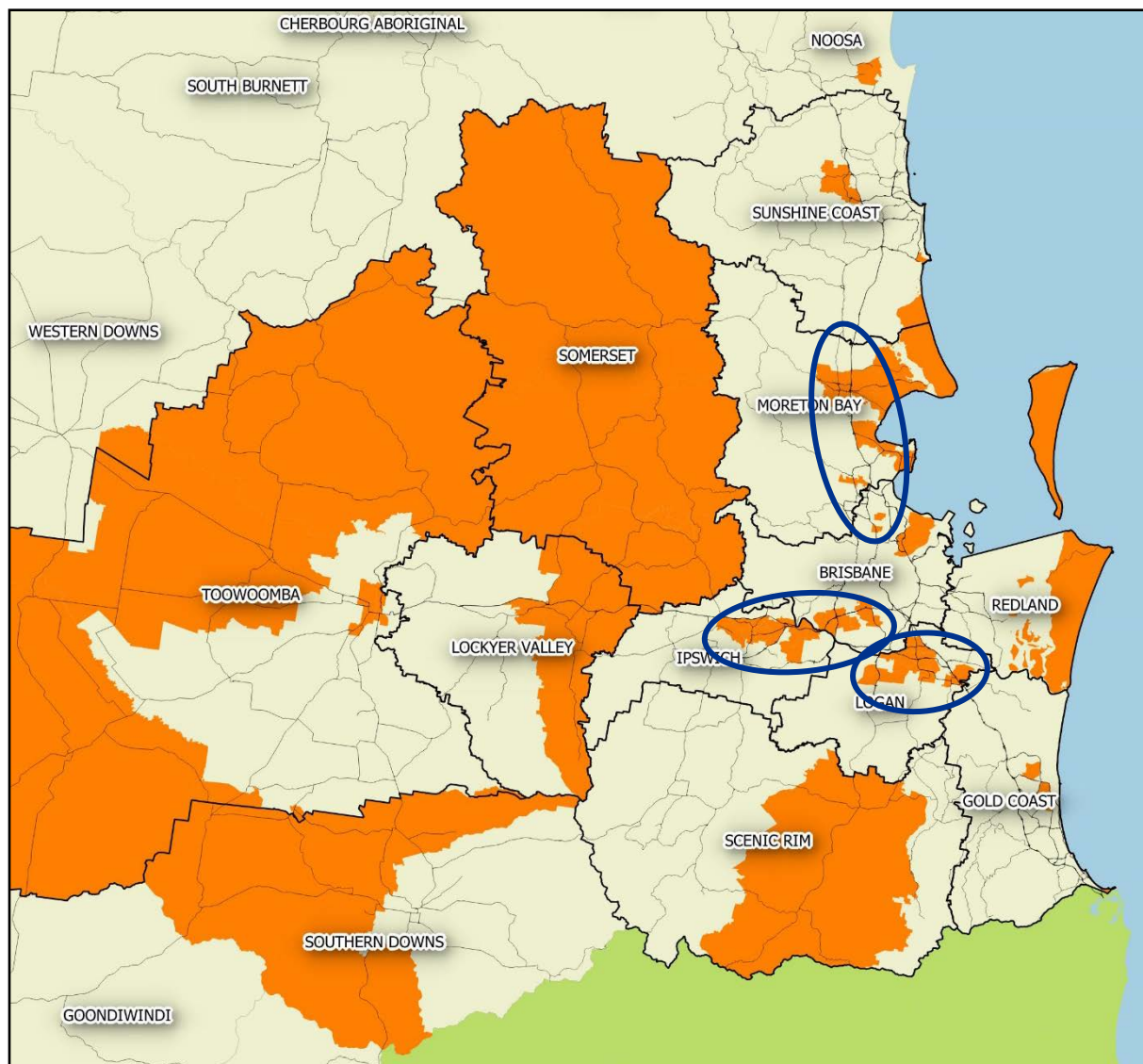
The figure below maps the eleven Local Government areas across SEQ as well as the SA2 regions (orange) that fall into the lowest 20% of SA2s across the region in line with the IRSD. The map highlights that:

- A number of the larger SA2s along the regional frame fall into the category;
- Smaller, more highly populated clusters of relative disadvantage are located across the 'middle-ring' areas along corridors to the north, west and south of the CBD (Moreton Bay, Ipswich and Logan as circled on the map); and
- There are pockets of concentrated areas of regional disadvantage across the Sunshine Coast, Gold Coast, Redlands and Toowoomba LGAs.

The minima seeks to improve the pool of employment opportunities (jobs) that can be accessed by each of these areas.

<b>Measured by:</b>	<p><b>Areas of Disadvantage:</b> Australian Bureau of Statistics, SEIFA Index for Relative Socio-economic Disadvantage</p> <p><b>Accessibility to Employment:</b> Queensland Department of Transport and Main Roads, SEQ Strategic Transport Model – Multi-Modal</p>
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Figure 4.4 - Bottom 20% of the SEIFA Index for Relative Socio-economic Disadvantage, SEQ, 2011



Source: Australian Bureau of Statistics 2016. "SEIFA Index for Relative Socio-economic Disadvantage, SEQ, 2011", cat. no. 2033.0.55.001. Accessed on 27 July 2016. [www.abs.gov.au/](http://www.abs.gov.au/)

**7** The program will increase the number of broadband connections in the SEQ region.

Regional Challenge Targeted	Regional Outcome Targeted
<ul style="list-style-type: none"> <li>• Low levels of digital connectivity in the region.</li> <li>• Growing community expectations.</li> </ul>	<ul style="list-style-type: none"> <li>• Improve mobile and broadband accessibility and connectivity.</li> <li>• Improve platforms for citizens to access government information and services to deliver improved service outcomes.</li> <li>• Increase digital participation.</li> </ul>

Accessibility to high speed internet has become a fundamental enabler of economic activity and participation in the modern economy. It is a core focus for the region's leaders as well as Commonwealth and State innovation agendas.

This minima focuses on improving the accessibility to broadband internet connection as a mechanism to underpin the broader digital agenda for the region's economic development.

<b>Measured by:</b>	<i>Number of Broadband Connections:</i> Australian Bureau of Statistics, Census of Population and Housing
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**8** The program will increase the share of the region able to access average peak internet connection speeds above 50 Mbps.

Regional Challenge Targeted	Regional Outcome Targeted
<ul style="list-style-type: none"> <li>• Low levels of digital connectivity in the region.</li> <li>• Growing community expectations.</li> </ul>	<ul style="list-style-type: none"> <li>• Improve mobile and broadband accessibility and connectivity.</li> <li>• Improve platforms for citizens to access government information and services to deliver improved service outcomes.</li> <li>• Increase digital participation.</li> </ul>

This minima has been included to add a 'quality of access' dimension to the accessibility minima outlined in minima seven. It reflects that the quality of digital connectivity (i.e. speeds that can be accessed during peak periods) are a key determinant of business location, investment attraction and high value business growth.

Current baseline estimates of speeds are based upon a global report on speeds that can be accessed on a country by country basis. The same figures have been drawn upon in the input papers to the SEQ Regional Plan. Further analysis will be required to determine how an appropriate regional baseline and ongoing indicator can be established.

<b>Measured by:</b>	<i>Australian Speeds:</i> Akamai Technologies, 2016, State of the Internet Report
	<i>SEQ Speeds:</i> To be determined



## Skilled Labour Force

9

The program will increase the proportion of working age SEQ residents with a non-school qualification.

Regional Challenge Targeted	Regional Outcome Targeted
<ul style="list-style-type: none"> <li>Low proportion of high skill jobs in SEQ.</li> </ul>	<ul style="list-style-type: none"> <li>Develop, attract and retain skilled workforce and business.</li> </ul>

The SEQ City Deal framework seeks to improve the capability of the SEQ workforce to capitalise upon (and present an attractive proposition for the attraction of) higher value employment into the region. While not an infrastructure specific outcome, the working groups determined it was necessary to include a skilling minima to ensure that local workforces were appropriately skilled to capitalise upon improved accessibility to employment opportunities (as highlighted under Minima 3 and Minima 6).

Appropriate non-infrastructure program funding will need to be directed to improve the relative performance of the region and achieve this minima.

Measured by:

*Qualifications:* Australian Bureau of Statistics, Census of Population and Housing



## Liveability

### 10 The program will move SEQ regional Councils closer to a target of being carbon neutral.

Regional Challenge Targeted	Regional Outcome Targeted
<ul style="list-style-type: none"> <li>• Growing region placing pressure on environmental amenity.</li> <li>• National focus on environment.</li> </ul>	<ul style="list-style-type: none"> <li>• Preserve the environmental values of the region: air and water quality, open space and natural environment.</li> </ul>

The minima focusses on the carbon emitting and offset activities of Local Government s across the region.

It aligns with the Brisbane City Council vision that by 2031:

*"...our healthy rivers, waterways, natural areas, parklands and biodiversity will attract businesses to establish here, and residents, students and employees to live, study and work in Brisbane."*

It provides a mechanism to ensure that the programs within the program facilitate improved environmental amenity and reduce environmental impact while still maintaining a focus on the lead metric of improved economic performance.

The minima will require the tracking of activities across the program and their impact upon the carbon footprint of the eleven Local Governments across the region in line with the National Carbon Offset Standard and associated Guidelines.

The minima currently relates to tracking the carbon impact of local government activities (i.e. waste management, lighting, fleet management etc.). The Commonwealth Department of the Environment and Energy are currently exploring the establishment of a broader standard that looks at the carbon impact of cities and precincts. Over time, these benchmarks will likely form a more appropriate benchmark for the region's carbon neutrality.

#### Measured by:

*Carbon Emissions from Local Government Activities:* National Carbon Offset Standard and associated Carbon Neutral Program Guidelines (V.4)

**11** The program will deliver an improvement in water quality across the key catchments for SEQ.

Regional Challenge Targeted	Regional Outcome Targeted
<ul style="list-style-type: none"> <li>• Growing region placing pressure on environmental amenity</li> <li>• National focus on environment</li> </ul>	<ul style="list-style-type: none"> <li>• Preserve the environmental values of the region: air and water quality, open space and natural environment.</li> </ul>

*“...South East Queensland’s (SEQ) relationship with its waterways is unique in Australia. SEQ is the only major Australian settlement built substantially on floodplains. The topography of the region has resulted in 19 relatively short catchments flowing from the nearby Great Dividing Range into the internationally recognised Moreton Bay. The region’s open catchments support urban and economic growth through drinking and other water supplies, high-quality agricultural production, globally renowned tourism and leisure facilities, scenic amenity, and world-class fisheries.”*

- Resilient Rivers Initiative, 2014

The inclusion of a water-specific minima reflects the value that the SEQ region’s leaders place on the waterways and catchments across the region. The quality of these catchments has a direct influence on the cost of water treatment and is critical to agricultural productivity as well as regional amenity. The minima will track the quality of water across the sub-regional waterways of high ecological value as defined by the Queensland Water Quality Guidelines (2009). Accordingly the specific minima for to be applied will be that there will be:

***No degradation in the physico-chemical indicators for identified sub-regional waters of high ecological value.***

Details of these indicators and associated baseline metrics are detailed in the 2009 publication of the Guidelines. These will be refined and updated as necessary through consultation with the Queensland Department of Environment and Heritage Protection in subsequent Gateways.

<b>Measured by:</b>	<i>Condition Assessment of High Ecological Value SEQ Sub-Regional Waters: Queensland Water Quality Guidelines (2009)</i>
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# Assessing the Lead Metric and Program Minima

The lead metric and program minima were selected on the basis that they :

1. Clearly *aligned to the regional challenges and outcomes* that an SEQ City Deal was being structured to address; and
2. Could be *quantified using available modelling tools or had available reference data*.

The SEQ City Deal framework will apply the tools proposed below to assess specific outcomes, given that the underlying data sets and methods are considered robust and applicable.

## Lead Metric

The estimation of the impact of infrastructure projects on gross regional product is not new. The Queensland Government maintains a Computable General Equilibrium (CGE) model that measures relative economic impact associated with a shock to the economy (i.e. infrastructure construction, land use, employment change etc.). The challenge with any such model, however, is in the definition of the inputs that are provided to ‘shock’ the economy.

The rationale for selecting GRP as a lead metric was that it provided the opportunity to capture a wider array of benefits that are regionally and nationally significant. These included the estimation of unlocked development (residential and commercial), employment creation and agglomeration, and improved productivity and investment associated with improved urban form. Accordingly, it is important to leverage modelling tools that can provide insights on these impacts. These tools have been summarised in the table below.

