



# Constituency voices: greening city deals

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with Robert Buckland MP, Alex Cunningham MP and Chris White MP



# Introduction

City deals are giving selected English cities new powers, tools and support to unlock initiatives to drive local economic growth. The government's ambitions for these deals were set out in its 2011 paper, *Unlocking growth in cities*, with a view to enabling cities to 'do things their own way'.<sup>1</sup> A first wave of deals were agreed in 2012 with eight core cities outside London. A second wave of 20 city regions will have agreed their deals by the end of 2013. Here, we report on the findings from a series of constituency workshops held with MPs and local stakeholders in three of these second wave regions, looking at opportunities to green their deals.

The low carbon agenda offers cities social, economic and environmental benefits from activities such as retrofitting energy efficiency measures, investing in local renewable energy and sustainable transport infrastructure. It also helps to tackle climate change. The city deals process is a high profile and timely lens through which to explore how city regions can realise these benefits. In 2012 we reported on the extent to which wave one cities were integrating low carbon ambitions into their deals. We recommended how they could be achieved more consistently in wave two, by government providing cities with clear expectations, prioritising strategic engagement with the process and investing in long term partnerships, and by cities building in existing low carbon ambitions and ensuring that low carbon is embedded across all aspects of their deals.<sup>2</sup>

During the period of the second wave city deal negotiations in May and June 2013, we held workshops in three constituencies under our Climate Leadership Programme for MPs:

Warwick and Leamington, with Chris White MP

Stockton North, with Alex Cunningham MP

South Swindon, with Robert Buckland MP

Each workshop discussed low carbon economic opportunities and the potential for a ‘green’ city deal in their area. They were attended by businesses, local government councillors and officers, the Local Enterprise Partnership (LEP), education providers and environmental and community groups.

We found that there is definite local appetite for using city deals to support low carbon growth. However, a number of barriers are holding up progress, including conflicting interests, limited resources, a lack of co-ordinated working and policy uncertainty. To address this, we have set out recommendations for cities and central government, for the coming months as the wave two deals are finalised and for other localist approaches. For the city regions we highlight the value of partnerships, joined up working, building in existing low carbon approaches, and of selling the benefits of involvement in the deals process. And we call on government to give LEPs long term funding certainty and businesses greater policy certainty, and to develop an effective communications strategy for the central to local transition.

These conclusions have been shared with central government and local decision makers, and put forward in person to relevant ministers by the MPs involved.

# The local picture: views from three city regions

## Warwick and Leamington

Chris White's constituency of Warwick and Leamington falls within the boundaries of the Coventry and Warwickshire city deal. The area is best known for its manufacturing industry, and it is a base for companies such as Jaguar Land Rover and Rolls Royce. There is also a large energy industry base, including Calor Gas, Wolseley, Baxi, AGA Rangemaster and HHIC.

The main further and higher education providers are Warwick University, Coventry University and Warwickshire College, with the latter acting as the principal training provider for Jaguar Land Rover. These institutions also form a research base for the area: including energy management, solar energy and low carbon transport at Warwick University, and low emissions related automotive technologies at Coventry University.<sup>3</sup>

In 2010, Chris set up an energy forum, bringing together local industry representatives, universities and local authorities to discuss how best to work together to promote energy and low carbon businesses and to encourage career development in this area.<sup>4</sup> Our workshop was arranged to coincide with a meeting of this group.

The Coventry and Warwickshire LEP (CWLEP) was set up in 2011, with the main priorities of strategic infrastructure, education and skills, inward investment, funding and access to finance, and addressing the low carbon challenge. CWLEP has set up business groups to focus on how to deliver each of these.<sup>5</sup>

## Coventry and Warwickshire's city deal

Coventry and Warwickshire's city deal bid is being led by CWLEP in partnership with businesses and all the local authorities in the area. Its main aim is to expand advanced manufacturing and engineering, through investment in skills, access to innovation and space for growth. The bid proposes a G-AME changer programme (Growth of Advanced Manufacturing and Engineering) to address immediate skills shortages and deliver new engineers from 2014.<sup>6</sup>

## “The bid aims to provide a sustainable, productive platform for export led national economic growth.”

The bid aims to provide a sustainable, productive platform for export led national economic growth, making the most of existing local strengths, including in low carbon technologies. However, whilst recognising the potential of this sector it doesn't go into detail on low carbon opportunities, and there is no mention of other opportunities aside from the energy sector, for example in housing or transport.