Model	Description	Model Owner
CGE	The Queensland Government has a licensing arrangement with the Centre of Policy Studies (CoPS) for the utilisation of their CGE model (TERM). The model provides a highly disaggregated representation of the Australian economy. It uses a ‘bottom up’ approach that explicitly represents the economy of each region to estimate impacts on a range of measures including taxation, labour, employment and GRP.	Department of State Development, Queensland Government  Private sector advisor models also exist
LUTI	Land Use Transport Interaction Model is a two-way interaction between land use and transport to forecast the likely impacts of land use and transport infrastructure or non-infrastructure solutions. The Queensland Government is currently exploring the development of a LUTI model for key regions through work being led by the Department of Infrastructure, Local Government and Planning.	Department of Infrastructure, Local Government and Planning (in development)  Private sector advisor models also exist

Model	Description	Model Owner
<b>WEBs</b>	<p>Wider Economics Benefits refers to the impacts of transport investments on agglomeration economies, increased competition as a result of better transport system, increased output in imperfectly-competitive markets and economic welfare benefits arising from an improved labour supply.</p> <p>WEBs models are frequently used to complement Benefit Cost Analysis.</p>	Private sector advisors models exist utilising National Guidelines for Transport System Management

## Program Minima

The table below summarises the proposed sources of data / benchmarks against which each of the minima will be quantified. In each case, these are existing measures that are currently quantified and for which a baseline can readily be estimated. The one exception is Minima Eight which requires the estimation of peak internet connection speeds. All minima will be reviewed in subsequent Gateways subject to the application of the prioritisation process and determination of how the minima ensure the optimisation of the program in line with the desired City Deal outcomes.

Minima	Measurement
<i>Minima One:</i> The program will deliver an uplift in the number of jobs in the SEQ region over a baseline projection.	<ul style="list-style-type: none"> <li><i>Employment Figures:</i> ABS Census of Population and Housing</li> <li><i>Employment Projections:</i> Queensland Government Statisticians Office, Regional Employment Projections</li> </ul>
<i>Minima Two:</i> The program will deliver an uplift in the average wage value across the region.	<ul style="list-style-type: none"> <li><i>Average Wage:</i> ABS Census of Population and Housing</li> <li><i>Real Wage:</i> Australian Bureau of Statistics, Queensland Wage Price Index</li> </ul>
<i>Minima Three:</i> The program will improve the proportion of SEQ residents that have the option to access employment within a 30 minute catchment.	<ul style="list-style-type: none"> <li><i>Forecast Travel Times:</i> Queensland Department of Transport and Main Roads, SEQ Strategic Transport Model – Multi-Modal</li> <li><i>Accessibility:</i> Queensland Department of Transport and Main Roads, Land Use &amp; Public Transport Accessibility Index</li> </ul>
<i>Minima Four:</i> The program will improve freight efficiency in the region, measured through a shift in contestable freight from road to rail.	<ul style="list-style-type: none"> <li><i>Mode Share:</i> Department of Transport and Main Roads, SEQ Freight Movement Model</li> <li><i>Freight Data:</i> Australian Bureau of Statistics, Freight Movement Strategy</li> </ul>
<i>Minima Five:</i> The program will improve passenger mode shift to public and active transport.	<ul style="list-style-type: none"> <li><i>Mode Share:</i> Queensland Department of Transport and Main Roads, SEQ Strategic Transport Model – Multi-Modal</li> </ul>

Minima	Measurement
<p><i>Minima Six:</i> The program will improve employment access for the most disadvantaged 20% of areas.</p>	<ul style="list-style-type: none"> <li>• <i>Areas of Disadvantage:</i> Australian Bureau of Statistics, SEIFA Index for Relative Socio-economic Disadvantage</li> <li>• <i>Accessibility to Employment:</i> Queensland Department of Transport and Main Roads, SEQ Strategic Transport Model – Multi-Modal</li> </ul>
<p><i>Minima Seven:</i> The program will Increase the number of broadband connections in the SEQ region.</p>	<ul style="list-style-type: none"> <li>• <i>Number of Broadband Connections:</i> Australian Bureau of Statistics, Census of Population and Housing</li> </ul>
<p><i>Minima Eight:</i> The program will increase the share of the region able to access average peak internet connection speeds above 50 Mbps.</p>	<ul style="list-style-type: none"> <li>• <i>Australian Speeds:</i> Akamai Technologies, 2016, State of the Internet Report</li> <li>• <i>SEQ Speeds:</i> To be determined</li> </ul>
<p><i>Minima Nine:</i> The program will increase the proportion of working age SEQ residents with a non-school qualification.</p>	<ul style="list-style-type: none"> <li>• <i>Qualifications:</i> Australian Bureau of Statistics, Census of Population and Housing</li> </ul>
<p><i>Minima Ten:</i> The program will move SEQ regional Councils closer to a target of being carbon neutral.</p>	<ul style="list-style-type: none"> <li>• <i>Carbon Emissions from Local Government Activities:</i> National Carbon Offset Standard and associated Carbon Neutral Program Guidelines (V.4)</li> </ul>
<p><i>Minima Eleven:</i> The program will deliver an improvement in water quality across the key catchments for SEQ.</p>	<ul style="list-style-type: none"> <li>• <i>Condition Assessment of High Ecological Value SEQ Sub-Regional Waters:</i> Queensland Water Quality Guidelines (2009)</li> </ul>

# Program Prioritisation

The process of applying the lead metric and program minima to a program of infrastructure and non-infrastructure projects is central to the value proposition of the Deal. The integrity of the process reflects the integrity of the Deal to the extent that it can drive a consistent prioritisation of regional outcomes to govern infrastructure prioritisation.

As a Strategic Business Case, the work done to date on the prioritisation framework is preliminary and will be refined at the next phase of Deal development. This will allow fuller consideration of the tools and governance to be applied when it is clear which parties are participating in an SEQ City Deal process.

The principles and process agreed to by stakeholders during Gateway 1 for further refinement is summarised below.

## Principles

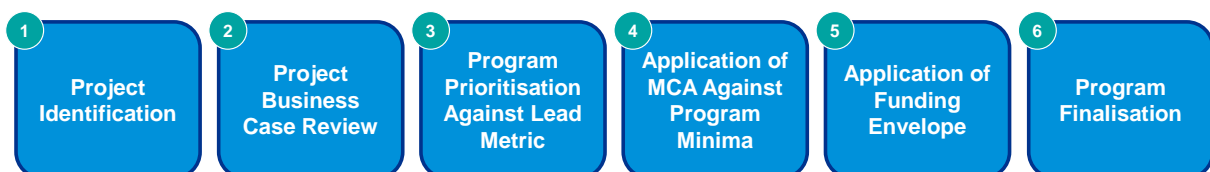
In addition to the principles already identified to govern prioritisation:

- 1 **Transparent Decision Making** – the process of application and decision making is clearly communicated to project proponents across the public and private sector, with regular updates made available on the progression of projects.
- 2 **Equitable Access** – the opportunity to submit a project for consideration is equitable across all stakeholders regardless of sector, project size or tier of government. All projects will be considered on their merits in line with the assessment criteria.
- 3 **Value-Adding** – the process will not seek to replicate existing project assessment frameworks. It recognises that Queensland already has a mature framework of project assessment tools that will still be required to be applied for a project to progress. The City Deal process will seek to add value to this process by drawing together a consistent set of regional outcomes for assessment.
- 4 **Independent** – the process of program prioritisation needs to not only be transparent, but independent of individual project proponents so as to reduce perceptions of a conflict of interest. The prioritisation process needs to be governed by the application of the metrics using an approved methodology that can withstand the scrutiny of all parties to a City Deal.

These principles will need to be considered by the region's leaders as the suite of modelling products is finalised and tested in subsequent Gateways and the governance arrangements for the execution of the Deal are finalised. This will determine both the appropriate stakeholder and process of oversight to facilitate the prioritisation process.

## Process

The process of program prioritisation has been broken down into six high level steps as follows:



The roles and responsibilities for the execution of these steps will be defined in the governance parameters for subsequent Gateways. A brief summary of the process is provided below as a starting point.

## 1 Project Identification

In line with project application process outlined above, there will be a *'call for projects'*. This application process will provide equitable access to all stakeholders with a project that aligns with the scope of the SEQ City Deal framework. It is anticipated that all tiers of government and the private sector will contribute projects for consideration, leveraging the significant investment made by the Queensland Government into maturing the infrastructure pipeline. In doing so, the project proponent is required to be satisfied that the project is suitable for consideration and has progressed through their own project appraisal process first.

## 2 Project Business Case Review

It is critical to note that the City Deal approach to prioritisation does not seek to replace established frameworks for the assessment of infrastructure projects. Queensland already has a mature process of project appraisal that will not be diminished by an SEQ City Deal. This includes the Queensland Project Assessment Framework (PAF) and the Building Queensland Guidelines. Accordingly, it is anticipated that the business case and other related material for a given project will be provided to the entity responsible for assessing and prioritising the program of investment for the City Deal (discussed further in the Governance section of this report).

The review will focus on *identifying whether sufficient information has been provided* to assess the relative contribution of the project to GRP (the lead metric) as well as the associated program minima. Further information will be sought from project proponents if required, before the entity responsible for program prioritisation considers the impact of any particular project on the broader program.

The review will also consider the relative complementarity and inter-dependence of project investments to the extent that they could provide a mutually reinforcing impact on regional output. To the extent that this is practical, individual projects may be packaged into combined projects to capture the regional contribution that they could collectively induce. In this instance, both the individual and collective contribution to regional impacts would be considered.

## 3 Program Prioritisation against Lead Metric

The projects will first be *divided into sub-programs* focussed specifically on their asset class or program focus. At a minimum, there will be a program for transport, water, digital and non-infrastructure investments. The division of projects into sub-programs will allow for a consistent methodology to be applied to each of the asset classes to identify their relative contribution to GRP.

An *assessment of the direct, immediate, intermediate and regional impacts* will then be prepared. This will consider the independent contribution of each of the projects within their asset class. As highlighted in step two of this process, projects with direct interdependencies will be considered both individually and collectively.

The contribution of each project to regional GRP will then be contrasted against the relative capital contribution requirement from the pool of SEQ City Deal funding. Once this ratio is estimated, each sub-program list will be *prioritised on the basis of greatest GRP / \$ contribution* through to least contribution.

## 4 Application of MCA against Program Minima

Given the number of program minima that have been identified for inclusion in an SEQ City Deal in Gateway 1, it will be necessary to utilise a Multi-Criteria Analysis (MCA) filter to consider the reprioritisation of the list of programs and bring the sub-programs into a single program list. While the number of minima may be refined or reduced in subsequent Gateways, this approach will be used for the purposes of the first round of prioritisation in Gateway 2.

It is recognised that MCA can be a subjective mechanism to test project impacts. Accordingly, a robust guidance document will be developed in consultation with all stakeholders to a potential Deal prior to the execution of the MCA. This will outline the MCA method to be adopted including consideration of the need for weightings, scoring guidance and governance provisions that will need to be accounted for through the MCA process. This will also need to detail the nature of input information required on each project to support the assessment.

The MCA will consider the individual contribution of projects on each sub-program list to each of the minima. These lists will then be blended to ensure that the program as a whole is capable of meeting the minima required for an SEQ City Deal.

## 5 Application of Funding Envelope

The funding envelope *determines the scale of projects that can be funded* under an SEQ City Deal. It is subject to the determination by all parties on the contributions that they are willing to make into a single pool of funding for the Deal. The greater the pool of funding, the greater the number of prioritised projects within the program that can be funded.

The application of the funding envelope is intentionally left until all projects have been assessed against the lead metric and program minima. This allows for the calculation of the relative distribution of benefits among stakeholders to inform a final decision on funding contribution (as has been considered in the funding working group during Gateway 1). It also allows for individual stakeholders (including project applicants) to 'top-up' their contribution to deliver a project that may fall further down the program list and potentially outside of the initial program.

It is recognised that the funding will likely be determined by the parties to an SEQ City Deal through parallel funding negotiations.

## 6 Program Finalisation

Once a prioritised program and funding envelope have been agreed, *the final program is submitted to the project stakeholders for review* and confirmation prior to the execution of the formal Deal agreement. These processes will be further defined in subsequent Gateways through the formalisation of the governance arrangements that will guide the execution of the Deal.