## Local issues and opportunities

Whilst a number of big energy industry players are based locally, they currently have a relatively low profile compared with the car industry. The industry faces the challenge of being unpopular at the national level and, locally, it recognises the need for effective communications and branding to persuade others of the credibility of its products and services.

The city deal bid addresses the current skills deficit and the need for more local investment, but it does not give low carbon high priority, nor does it fully recognise the role this sector could play in addressing these two challenges. At the workshop there was a sense that this may be due to the limited resources of the LEP and local authorities, the challenges of managing relationships between various public and private stakeholders, and the fact that low carbon is not a top priority for the bid leads. This means that decisions are being made about resource allocation and priorities without necessarily factoring in green business interests. It was also suggested that there may simply be a lack of market pull for low carbon in the area, alongside a lack of clear government policies to give the private sector confidence to invest. At

the same time, it was felt that if the private sector doesn't see the benefits of engaging with the city deal process it is unlikely to commit resources to this over other priorities, especially given the time needed to make the transition to low carbon activity.

Despite this, there was recognition that Coventry and Warwickshire's deal is an opportunity to show how city deals can work in bigger regions than cities themselves, and that more could be done to strengthen its low carbon ambition.

**“If the private sector doesn't see the benefits of engaging with the city deal process it is unlikely to commit resources to this over other priorities.”**

A number of ideas emerged, including:

**Developing low carbon skills:** recognising that it takes time, there are opportunities to transfer existing skills to the renewables industry, using the city deal to encourage this. In the shorter term, the deal should promote opportunities for the local workforce to transfer between jobs in the area using existing skills, rather than taking their skills elsewhere. There are likely to be many opportunities in existing businesses, rather than solely focusing on new opportunities for jobs and growth.

**Strengthening the energy forum:** the city deal could be an opportunity to draw up a strategy for the forum to pull in collective action and decide what its priorities should be. For example, it could act as a centre of excellence for low carbon energy, working with SMEs and other stakeholders (including landlords, installers and education providers) to solve energy challenges. The forum could also co-ordinate and promote a low carbon business strategy in partnership with Warwick District Council and the LEP, at the same time helping to raise the profile of the local energy industry.

**Creating more education partnerships:** Warwick University and other institutions could form stronger partnerships with businesses, with the city deal featuring new industry placements to give students a taster of working in this sector. The existing partnership with the Centre for Urban Science and Progress in New York is an example which could be built upon, with a specific focus on low carbon.<sup>7</sup>

**Developing a communications strategy:** the city deal could be used as a mechanism to engage more local people in this sector, raising the profile of the energy industry locally, and increasing awareness of its potential as a local growth sector.

**Making low carbon a priority for the LEP:** low carbon is one of the LEP's eight business groups, but it could use the city deal to do more to co-ordinate these local conversations and support and encourage low carbon businesses. For example, by featuring a low carbon business strategy in the bid, to integrate appropriate sustainability 'nudges' into all business decisions and for support to be given to SMEs in particular.

**Seeking opportunities to test new ideas:** in light of restricted budgets there is a need for the deal to make the most of what is in the local area already, learning from existing examples to support progress. For example, case studies could be developed by including regionally based schemes in the deal to test the feasibility of new low carbon ideas.

**Calling for government to increase policy certainty:** there were strong calls for clearer national policy to give sufficient support and confidence for businesses to back low carbon ambition at the local level; and to make clear to local stakeholders the benefits of engaging with the city deals.

In this discussion, predominantly between members of Chris White's energy forum, there was scepticism about the benefits of engaging with the city deals process. But the ambition to increase the profile and strength of the local energy industry meant that opportunities to do this through the deal were recognised. With LEP representatives unable to attend the workshop, and the energy industry effectively absent from the LEP board, the real challenge for the local energy industry is to get its voice heard and its ideas for low carbon ambition taken forward by the city deal leads.

**“Some large companies are realising low carbon export opportunities, but SMEs are faring less well.”**

### Stockton North

Alex Cunningham MP's Stockton North constituency is part of Stockton-on-Tees, the largest unitary authority in the Tees Valley. The area is home to a number of energy intensive industries, including Tata Steel, PD Ports, INEOS, Hunstman and GrowHow.

The recession has led to job losses, in both the private and public sectors, leaving high levels of unemployment and many residents in fuel poverty. Jobless figures have remained fairly stagnant over the past three years, whilst many in employment have moved from full to part time roles, which are often lower paid. Graduates from nearby universities, such as Durham and Teesside, don't tend to stay in the area, leaving a local workforce ill-equipped for some highly skilled roles.

The area recognises the potential for low carbon economic development, with Stockton Borough Council and the proactive LEP, Tees Valley Unlimited (TVU), leading the way. Some large companies are realising low carbon export opportunities, but SMEs are faring less well and many businesses still go elsewhere for their supply chains.

Local low carbon activities include: the council's electric and hybrid vehicles strategy, working with local businesses; the energy efficiency retrofit of 1,600 private homes in the UK's largest Community Energy Saving Programme (CESP) funded scheme, soon to be extended across the entire borough; district heating trials and looking at ways to use waste heat; and exploring the potential for a waste hub to maximise opportunities for energy from waste.<sup>8</sup> The council is also developing a 'green vision' for the area.

TVU was one of the first LEPs to gain approval from government in 2011, existing as a private and public sector partnership before being granted LEP status. Its dual aims are to drive the transition to a high value, low carbon economy, and create a more diversified and inclusive economy. A number of working groups sit under the leadership board, responsible for driving specific elements of TVU's business plan.

### The Tees Valley city deal

The city deal is being led by TVU, working with the five local authorities (Darlington, Hartlepool, Middlesbrough, Redcar & Cleveland and Stockton), Teesside University and private sector partners using a collaborative, cross boundary approach. In line with TVU's strategic aims, the bid focuses on moving to a high value low carbon economy, by improving the efficiency and competitiveness of existing industry and developing new industry using existing skills, with a view to developing a globally significant low carbon, cross-sectoral cluster.

The bid focuses on opportunities for jobs and skills. It seeks to devolve decision making on skills budgets and to work with training providers to offer apprenticeships in the low carbon, advanced manufacturing and petrochemicals sectors. It proposes working with local businesses to build a broader, successful local SME base and increase its attractiveness to business investment.

It also seeks to develop integrated local supply chains resistant to economic shocks, boosting competitiveness and encouraging research into and development of innovative green technologies.

Relevant ideas in the bid include: capturing waste as a local energy feedstock for both large and small scale green technologies; exploring opportunities for locally produced heat; assessing the potential for carbon capture and storage (CCS); and other incentives to encourage investment such as carbon tax holidays, building construction cost allowances for low carbon activities, or funding through the Tees Valley Investment Fund.<sup>9</sup>

### Local issues and opportunities

Whilst it is positive that the city deal bid recognises local low carbon potential and has concrete plans for realising it, there was a sense that the best focus for the Tees Valley needs to be agreed, picking a few key priorities and agreeing how the city deal addresses them or where government support is needed. In particular, the group prioritised solutions for retaining more money in the area for local infrastructure, addressing existing low carbon skills gaps, and further developing the local supply chain.

Some opportunities, for example using low grade waste heat for energy, currently suffer from a lack of joined up thinking or the power to make it possible to realise them. There was recognition that, whilst there has been some innovative work in this area, greater collective thinking on the most efficient way to use waste heat would be needed to maximise its value.

For the private sector, fixed capital pots mean businesses may prioritise investing in their own buildings and equipment over the local community. At the same time, with payback over the long term, companies may see little incentive to invest in low carbon at the present time. Planning timescales for infrastructure projects were seen to be too slow, with progress held up by a lack of sufficient support. National energy policy was also seen to be a key barrier, failing to create certainty over the long term and knocking confidence to invest. Councils have been hit by revenue cuts so public sector investment in low carbon is also more restricted.