# Funding for an SEQ City Deal

# Funding

Establishing effective funding arrangements that align all tiers of Government to consistent regional outcomes is a central tenet of a City Deal. These arrangements are designed to incentivise all government stakeholders in the region to:

- Work together to fulfil regional priorities rather than pursuing isolated or conflicting priorities;
- Invest in regional and nationally significant outcomes in line with the objectives of the Deal; and
- Invest in effective evaluation and monitoring of program outcomes.

The consistent funding parameters of all City Deals in the United Kingdom that have incentivised this behaviour have included 'pooled funding' and a 'payment by results' mechanism.

## Pooled Funding

All parties to the Deal agree to pool their contributions to the Deal into a central fund. The size of this funding envelope determines the number of projects on the program list that can be delivered. This allows for consistent prioritisation of the program list in line with a consistent set of desired outcomes.

## Payment by Results

Evaluation of the outcomes delivered by the Deal is critical as key funding outcomes are typically tied to their delivery. In the UK this has been termed 'earn-back' and then more recently the model has shifted to 'payment by results'. While earlier iterations of UK Deals focussed on tax increment finance (i.e. a proportion of the tax uplift delivered by the investment is reinvested into the pool for the Deal), more recent deals have tied payment by results to the short and long term achievement of key outcomes associated with the identified program.

Payment by results is critical to incentivising behaviour across all tiers of Government as it ties key funding contributions for the Deal into the regional outcomes of the Deal. This moves beyond the financial incentives currently available to Local and State Government, which predominantly consist of property or income based revenue streams, subsidised by a wide range of grant funding mechanisms. It also ensures that the genuine new creation of economic value from the Deal (if delivered) is able to be reinvested back into the Deal.

The broad rationale for investing in a City Deal and an associated payment by results mechanism is discussed below. This chapter also provides an introduction to the initial parameters of funding scope, scale and share that will form the foundation for subsequent Gateways.



# Rationale for a City Deal funding agreement

The introduction of a payment by results mechanism in the United Kingdom was based on the premise that there was a misalignment between the infrastructure decision making powers of different tiers of government, the revenue flows that resulted from these decisions (in the form of taxation) and the real economy outcomes that were the target of a City Deal.

In Australia, there is a similar rationale that underpins the value of a payment by results mechanism. This rationale is premised on the fact that the regional outcomes targeted by the City Deal (i.e. growth in jobs and gross regional product) deliver the greatest taxation benefit to the Commonwealth Government and to a lesser extent, the State Government. From a governance perspective however, the greatest number of stakeholders, with the authority over key planning decisions are located at a local government level. Accordingly, it is necessary to provide an appropriate incentive to ensure that effective local / regional decision making aligns to the outcomes of regional and national significance. Further, a payment by results mechanism proposes that the uplift delivered by this improved decision making is reinvested in the pooled funding for the City Deal.

## Current Incentives

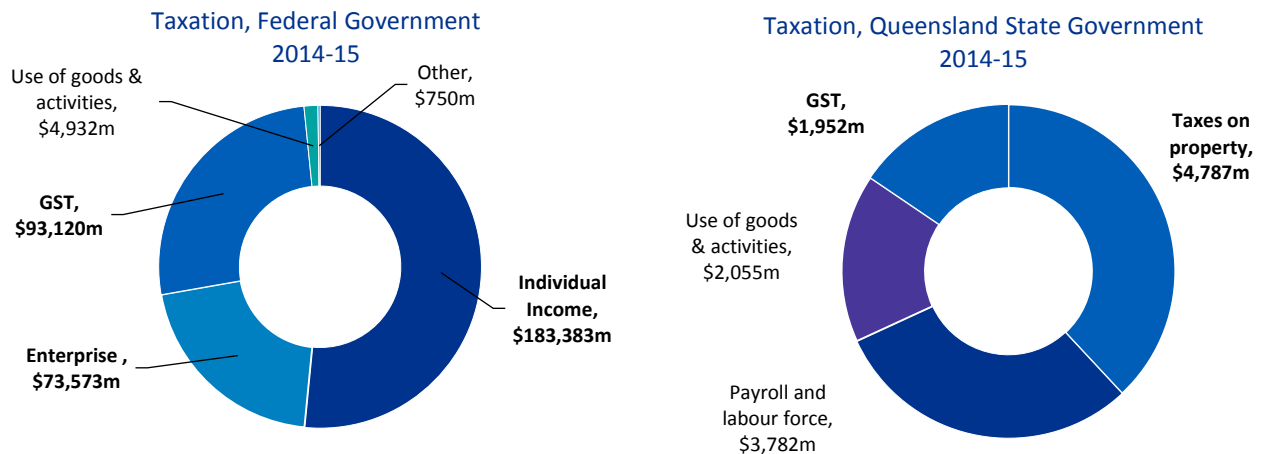
Revenue flows to different tiers of Government provide an indication of where the current incentives for investment lie. Commonwealth and State Governments have a higher capacity to collect revenue, and as such, have a greater capacity to invest in infrastructure projects. Funding from Commonwealth and State Governments is downwardly distributed to lower tiers of government through various grant and alternative funding mechanisms. The current flow of funding is described in the table 5.1 below.

Table 5.1 – Flow of Government Funding

Tier of Government	Taxation Revenue
<b>Local</b>	Local Government collects revenue from a number of sources to fund the delivery of their service requirements, including the delivery of infrastructure. These sources include infrastructure charges, rates, special purpose levies, sales of goods and services and grant funding received from State and Commonwealth Governments.
<b>State</b>	State Government funding is received from two primary sources including state-sourced returns and Commonwealth Government grants. State-sourced returns include taxation, interest and sales of goods and services and Commonwealth Government grants generally include GST distributions, grants for on-passing and specific purpose grants. Some funding is provided by the State Government to Local Government but the majority of State Government funding is contributed to state significant projects.
<b>Commonwealth</b>	Commonwealth Government funding is sourced via a range of taxation avenues. The largest contributors to this include individual, company and sales taxes. The Commonwealth Government uses this funding to deliver its own operations and provides grants to both State and Local Governments (via State Government).

The Commonwealth Government has not only the largest tax base (80%) but the three largest contributors to the tax base are directly linked to change in GRP (income, enterprise and GST) (Figure 5.1). By comparison, the State Government's share of tax is 16.5%, with the largest contributor being property taxes. The State Government's second and third largest tax categories, similar to the Commonwealth Government's, are linked to change in GRP. Finally, Local Governments has a far smaller proportion of the tax base (3.5%), with the predominant source being property taxes in the form of rates on property.

Figure 5.1 – Taxation by Commonwealth and State Government



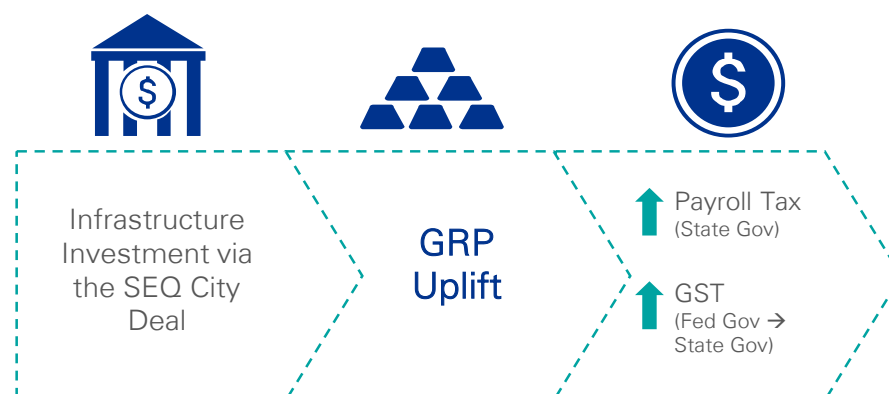
Source: Australian Bureau of Statistics 2016. "Taxation Revenue 2014-15", cat. no. 5506.0. Accessed 1 August 2016. <http://www.abs.gov.au>

### The Impact of a City Deal

An SEQ City Deal has the potential to drive significant uplift in revenue for all levels of government but particularly the State and Commonwealth Governments given their wider taxation base. Strategic investment in the 'right' infrastructure will lead to improvements in economic activity. As a result of improved economic activity, there will be increased taxation flows to government through the course of existing taxation structures (figure 5.2).

An indicative flow of revenue potential is depicted below as an example of the potential benefit of an SEQ City Deal in achieving revenue for infrastructure reinvestment.

Figure 5.2 – SEQ City Deal Revenue Flow Potential



Growth in GRP will likely result in commensurate increases to revenue flows for the State and Commonwealth government. GRP is loosely linked to a growth in payroll tax at the State Government level however it is more tightly aligned to revenue for the Commonwealth Government through income taxation, GST and other business taxation.

## Payment by Results

It has been identified that State and Commonwealth Governments would benefit from an uplift in taxation revenue if an SEQ City Deal were to deliver an increase in economic activity over what would otherwise have occurred. Accordingly, the City Deal provides an attractive proposition to these tiers of Governments. The mechanism also aligns strongly with the Commonwealth Government's stated objective of investing in 'outcomes', rather than infrastructure projects. This approach is also attractive to Local Governments, to the extent that it provides the certainty of a commitment by the Commonwealth Government to the investment into the City Deal if key regional outcomes can be delivered.

In the UK, the PbR function has involved the commitment by Central Government (the equivalent of the Australian Commonwealth Government) to the release of incremental funding, every five years, on the basis of the City Deal delivering the incremental outcomes that it commits to. This is over and above any upfront investment that the Central Government may make into the Deal. The triggers for payment are aligned to realistic objectives over the timeframe of the Deal, with earlier payments aligned to infrastructure delivery and latter payments tied to the delivery of key intermediate outcomes (i.e. job creation, training outcomes, improved economic output etc.). The payment has also taken on a range of forms depending on the level of upfront investment, ranging from lean repayments, grant contributions of new forms of financing.

In return for this investment, the Central Government typically requires the lower tiers of government to more effectively prioritise their infrastructure spend in line with a consistent City Deal approach and potentially take on additional up-front risk associated with the City Deal program of investment.<sup>34</sup>

The SEQ City Deal framework proposes the introduction of a payment by results mechanism to both incentivise the better prioritisation of regional infrastructure to regional outcomes as well as to ensure the reinvestment of genuinely additional value creation to the Commonwealth Government back into the pool of funding for the Deal. This cycle of reinvestment will allow for the continued growth of the Deal and reinvestment into latter stage projects across the infrastructure program.

The advantage of this mechanism is that it will clearly align infrastructure investment to real economy outcomes. This is a core priority for all tiers of government and provides greater accountability and transparency around funding and key outcomes.

Nevertheless, it will be critical that the benefits of a City Deal can be demonstrated to genuinely create new value, rather than simply a transfer of economic activity from another geographic location or sector. This relies on the establishment of an agreed evaluation framework that is accepted by all three tiers of Government and enables the effective accounting for economic activity. This also introduces the risk to lower tiers of government that a payment by results mechanism will not result in a performance payment if the benchmark outcomes are not achieved.

The parameters for an SEQ City Deal payment by results mechanism will require refinement as part of understanding the contribution of proposed programs and projects to net revenues for governments.

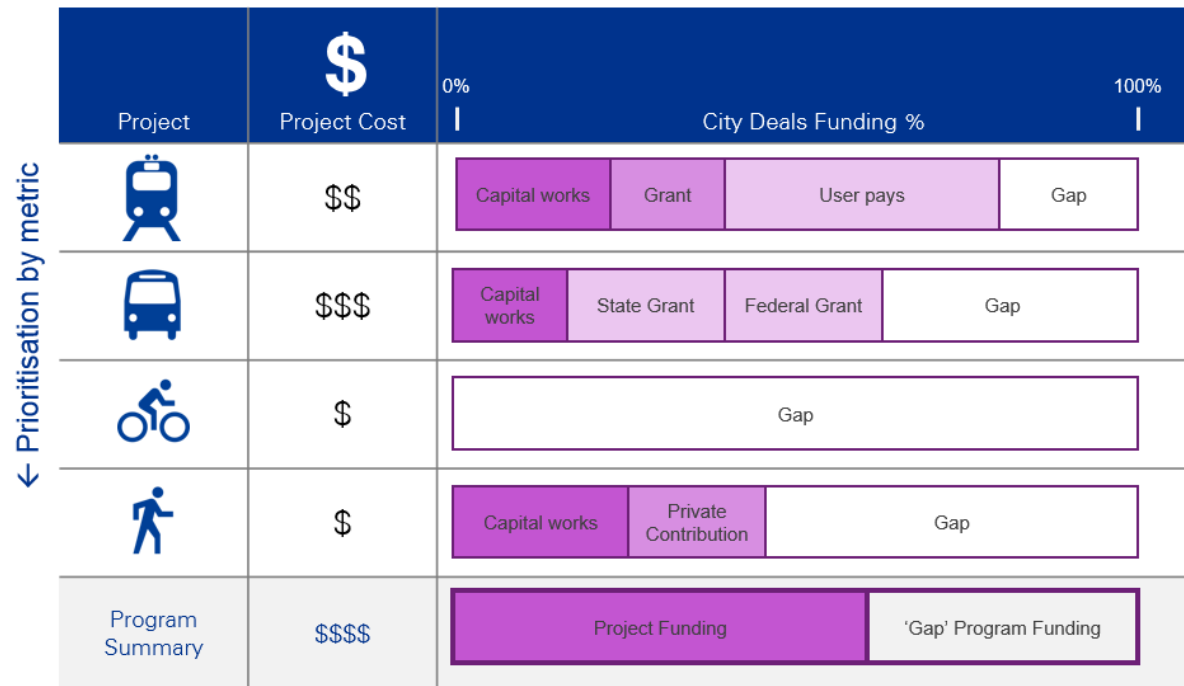
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<sup>34</sup> Additional risk taking (i.e. borrowing) is not a component of all Deals, but is present in most to maximise the level of payment by results.

# Program Funding

The premise of funding an effectively prioritised program, rather than the grant funding of a series of disparate projects is a core tenet of an SEQ City Deal. This funding will be delivered through the pooled funding for the Deal being effectively distributed across prioritised projects to maximise the regional returns in line with the lead metric and associated minima for the deal. This contribution is summarised in the diagram below which highlights the role of the funding pool as funding the 'gap' in funding for a program of projects once individual project funding has been explored. The relative share of contribution to the pool will be the subject of funding negotiations between the parties to an SEQ City Deal.

Figure 5.3 - City Deal Program Funding



The SEQ City Deal framework promotes the use existing funding sources and processes to deliver the funding pool for the program. The potential sources of program funding are outlined in Table 5.2. An SEQ City Deal will utilise these existing funding sources and process rather than fundamentally changing the way infrastructure is funded. More innovative approaches to increasing the funding may be considered in the longer term.

Table 5.2 – Scope of Program Funding

Funding streams	Description
Capital Works Contributions	Government contributions through annual budget allocations. In the near term contestability of budget allocations may be considered to the extent that these can be proven to be fiscally neutral and involve the necessary authorisations and consultation (further detail provided in Table 5.6).
Alternative Funding	Region wide funding mechanisms relating to the City Deal Program, for example value sharing (not specific projects). These could seek to capture region-wide benefits to the extent that these can be reasonably quantified and tied to the investment under a City Deal Program.

# Project Funding

Project funding refers to the question of who pays for the cost of construction, maintenance and operation of infrastructure. An SEQ City Deal funds projects in their entirety or provides the 'gap' funding required to deliver the project. The less funding sought by the project bring it to fruition, the more likely the project may be selected in the City Deal (subject to its performance against the prioritisation metric). This provides an incentive for project proponents to ensure that they have exhausted individual project funding sources before they seek additional funding from an SEQ City Deal pool.

Examples of project funding mechanisms are provided in the table below. A City Deal does not preclude innovative or alternative funding mechanisms such as value capture, nor does it require them. Rather, the City Deal will focus on the gap payment that is asked of the Deal to progress it to commencement.

Table 5.3 – Potential Project Funding Streams

Funding streams	Description
Government Contributions	Existing government revenue for used for delivering capital projects (outside the scope of the Deal). The remaining funding gap required of government is captured under the contribution of the Deal.
Alternative Funding	New sources of government funding includes: <ul style="list-style-type: none"> <li>• Community infrastructure levies- either benefited area or community wide levies;</li> <li>• Value capture mechanisms - through land and property sales; and</li> <li>• Infrastructure Charges – levied on new development.</li> </ul>
User Pays	The consumer pays for the use or consumption of the good/asset. These include public transport and tolls on roads. User pays is applicable to projects delivered by both private sector and government.

The Commonwealth Government's Smart Cities Plan identifies value capture as a way to distribute the costs and benefits of infrastructure without the requirement for new taxes. Value capture considers the economic impact of the project, particularly on the land and property values. For example, there is strong evidence that the value of property around transport nodes increases faster than those further way from the node. Value capture is a project based funding approach that links part of the investment to the beneficiaries.

A project can be funded by any combination of the above funding alternatives including Private Public Partnerships (PPPs). PPPs are risk sharing arrangements that enable projects to be delivered which would otherwise be unable to be delivered by one entity alone. For example an airport rail link, is example of a risk-sharing model where governments take on risk in the early years and then sell the project to the private sector to own outright once the patronage pattern is established.

Investment in Australia has historically been by governments but private investment is becoming an increasingly prevalent source of new investment. Further private investment, particularly by superannuation funds, is likely to occur if opportunities become available and appropriate return on investment can be identified.

## **Value Capture Case Study:** Cross Rail (UK) - £14.8Bn

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The delivery of Cross Rail in the UK was supported by a number of funding sources. Crossrail is funding approximately 27% of the total cost of the project through a business rate supplement (BRS). This is in the form of an additional levy on commercial property rates. On London businesses who stand to benefit from increased accessibility and reduced travel times across London.

In addition to the BRS, developer contributions make up a further significant proportion of project funding (8%). This has included contributions from a number of private sector organisations such as the City of London Corporation (£200M direct contribution), Heathrow Airport Holdings Ltd (£70M), Canary Wharf Group (£150M towards a new Canary Wharf Crossrail station) and Berkeley Homes who have agreed to construct a station box at Woolwich.

While not specifically delivered as part of a City Deal, the diverse range of funding sources is an example of the successful utilisation of broad funding scope alternatives.

## **Collective Project Funding Case Study:** Mobile Black Spot Program (\$374.05m)

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The Round 1 Mobile Black Spot Program announced in June 2015 is a jointly funded project to deliver 499 new and upgraded mobile base stations across Australia over three years. The Commonwealth Government committed \$100 million with contribution by the private sector providers, Telstra (\$165 million) and Vodafone (\$20 million). In addition, five state governments have contributed towards round 1: NSW (\$24 million), Victoria (\$21 million), Queensland (\$10 million), Western Australia (\$32 million) and Tasmania (\$0.35 million). There was an additional \$1.7 million provided by local governments, businesses and community organisations.

The Round 2 funding of the Program announced with \$60 million has been committed by the Commonwealth Government. Locations of the upgrades are yet to be announced.

This provides a tangible Australian example of partnership between government and the private sector. Government partnership is important where infrastructure assets are primarily delivered by the private sector. Government intervention enables services to be provided in areas which are not financially viable for the private sector to deliver.

# Program Financing

Many participants in the Gateway 1 Finance and Funding Working Group argued that it was funding and not finance that was the challenge in determining the parameters for the Deal. This reflects the relatively low interest rates at which project financing can currently be accessed in international markets. Notwithstanding this comment, the parameters for the financing of the program still raise some key questions that will need to be resolved through the finalisation of the governance and funding parameters for the Deal in subsequent Gateways. These include:

## **Commonwealth Government Access to Lower Interest Loans**

In the UK, Central Government has offered its access to relatively lower interest loans as a mechanism to enable City Deals to finance their infrastructure programs. This access to concessional loans has been a key incentive for risk taking by the Deals and has enabled the consideration of a broader scope of projects for investment. In an Australian context, the Commonwealth Government has previously made commitments to fund economic infrastructure through concessional loan arrangements via the Northern Australian Infrastructure Fund and the focus of the Clean Energy Finance Corporation. Consideration of how a similar mechanism could be applied to the financing of a City Deal capital works program would provide an incentive for participation in and execution of the Deal.

## **Revenue Streams Attached to Projects**

While obtaining financing for infrastructure programs may be relatively easier in the current economic climate, the ability of the infrastructure within the scope of the Deal to contribute to the repayment of these loans is a separate consideration. Over the course of determining the structure of the program for the Deal, it will be necessary to consider whether the investment in the program will yield any revenue streams that could be utilised to repay program finance, or whether these would already be attributed to individual project financing mechanisms.

## **Ability for the City Deal to Raise Capital**

Determination as to whether the City Deal governing entity can independently raise finance has been a key consideration of subsequent gateways in the United Kingdom. The consideration of a governance structure that could enable this practice was favoured by working group participants in SEQ to the extent that this would reduce the finance commitments on Local Government balances. Nevertheless, the scope of the powers of any entity to raise finance will require further consideration in subsequent Gateways.

## Scale of Funding Pool

The scale of an SEQ City Deal will be determined through the consideration of current funding mechanisms and the determination of the contribution that each tier of government is willing to contribute to the funding pool. These levels of contribution will need to be discussed in greater detail in subsequent Gateways once the scale of the project list begins to take shape. In the meantime, a brief summary of historical funding contributions has been provided to give a sense of the level of funding contributions currently being made to the in-scope assets.

These current funding sources include committed Commonwealth and State Government funds outlined in the Queensland Transport and Roads Investment Program (QTRIP), as well as State Government funds outlined in the State Infrastructure Plan. These available funds are generally attributed to specific infrastructure projects or programs on a case by case basis.

The make-up of the historical funding pool has been estimated on the average committed funding to SEQ Region outlined in the SIP & QTRIP 2015-2018 across the following assets:

- \$2,132m - Transport
- \$77m - Water
- \$55m - Digital

The historical and committed funds by each infrastructure network in scope that inform this funding pool are outlined in figures 5.4 to 5.6. State and Commonwealth Governments also provide funding to Local Government through an array of grant funding programs. Currently available grant programs are summarised in Appendix Two of this report and should be considered in the context of both short term and longer term contestable funding sources.

Each local government across the region also has a substantial capital works budget which is subject to local decision making as a component of the annual budget cycle and long term infrastructure planning processes. The level of this contribution will need to be considered in subsequent Gateways.

The determination of the scale of an SEQ City Deal will be influenced by the infrastructure projects included in the scope of the City Deal program. As such, the governance model for the City Deal will need to reflect the final scale and source of program funding within the Deal.

The scale of funding outlined above is indicative and has been included to guide future discussions. This conversation will benefit from the greater maturity of the project list to understand the scale of funding required as well as joint discussions between the three tiers of government.



Figure 5.4 - Transport Funding Specified for SEQ Region  
(Commonwealth and Queensland Governments)

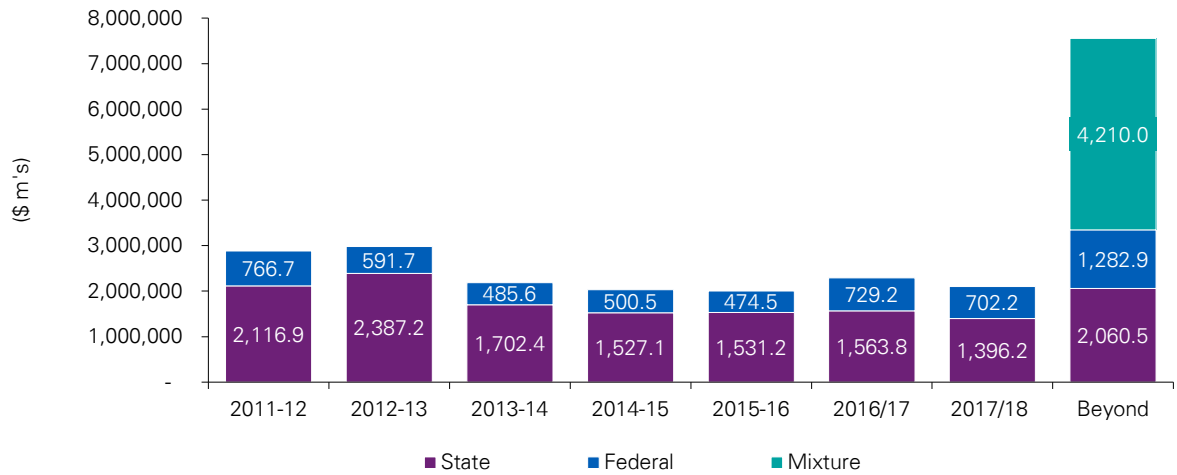
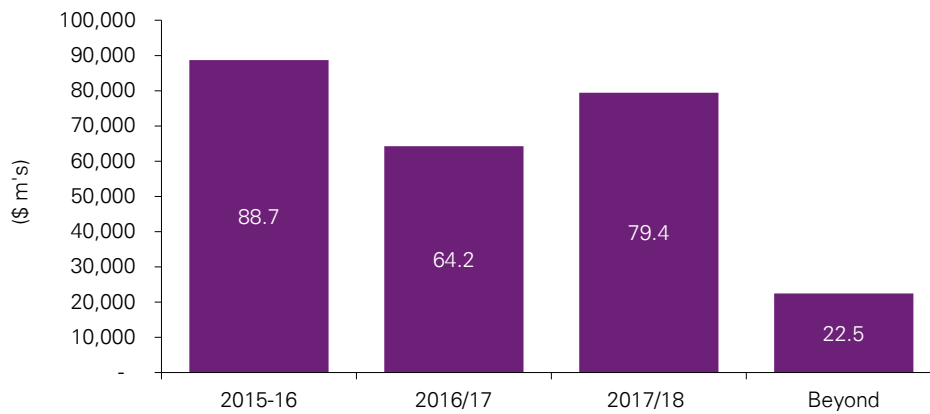
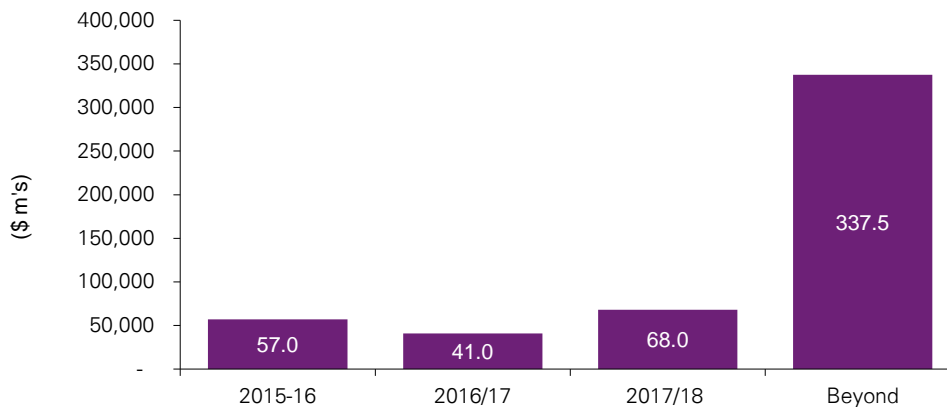


Figure 5.5 - Water Funding Specified for SEQ Region (total)



Queensland Transport  
s.qld.gov.au and  
State Infrastructure

Figure 5.6 - Digital Funding Specified for SEQ Region (total)



## Share of Funding Pool

The share of contributions made by each tier of government is a key parameter that will need to be negotiated in subsequent Gateways. This share will outline both the levels of initial contribution to the Deal as well as the level of risk that each tier of government will take on.

The share of the funding pool contributed will be determined in two specific ways for an SEQ City Deal:

- 1 The percentage share of funding and associated risk contributed by Commonwealth, State and Local Governments to achieve 100% of the combined total City Deal funding pool; and
- 2 The percentage share of funding contributed by each specific Local Government in SEQ to achieve 100% of the share of Local Government funding.

### Share across three tiers of Government

The determination of the share of contribution between different tiers of government – Commonwealth, State and Local – will be determined during Gateway 2 processes. This potential determination of share will reflect the capacity of each tier of government to raise capital through existing mechanisms as well as the scope and scale of projects within the Deal.

Another key influencing factor on the share of contributions is the degree at which different tiers of government will benefit from the agreed outcomes of the City Deal. This method of determining funding share will ultimately be influenced by the specific infrastructure projects included within an SEQ City Deal program and negotiations between the stakeholders to the Deal. The share of taxation revenue has been provided as a starting point for negotiations below, however it is expected that the final agreement will need to reflect a more detailed consideration of the program of proposed works.

Table 5.4 – Funding Share across Three Tiers of Government

	Funding Share	%Tax Revenue Share
Commonwealth Government		80%
State Government	To be determined in subsequent Gateways	16.5%
Local Government		3.5%

Source: Australian Bureau of Statistics 2016. "Taxation Revenue", cat. no. 5506.0, 2014-15. Accessed 26 July 2016. <http://www.abs.gov.au>

## Share across Local Government

The funding share contributed by SEQ Local Governments will also need to be considered in greater detail over the course of subsequent gateways. Considerations that have been applied in the UK to determine these shares have included:

- Per capita population of each SEQ Local Government;
- GRP output generated by each SEQ Local Government; and
- The share of capital cost of the program that will be spent within the local government boundaries of each local government across the region.

The table below provides an indication of the distribution of population and GRP contributions across the region. The share of capital expenditure across local government areas will need to be determined in line with the confirmation of the program of investment in subsequent Gateways. Local governments will also have different capacity to borrow in accordance with legislative requirements.

Table 5.5 – Indicative Funding Share for SEQ Local Governments by Per Capita and GRP

SEQ Local Government s	Funding Share	
	Per Capita	%GRP
Brisbane City Council	35%	56%
Ipswich City Council	6%	4%
Lockyer Valley Regional Council	1%	1%
Logan City Council	9%	5%
Moreton Bay Regional Council	13%	6%
Redland City Council	4%	2%
Scenic Rim Regional Council	1%	1%
Somerset Regional Council	1%	0.4%
Sunshine Coast Regional Council	9%	6%
Toowoomba Regional Council	5%	5%
City of Gold Coast	17%	14%

Source: id 2016. "National economic indicators for Local Government areas", 2014/2015. Accessed 26 July 2016. <http://economic-indicators.id.com.au/>

# Governance Implications

The governance framework required to deliver an SEQ City Deal is inherently linked to the scope, scale and share of the funding pool. The larger and more complicated the funding pool is, the more intricate the governance framework will need to be to ensure that effective structures are in place to ensure that the parties to the Deal can commit to the outcomes envisaged for a Deal.

The preferred governance framework implemented to further develop and deliver a Deal will need to give full consideration to how the funding model and financing structures should evolve to ensure that the interests of all parties to the Deal are reflected in commitments and final agreements that support an SEQ City Deal. These considerations will relate to how funding and financing structures impact on the budgets and fiscal position of government entities as well as processes for determining investment priorities. Consideration will also need to be given to how the private sector might participate in an SEQ City Deal, particularly where private financing and delivery models are under consideration.

In order to address these and other considerations raised by stakeholders, fiscal principles will need to be agreed between all parties to the Deal. These principles will provide the foundation for the negotiation of funding and financing parameters. In particular, funding contributions by any party to the deal will need to be considered through appropriate budget processes within their respective organisations so that the commitment to the deal is transparent to all parties. The table below provides a list of potential (but not exhaustive) issues for consideration in the development of these principles during subsequent Gateways for an SEQ City Deal. These will need to be refined between all three tiers of Government in line with their views on key funding decisions and associated governance parameters related to the eventual parties to a Deal.

Table 5.6 – Key Considerations to Inform Future Fiscal Parameters for an SEQ City Deal

Parameter	Issues for Consideration
Funding Commitments and Approval	<ul style="list-style-type: none"> <li>The level of funding, whether existing or new, and the form of the funding commitment will require a guiding mechanism to determine the contribution by each party. Furthermore, a process must be developed so that funding arrangements are approved through appropriate budget processes in advance of any commitments made to the deal.</li> </ul>
Budget Impacts	<ul style="list-style-type: none"> <li>Consideration must be given to how any funding under a City Deal will impact on taxation, balance sheet and forward estimates for each tier of government.</li> </ul>
Project Costing	<ul style="list-style-type: none"> <li>Consideration of the scope of City Deal funding (i.e. capital works relative to operational / ongoing project funding).</li> </ul>
Risk	<ul style="list-style-type: none"> <li>Definition of the program and project risk appetite and allocation for each party to the City Deal, for example cost over-runs, equity returns, etc.</li> </ul>
Prioritisation	<ul style="list-style-type: none"> <li>A City Deal that incorporates pooled funding will need to clearly articulate the governance arrangements for the selection and prioritisation of individual projects.</li> </ul>
Agreement	<ul style="list-style-type: none"> <li>The formal agreement structure that each party will be held to account under for the provision of their funding contribution and participation in a City Deal, for example alignment with MOU's and formal agreements underpinning City Deal scope.</li> </ul>

# Governance to support an SEQ City Deal

# Governance

Governance is the framework of rules, relationships and procedures by which an entity is directed, controlled and held to account; and whereby authority within the entity is exercised and maintained. Governance encompasses authority, accountability, stewardship and leadership.

The governance model for an SEQ City Deal is important to establish an agreed, fair, and beneficial arrangement to guide implementation. A suitable structure needs to be determined which is:

- 1 Responsive to existing governance entities in SEQ;
- 2 Ensures that all stakeholders are held accountable to responsibilities; and
- 3 Ensures benefits from the deal are realised across the region.

The governance of the Deal is an important factor in ensuring investment accountability as it will clearly articulate financial contribution commitments, responsibilities and expected outcomes. The Deal will outline a transparent and certain process for program development, monitoring and evaluation which is critical for the success of the Deal. Identifying stakeholders and responsibilities ensures that engagement across and within Government occurs early in the process to avoid process duplication. Effective joint working arrangements will be critical to the success of the Deal.

The broad parameters for governance of an SEQ City Deal have been summarised in table 6.1.

Table 6.1- Governance Parameters for an SEQ City Deal

Governance parameters	Description
Jurisdiction	The justification of the deal includes both the geographic scope and the infrastructure scope.
Function	The functions are those processes which are performed routinely by the entity.
Accountability	Accountability refers to the provision of information to stakeholders, the financial management and reporting requirements of the City Deal entity.
Representation & Responsibility	Representation refers the stakeholders that are involved in an SEQ City Deal. Representation also includes the composition of the board. The responsibility is the functions undertaken by these stakeholders.
Legislative Foundation	The Legislative Foundation is the platform on which an SEQ City Deal entity is formed. (e.g. Under the Corporations Act or Queensland Government Legislation).
Risk	The risk is the recognition, management and oversight of risks relating to the entity.

The governance considerations for an SEQ City Deal were not all detailed in Gateway 1 as aspects of the Deal are still being defined. Furthermore, the role of the Commonwealth Government is still being defined as their participation is to be sought in subsequent Gateways. The table below outlines the governance considerations that were considered in Gateway 1 and those that will be addressed in subsequent Gateways. Some of the parameters of an SEQ City Deal which have been determined in Gateway 1 are likely to be refined in Gateway 2.

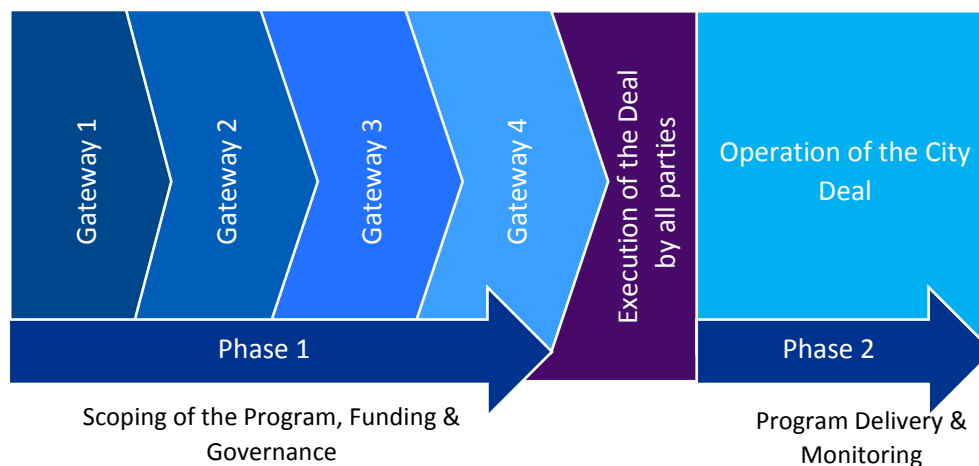
Table 6.2 - Governance Considerations in Phase 1 and Phase 2

Governance Considerations	Gateway 1	Gateways 2-4
Jurisdiction	✓	
Function	✓	✓
Accountability		✓
Representation & Responsibility	✓	✓
Legislative Foundation		✓
Risk		✓

## Phases

An SEQ City Deal has two phases. As such, some governance considerations differ for each phase. These phases include:

- **Phase 1: Gateway process:** where the four gate process to define an SEQ City Deal is progressed.
- **Phase 2: Operation of the City Deal:** where the parameters identified in Phase 1 are implemented.



The preliminary governance parameters defined in Gateway 1 are further outlined in this chapter. The jurisdiction and functions parameters of an SEQ City Deal are similar in both Phases 1 and 2 as such are discussed together. The representation and responsibility and legislative foundation parameters differ from Phase 1 and 2 therefore are discussed separately by each phases.

## Jurisdiction

### Phase 1 & Phase 2

The jurisdiction of an SEQ City Deal has been detailed in the Scope chapter of this document. It identified that the geographic jurisdiction of the Deal encompasses the 11 Local Government areas and the infrastructure jurisdiction includes transport, water and sewerage, digital and non-infrastructure programs.

## Function

### Phase 1 & Phase 2

The function of an SEQ City Deal defines the process that is routinely performed by the entity to accomplish the purpose of the entity. These functions can be divided into two distinct phases: Phase 1 and Phase 2.

The functions in Phase 1 include those that relate to the continued scoping and refinement of the Deal in line with the Gateway Process. The functions identified in Phase 2 relate to the ongoing operation of an SEQ City Deal, performed routinely to enable to continuing operation of the Deal.

### City Deal Functions

The functions that will need to be delivered at each phase of an SEQ City Deal are outlined below. These functions clarify what an SEQ City Deal does, for whom, how it will do these things and how it will measure success.

Table 6.3 - Functions Delivered by an SEQ City Deal in Phase 1 and Phase 2

Function	Description
<b>Phase 1</b>	
Scoping Parameters	Confirmation of the economic, finance, and governance parameters in line with the City Deals Gateway Framework.
<b>Phase 1 &amp; 2</b>	
Assessment of the project business cases	The business case assessment process includes the establishment of the framework for the assessment, development of the business case templates and the provision of advice that assists the development of business cases.
Evaluation of the project business cases	The evaluation consists of both the assessment of the business cases and the preparation of recommendations.
Program development	Program Development refers to the three part process of prioritisation of projects by lead metric, applying the funding envelope and assessment of program minima.
Financial management	Financial management consists of the advice and research into long term borrowing, the development of standard control and reporting templates and the development of a modelling system for monitoring program implementation and financial profiles.
<b>Phase 2</b>	
Program delivery	Program delivery is the implementation of the selected projects through identified delivery channels and procurement models.
Financial investment	Establish investment fund management and funding allocation.
Monitoring	Monitoring includes reporting on the progress, and the identification and verification of the impacts of the program and wider benefits realisation.



Function	Description
Administration	The administrative function of an SEQ City Deal includes coordination of meetings, preparation of agendas and recording the decision making process. The administration of an SEQ City Deal will be the point of contact for liaison and co-ordination of programs with regional partners.

## Representation & Responsibility

### *Phase 1*

Stakeholders are more likely to be effective in their roles when there is clear articulation of their responsibilities. During Gateway 1 the roles of Local and State Government in the subsequent SEQ City Deal Gateways in Phase 1 and Phase 2 were defined. These have been outlined in Table 6.4 and Table 6.5 overleaf.

Representation and responsibility for governance differ in Phase 1 and Phase 2. During the development of the Deal in Phase 1, these components are more resource intensive as there are a number of stakeholders contributing to establishing the overarching governance framework for the Deal. During Phase 2, the framework will be established and therefore stakeholder engagement will be more focused on monitoring and information sharing than role definition.

Clarifying the roles and responsibilities of an SEQ City Deal at this early stage of the Deal's development enables stakeholders to consider the implementation and operability of the Deal. Given the breadth of stakeholder involvement in the Deal this transparency is fundamentally important.

## Gateway Process

Phase 1 of an SEQ City Deal, focused utilising existing governance resources during the development phase of an SEQ City Deal, rather than establishing new entities. The table below identifies how existing expertise will be leveraged to progress through subsequent Gateway processes in Phase 1.

Table 6.4 - Phase 1 Stakeholder Roles in an SEQ City Deal

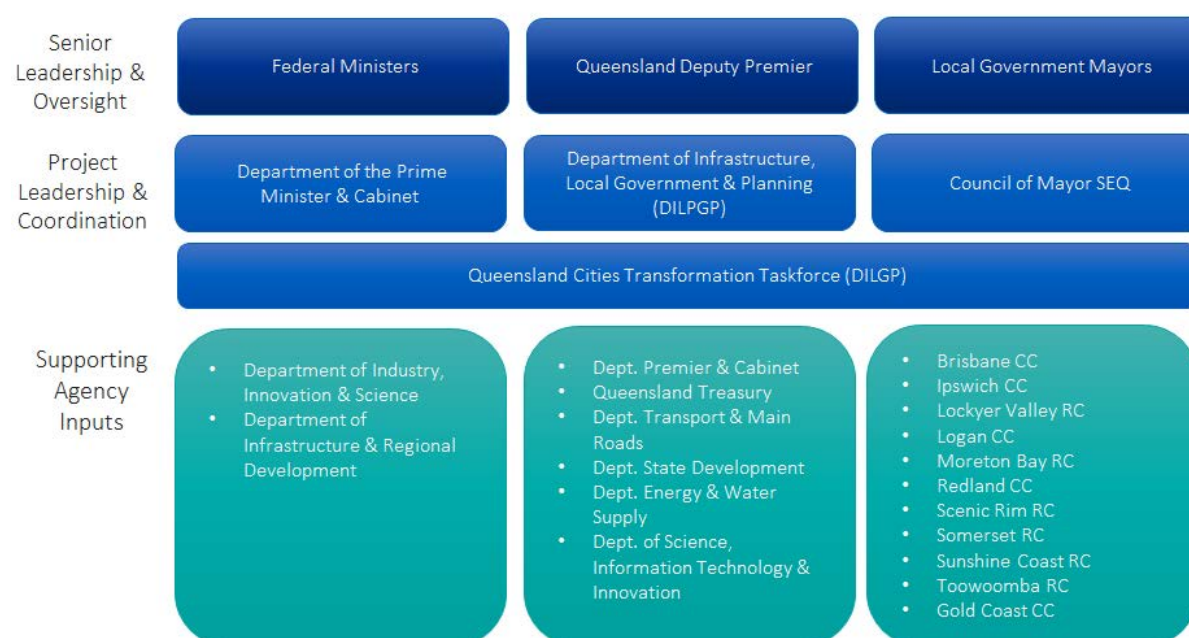
Phase 1: SEQ City Deal Development	
Function/s	Stakeholders
<b>Local Government</b>	
Scoping Parameters	Council of Mayors (SEQ)
	Brisbane City Council
	City of Gold Coast
	Ipswich City Council
	Lockyer Valley Regional Council
Scoping Parameters	Logan City Council
Assessment of the project business cases	Moreton Bay Regional Council
Financial management	Redland City Council
	Scenic Rim Regional Council
	Somerset Regional Council
	Sunshine Coast Regional Council
	Toowoomba Regional Council
<b>Queensland State Government Departments</b>	
Scoping Parameters	Dept. Infrastructure, Local Government & Planning
Assessment of the project business cases	Building Queensland
Scoping Parameters	Dept. Premier & Cabinet
Assessment of the project business cases Financial Management	Queensland Treasury
Scoping Parameters	Dept. Transport & Main Roads
	Dept. State Development
Specialist Advice	Dept. Housing & Public Works
	Dept. Energy & Water Supply
	Dept. Environment & Heritage Protection
	Dept. Science, Information Technology & Innovation
<b>Other Entities</b>	
To be determined	Commonwealth Government Departments, in particular Department of Prime Minister and Cabinet
Assessment of the project business cases	Infrastructure Australia
Preparation of the project business cases	Private Sector

## Joint Working Arrangements

The figure below outlines the joint working arrangement for Phase 1 of an SEQ City Deal. The structure reflects the intent of both Local and State Government to using existing and specialist governance resources (Cities Transformation Taskforce) during the development phase of an SEQ City Deal. The development of an SEQ City Deal is led by relevant entities from each tier of government, responsible for coordinating the supporting agency's input into the Deal.

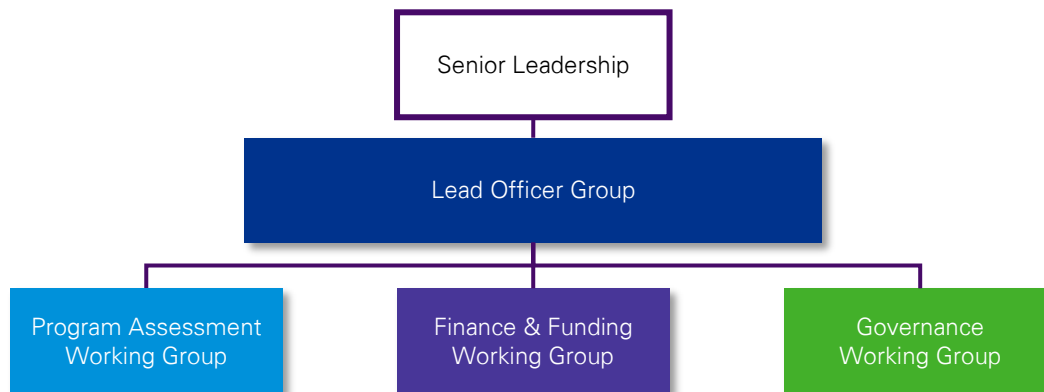
The Queensland Cities Transformation Taskforce (CTT) is an entity being established within the Department of Infrastructure, Local Government and Planning to oversee the development of City Deals at a program level in Queensland (e.g. SEQ, Townsville). The Commonwealth Government and Queensland Government are expected to enter into a Memorandum of Understanding to pursue a number of City Deals in the State. These negotiations are being led through the Department of Prime Minister and Cabinet Cities Unit. It is expected that the CTT will be taking a lead role in the delivery of an SEQ City Deal in partnership with the Commonwealth Government and Council of Mayors (SEQ).

Figure 6.1 – Stakeholders in an SEQ City Deal



The stakeholders identified above will be required to resource the working arrangements during the development of an SEQ City Deal in Phase 1. The working arrangements consisting of a Senior Leadership, Lead Officer and three working groups identified in the figure below will be utilised in subsequent Gateways. This working arrangement was successfully utilised in Gateway 1 with both State Government and Local Government providing resources for each group. There may also be value in sub-groups being developed to support relevant outcome areas (e.g. Connectivity, Skilled Labour Force etc.).

Figure 6.2 - SEQ City Deal Working Arrangements



## Legislative Foundation

### Phase 1

Existing legislative foundations should be used to support Phase 1.

## Representation & Responsibility

### Phase 2

The table below identifies the roles and responsibilities of stakeholders in the Deal over the course of the City Deal. This includes the establishment of a new entity to oversee the execution of an SEQ City Deal.

The composition and roles of the new entity will be refined to reflect the legislative foundation of the entity. Further decisions on the responsibility relating, independence and delegated authority of the entity will further dictate the scope, scale resourcing requirement.

The more detailed resourcing, including Commonwealth Government and the private sector involvement, will be determined through subsequent Gateway processes.

Table 6.5 - Phase 2 Roles in the Operation of an SEQ City Deal

Phase 2: SEQ City Deal Operation	
Function	Entity
Prioritisation Program Development Program Delivery Financial investment Financial management Monitoring Administration	SEQ City Deal Entity
Preparation of the project business cases	State Government Local Government Private Sector
Assessment of the project business cases	Queensland Treasury
Assessment of the project business cases- over \$50m	Building Queensland
Assessment of the project business cases - over \$100m and nationally significant.	Infrastructure Australia

## Legislative Foundation

### Phase 2

During Gateway 1 the benefits and challenges of a range of governance models were considered. Through this process, it was determined that the delivery model for an SEQ City Deal will need to balance autonomy with accountability as well as with the need to align to government stakeholders. In addition, it was resolved that the Legislative Foundation of an SEQ City Deal is only applicable to Phase 2 whereby a new entity is established.

In the UK, the governance models were developed out of a need to demonstrate a commitment to reforming and strengthening Local Governance and decision-making arrangements. A number of governance models were implemented, as identified in the table 6.6 below. The UK governance models were considered for adaption to the Australian context rather than being directly transferred.

It was identified that an additional tier of government such as an Elected Mayor or Combined Authority was not desired. Rather the group preferred to leverage a Statutory Joint Committee model with supporting advice provided through appropriate industry engagement boards (similar to the Economic Boards). The Economic Board may not be the primary legislative foundation of an SEQ City Deal however it should be considered for delivery or oversight of each infrastructure asset. For example, to deliver digital infrastructure under an SEQ City Deal will require coordination with the private sector as this asset class is primarily privately owned and operated in Australia.

Table 6.6 - Governance Mechanisms in the UK City Deals

Governance model	City Deal area	Outline description	Relevance to SEQ City Deal
Elected Mayor	Liverpool City; Bristol City.	Mayor plus 'strong decision-making across wider economic area', Skills Board (Bristol and West of England) and Transport Board (Liverpool City Region).	Considered not suitable.
Combined Authority	Greater Manchester; Leeds City Region; Sheffield City Region; Liverpool City Region; North East (Newcastle/Gateshead, Sunderland/South Tyneside); Tees Valley (consulting as of March 2015).	A statutory body created under the terms of the 2009 Local Democracy, Economic Development and Construction Act. In Leeds and Sheffield City Regions these are West Yorkshire and South Yorkshire-based – i.e. not for whole city region/deal area but covering former metropolitan unitary authorities.	Considered not suitable.
Statutory Joint Committee	Bristol and West of England; Black Country; Coventry and Warwickshire; Hull and Humber; Oxford and Central Oxfordshire; Plymouth and South West; Thames Valley Berkshire; Glasgow and Clyde Valley.	A statutory body comprising local authorities, which can be established under the terms of the 1972 Local Government Act.	To be considered for SEQ City Deal.
Local Enterprise Partnership (LEP) or private sector-led	Greater Birmingham and Solihull; Greater Ipswich; Preston, South Ribble and Lancashire; Swindon and Wiltshire.	Strong private sector leadership. Discussions have taken place on the creation of a 'Greater Birmingham' City Region Combined Authority. Greater Ipswich board is a sub-committee of the LEP.	Considered not suitable.
Economic Board	Nottingham; Greater Brighton; Greater Cambridge; Greater Norwich; Leicester and Leicestershire; Southampton and Portsmouth; Southend; Stoke and Staffordshire.	A strategic entity bringing together local authorities and the private sector (including LEP). In Cambridge, a board is advised by a joint assembly of local councillors and educational representatives.	To be considered as an advisory structure for SEQ City Deal.

Source: O'Brien and Pike, 2015. "City Deals, Decentralisation and the Governance of Local Infrastructure Funding and Financing in the UK". National Institute Economic Review. doi 10.1177/002795011523300103

## Governance considerations for subsequent Gateways

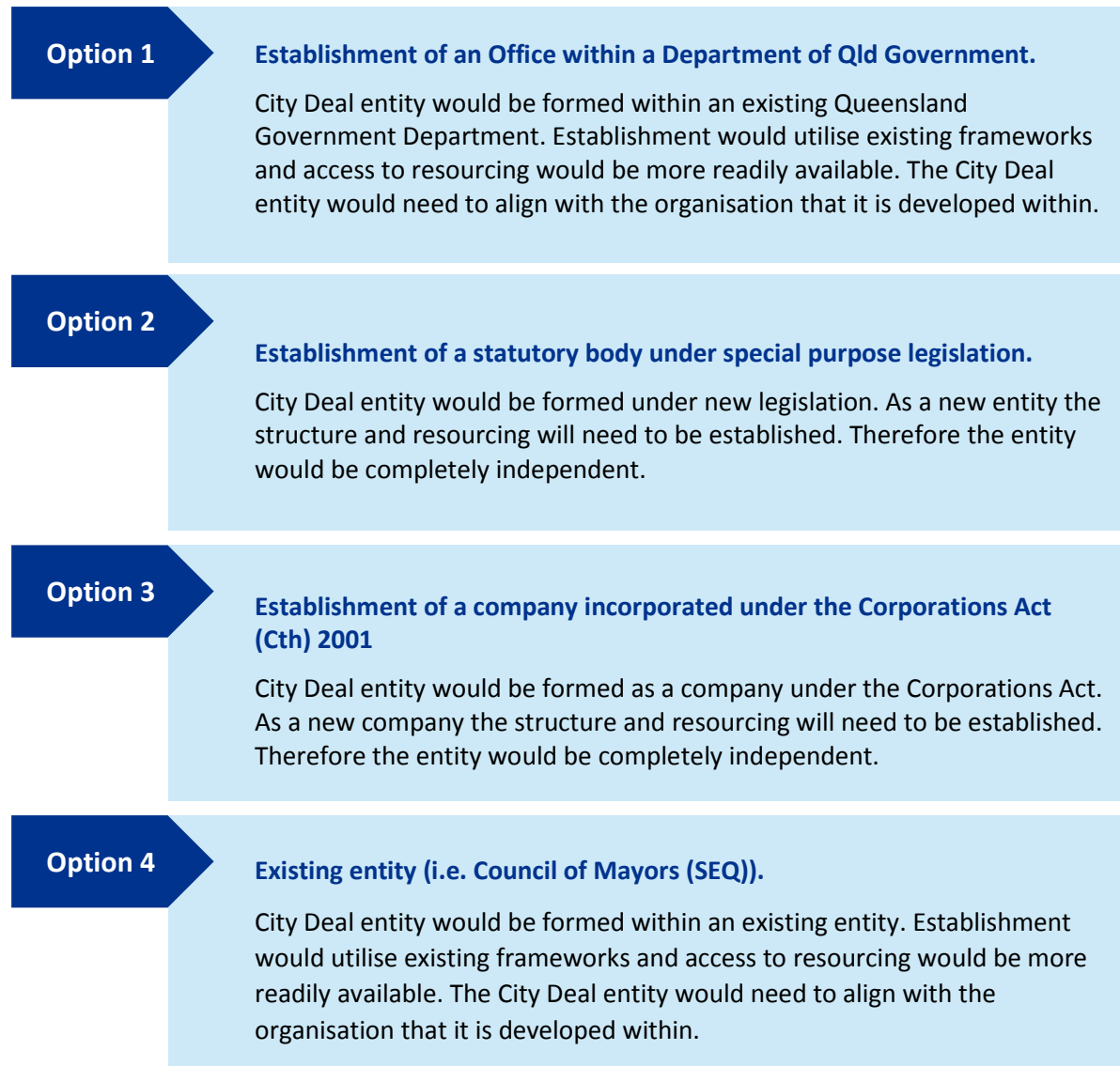
During the Phase 1 Gateway process stakeholders will make the necessary preparations to transition into a separate entity. A separate entity is not required immediately to progress an SEQ City Deal and will be shaped by the size of the funding pool and scale of projects.

However, during the Gateway 1 process, a number considerations for the type of separate entity were identified which will need to be explored further in subsequent Gateways in Phase 1. These include:

- 1) Independence of board members and separation from the political processes;
- 2) Ability to obtain financing without impacting on general Government Sector debt;
- 3) Ability obtain debt at the same cost as Local Government;
- 4) Whether an independent rating for issuing debt is required;
- 5) Commerciality in decision making and ability to focus on specific outcomes;
- 6) Equal representation of all stakeholders;
- 7) Flexibility for resourcing including attraction and retention of quality teams;
- 8) Role of the entity. For example, engagement and management rather than ownership and funding functions;
- 9) Frequency of reporting and to whom;
- 10) Program, review periods;
- 11) Timing of engagement with private sector stakeholders;
- 12) Delivery and evaluations of programs;
- 13) Resourcing the entity – e.g. secondment of public sector employees; and
- 14) Whether land and/or assets will be required to be transferred to the entity including the implications for Stamp Duty and tax.

The four options discussed the operation of an SEQ City Deal (post Gateway process) are identified in the figure 6.3 below. These options will be further refined in subsequent Gateways.

Figure 6.3- Preliminary Governance Options





# Next Steps

# Next Steps

Gateway 1 of an SEQ City Deal has built momentum across the region around stronger collaboration to deliver regional outcomes. It is critical that this momentum is maintained through the leadership of the key stakeholders to the Deal, in particular the Queensland Department of Infrastructure, Local Government and Planning and the Council of Mayors (SEQ).

This report has provided the foundation framework against which project investments can be explored and prioritised in subsequent gateways. Similarly, a series of fiscal principles and governance parameters have been developed to guide the further development of an SEQ City Deal. The scoping of subsequent gateways will be a matter for negotiation between the potential parties in line with these parameters. At a minimum, it is expected that this process will include a series of non-binding negotiations between the parties to further refine the parameters of a Deal. Critical next steps to progress these negotiations are broadly summarised below.

<b>Commonwealth Engagement</b>	Engagement with the Commonwealth Department of Prime Minister and Cabinet has been limited to the broader negotiation on a Memorandum of Understanding between the State and Commonwealth Governments to establish and implement City Deals. Introducing the parameters and framework outlined in this report will provide the foundation for the progression of further investigations between all three tiers of government into the potential scope of an SEQ City Deal.
<b>Establish Assessment Frameworks</b>	Develop and confirm a multi-criteria assessment framework that qualitatively considers the likely impacts of a project against strategic objectives, level of readiness (from design, planning, etc.), risks and project minima (where applicable).
<b>Examine Funding Scenarios</b>	Develop a draft list of alternative funding scenarios to utilise as the basis for engagement with the Commonwealth Government around their role as an investor in the SEQ City Deal.  Shortlist a number of City Deal program scenarios based on the application of alternative funding envelopes and sub-program lists.
<b>Revise Governance Arrangements</b>	Update governance and delivery approach that would optimise the delivery of the above scenarios over the course of Phase One (Gateway preparation of SEQ City Deal parameters) and Phase Two (City Deal execution).
<b>Finalise Modelling</b>	Finalise technical modelling approach and associated brief to enable the finalisation of a prioritisation approach structured around the lead metric (in line with the approach outlined in the Prioritisation section of this report).
<b>Confirm Intent to Progress</b>	Update agreements between the Council of Mayors (SEQ), the Queensland State Government and Commonwealth Government to confirm commitment to prepare a detailed business case outlining the parameters that will form the basis for a binding agreement between all three parties.

These next steps provide an outline of the priorities to progress non-binding negotiations for an SEQ City Deal. They will enable the City Deal stakeholders to progress from a theoretical platform to the foundation of a working program, funding envelope and agreed governance structure between the three tiers of Government that will invest in the Deal.

The current report has not sought to limit the scope of a City Deal in terms of size or complexity. Rather it has outlined the potential for what a City Deal could deliver within an agreed set of parameters. Should all stakeholders agree to the further exploration of an SEQ City Deal, they will need to consider how the Deal could be staged to reflect their respective risk and resource appetites. This could include the initial progression of a limited set of sub-programs that reduces the infrastructure scope and government stakeholder set, or that limits the number or breadth of investments considered. Similarly, a City Deal could initially focus on a smaller number of outcomes before being broadened to deliver on the broader objectives of the Deal. Conversely, stakeholders may wish to progress with a holistic approach that introduces a range of complementary reforms. These discussions will form a critical early component of stakeholder negotiations on the progression of an SEQ City Deal.

Further engagement between all parties to discuss the scoping of a work program to progress negotiations for an SEQ City Deal will be able to be commenced following the sign-off on the final version of this report.

# Appendix One Scoping Gateway 1

# Scoping Gateway 1

During Gateway 1 Local and State Government worked together to develop the parameters of an SEQ City Deal that are detailed in this business case. The objectives to be achieved during Gateway 1 are included;

- Agree the types of investments/sectors for inclusion in investments/sectors for inclusion in City Deal;
- Agree objectives (including program minima) and metric/s for appraising performance of investments/interventions;
- Sign-off on economic modelling approach to be used;
- Begin to develop proposed governance and joint working arrangements;
- Agree instructions for working up individual investments/ interventions;
- Define local funding sources 'in play' (but not decisions on the level).

During the nine week process the five working groups met a number of times to discuss and determine the foundations for an SEQ City Deal. The working groups included Senior Leadership, Lead Officers, Economics, Finance and Funding, and Governance. The roles, program and resourcing of each of these groups are further outlined below.

## Roles

Working group structure consists of the Senior Leadership group overseeing the program with the Lead Officer group beneath managing the three technical groups: Economics, Finance and Funding, and Governance (figure A1.1). The roles of each of these groups are outlined below.

The **Senior Leadership** group convened twice during Gateway 1: at the beginning and at the end of the program. This group consisted of Local Government CEOs and Queensland Architect, the Director General of the Department of Infrastructure, Local Government and Planning. The Senior Leadership group was responsible for providing initial input on the parameters of the City Deal and endorsing the final parameters of an SEQ City Deal. The representatives in this group were responsible for liaising with their respective elected representatives and providing direction to the lead officer representative. Overall this group provided the leadership and oversight to the Gateway 1 process.

The **Lead Officer** working group provided input and guidance into the other working groups. This group was responsible for reviewing the progress of each group holistically and providing direction back into the working groups as required. For example, funding alternatives determined by the Finance and Funding group were considered by the Lead Officer group and relevant considerations passed to the Governance group. The Lead Officer group was responsible for endorsing the lead metric, program minima and scope of an SEQ City Deal.

The **Economics** working group was responsible for developing the lead metric, program minima, and economic model approach for an SEQ City Deal. The Lead Officer group provided guidance on metric and minima to the Economics working group who refined the measures and determine how they would be quantified. This group considered the range of available measures and models that could be utilised in an SEQ City Deal.

The **Finance and Funding** working group considered how an SEQ City Deal would be funded by considering the various funding sources in scope. Financing was considered generally in Gateway 1, in that if financing is to be undertaken by the City Deal entity it would impact on the type of entity established (i.e. governance model). During Gateway 1 each of the Local Government participants detailed their capacity to contribute to the Deal and possible risks might limit their ability to contribute in the future.

The **Governance** working group was responsible for considering the governance alternatives and joint working arrangements for consideration in Gateway 2. This group outlined the broad governance parameters which would inform subsequent Gateways and finally the City Deal entity. The Governance determined the joint working arrangements for subsequent Gateways.

### **Program**

The Gateway 1 program was developed to ensure that the senior representatives provided input into the technical working groups, that there was leadership oversight throughout the program and finally leadership groups approved the final output. The technical working groups, Economics, Finance and Funding, and Governance, considered the detail of the City Deal with outputs of these working groups considered holistically by the Lead Officer group and finally by the Senior Leadership Group. Any decision made by the Lead Officers group was then used to inform subsequent working groups. The working group structure and program for Gateway 1 is detailed in the figure A1.2 below.

Figure A1.1 – Gateway 1 Working Group Structure

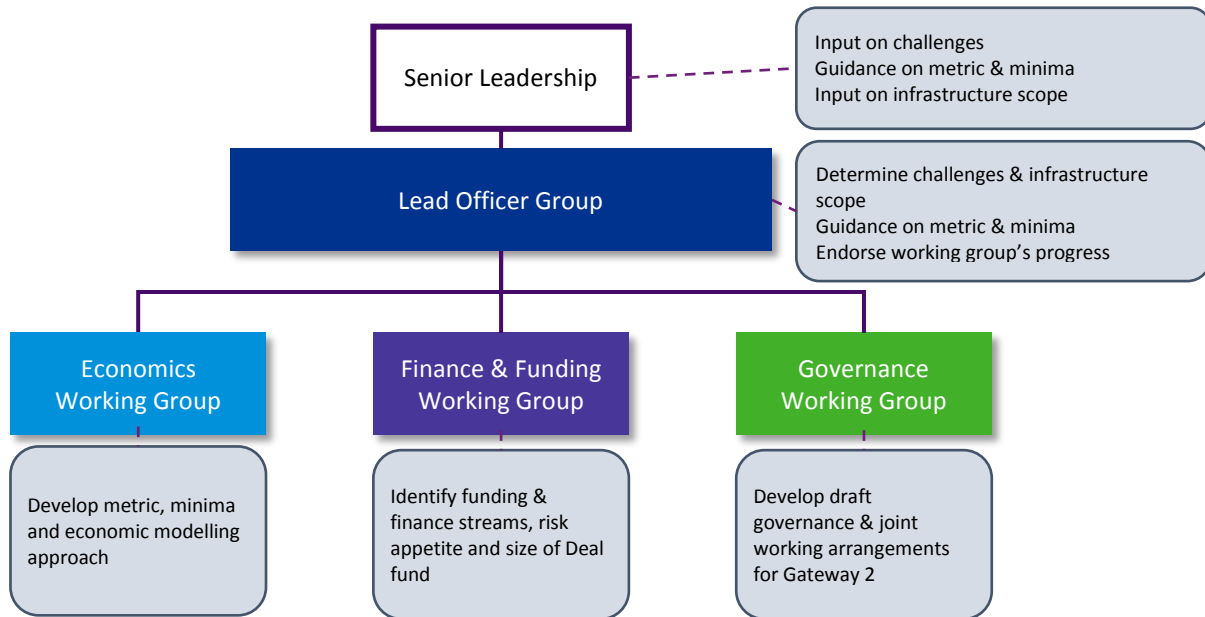
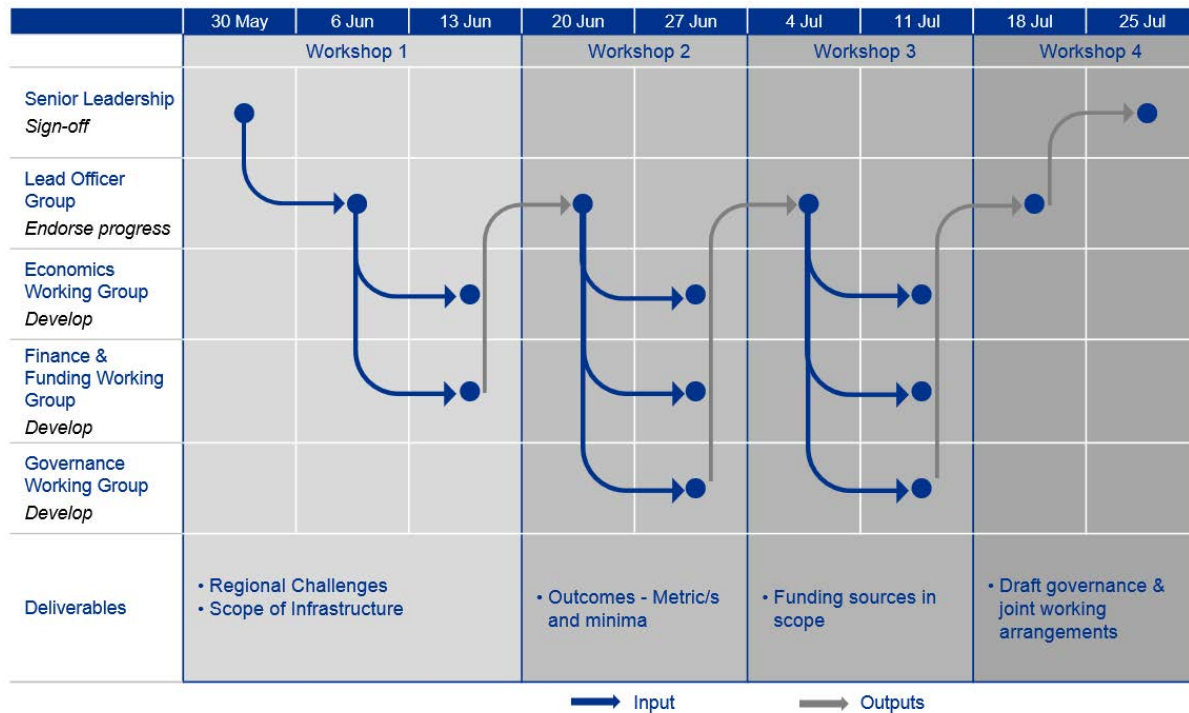


Figure A1.2 - Gateway 1 Program



## Resourcing

Gateway 1 working groups were resourced by Local Government and State Government employees. State Government representatives were specifically chosen to provide specialist advice relevant to each working group, as such were drawn from a range of departments. For example the Economic working group was resourced with leading economists from Department of Transport and Main Roads, Department of State development and Department of Premier and Cabinet.

All Local Governments were given the opportunity to participate in each of the Gateway 1 working groups. It was acknowledged from the beginning that all Councils were not expected to provide a resource for each group as Gateway 1 is resource intensive process. Some Councils found resourcing difficult given their size, while others had other significant projects consuming their resources. For clarity, non- attendance by some Councils in a working groups does not indicated an unwillingness to participate in the City Deal rather these absentees should be seen as a result of a resourcing constraint.

Like State Government representatives, the Local Government representative's technical expertise aligned with the working groups which they participated in. For example, the Finance and Funding working group was primarily resourced by Chief Financial Officers from each Local Government. The attendees in each of the working groups are outlined in tables A1.1 and A1.2.

**Table A1.1 – Senior Leadership and Lead Officer Working Group Attendees**

Senior Leadership	Lead Officer
Brisbane City Council	Brisbane City Council
Council of Mayors (SEQ)	Council of Mayors (SEQ)
Ipswich City Council	Ipswich City Council
Lockyer Valley Regional Council	Lockyer Valley Regional Council
Logan City Council	Logan City Council
Moreton Bay Regional Council	Moreton Bay Regional Council
Queensland Government Department of Infrastructure Local Government and Planning	Queensland Government Department of Infrastructure Local Government and Planning
Redland City Council	Scenic Rim Regional Council
Scenic Rim Regional Council	Sunshine Coast Council
Sunshine Coast Council	Toowoomba Regional Council
Toowoomba Regional Council	



Table A1.2 – Technical Working Group Attendees

Economics	Finance & Funding	Governance
Brisbane City Council	Brisbane City Council	Brisbane City Council
Council of Mayors (SEQ)	Council of Mayors (SEQ)	Council of Mayors (SEQ)
Ipswich City Council	Ipswich City Council	Ipswich City Council
Lockyer Valley Regional Council	Lockyer Valley Regional Council	Lockyer Valley Regional Council
Logan City Council	Logan City Council	Logan City Council
Moreton Bay Regional Council	Moreton Bay Regional Council	Moreton Bay Regional Council
Queensland Government Department of Transport and Main Roads. Regional Project Facilitation, Department of State Development. Department of Premier and Cabinet	Queensland Government Treasury Department of Infrastructure Local Government and Planning, Value Capture	Queensland Government Department of Infrastructure Local Government and Planning Department of Premier and Cabinet
Scenic Rim Regional Council	Scenic Rim Regional Council	Scenic Rim Regional Council
Sunshine Coast Council	Sunshine Coast Council	Sunshine Coast Council
Toowoomba Regional Council	Toowoomba Regional Council	Toowoomba Regional Council

# Appendix Two

## Grants to Local Government

The Table below outlines a point-in time summary of funding programs that are competitively available state or nation-wide. These programs could potentially be accessed to contribute toward projects within an SEQ City Deal.

Table A2.1 – Grants to Local Government

Local Government Grants	Grant	Description	Funding Commitment
<b>State</b>	Local Government Grants and Subsidies Program	To support the delivery of community, economic and social infrastructure projects.	\$23 million
	Community Resilience Fund	To help mitigate against natural disasters.	\$40 million
	Queensland Tourism Infrastructure Fund	To assist Queensland's tourism industry to achieve its goal of doubling overnight visitor expenditure.	\$1 million per grant matched on a dollar for dollar basis.
	Transport Infrastructure Development Scheme	Commitment to increase funding for next two financial years. TIDS provides funding to Local Government s for the development/upgrading of roads and transport related infrastructure.	\$140m over two years
	Coastal Hazard Adaptation Program	A fund to assist Local Government's develop coastal hazard adaptation strategies and pilot projects.	\$12m over three years
<b>Commonwealth</b>	Agriculture White Paper Grants	National Water Infrastructure Fund for farmers' future water security.	\$50 million of this will be allocated for the detailed planning necessary to inform future investment decisions. The remaining \$450 million will go towards constructing water infrastructure projects
	Black Spots (Roads)	The Black Spot Program from 2014-15 to 2018- 9 includes an additional \$200 million over two years from 2015-16 under the Infrastructure Growth Package to improve road safety.	\$200m over two years.
	Bridges Renewal Program	Up to \$100 million in the second round for bridge projects is exclusively available to Local Government s nationally.	\$100m per annum

Local Government Grants	Grant	Description	Funding Commitment
	Heavy Vehicle Safety and Productivity Program	The specific HVSP objectives are to: Increase productivity of heavy vehicles by enhancing the capacity of existing roads and improving connections to freight networks; and Improve the safety environment for heavy vehicles.	Up to 50% of project costs (State and Local Government s are eligible to apply)
	National Stronger Regions Fund	NSRF funding will be provided for capital projects which involve the construction of new infrastructure, or the upgrade or an extension of existing infrastructure. The project must deliver an economic benefit to the region beyond the period of construction. Projects should support disadvantaged regions.	\$1 billion over five years nationally
	Roads to Recovery	To contribute to the Infrastructure Investment Program through supporting maintenance of the nation's local road infrastructure asset, which facilitates greater access for Australians and improved safety, economic and social outcomes.	\$438m over 2 years
	Stronger Communities Program	The objective of the Stronger Communities Program is to fund small capital projects which will deliver social benefits. The program aims to improve local community participation, cohesion and contribute to vibrant and viable communities.	\$45m over 2 years
	National Water Infrastructure Development Fund (Feasibility)	The Commonwealth Government has set aside \$50 million to fund feasibility studies that gather the information and evidence needed to make water infrastructure proposals investment-ready.	\$50m