**“National energy policy was also seen to be a key barrier, failing to create certainty over the long term.”**

A number of ideas emerged to strengthen and refine the existing low carbon ambition in the city deal:

**Prioritising local leadership, self organisation and joined up strategy:** local authorities working even closer together could speed up decision making across the region and stop limited ambition or vision holding back progress. The deal could prioritise this, alongside political leadership giving clear direction and a stronger local voice at the national level. An effective communications strategy would help to sell the vision locally, highlighting the benefits and reasons for action. A growth engagement strategy could also help to ensure the best planning decisions are made, involving all agencies in a co-ordinated approach and setting clear expectations early on.



**Making an attractive offer to business, including SMEs:** the deal could set out a strategy for exposing what best practice is, for example in energy demand reduction, either through specialists advising SMEs or a simple code that could be shared across the Tees Valley region. This would distil what larger companies know to help SMEs adopt best practice affordably. To stimulate growth in the low carbon sector, the bid should also propose financial mechanisms to help SMEs cover upfront costs, for example soft loans, government assistance or public sector borrowing rates.

**Finding solutions for better retention of local benefits:** the bid should promote local value capture to retain benefits and create local jobs. There is already substantial local investment in energy from waste plants and, building on existing plans, the bid could explore opportunities for locally generated energy from waste as part of an integrated waste strategy, with the potential to lower local authority and consumer costs. It should also advocate earlier sight of potential local projects, to facilitate the timely promotion of the area as a place to invest. For example, using enterprise zones to attract inward investment or working with the TVU business investment team to pitch local opportunities.

**“This ambition is about more than just the city deal itself and any proposals should fit in with the Tees Valley’s wider low carbon ambition.”**

**Upskilling the existing workforce and attracting new skilled workers:** the bid should encourage the development of technical and non-technical skills at all levels, for young people and others not in work. For example, existing training programmes could be broadened or a centre of training excellence could be developed, linking to local projects and delivery partners (eg major retrofit programmes) to generate jobs. The deal could also be used to promote the Tees Valley as a place to live and work due to the quality of the natural environment, building on the existing green infrastructure strategy.

**Creating an integrated low carbon cluster:** investment in this sector could be encouraged by bringing private and public sector contracts into line, and establishing common ground and aligned goals between stakeholders. A joined up spatial strategy could pull together both public and private opportunities across energy, waste, transport and other sectors, unlocking economic potential and showing what Tees Valley has to offer at scale. For example, further developing an energy from waste strategy alongside a transport strategy would ensure good rail freight connections with the port and facilitate the import of waste from elsewhere. Once new jobs have been established, a metro system, travel to work schemes and an electric or hybrid vehicle strategy could be integrated.

**Calling for government to increase policy certainty and support:** the deal negotiation process should be used to understand from government how it can help to unlock investment locally and address market failures, as well as what it will do to create more policy certainty to increase business confidence.

Among workshop attendees there was support for making the city deal stronger on low carbon ambition, and TVU was open to new ideas to integrate into the final deal. It was clear that many ideas would require co-ordinated working across the Tees Valley region and that existing partnerships and structures would help facilitate this. But, at the same time, there was recognition that this ambition is about more than just the city deal itself and that any proposals should fit in with the Tees Valley’s wider low carbon ambition.

### South Swindon

Robert Buckland MP's South Swindon constituency is a central area in Swindon and Wiltshire's city deal. Swindon has seen economic growth over the past decade, in particular in manufacturing, financial services and distribution. A large number of businesses are based locally, including Honda, BMW/Mini, Intel, Nationwide Building Society and RWE npower. But it hasn't escaped the recession, with job losses at some big companies.<sup>10</sup> The area currently suffers from low numbers of highly qualified people and high levels of youth unemployment, leaving big skills gaps.

The local green economy centres on hydrogen fuel (including a refuelling station at Honda's Swindon site and plans for an M4 hydrogen highway), waste recovery and renewables. Led by Swindon Commercial Services, there are plans for a solar park near Wroughton which, if successful, will be the largest in the UK.<sup>11</sup> An existing solar park in nearby Westmill was the UK's first community-owned solar park.<sup>12</sup>

Swindon Borough Council's low carbon activities include housing retrofit and energy efficiency work, and exploring district heating opportunities. With Regen SW and local businesses, an energy partnership was established to develop a thriving low carbon economy and the energy infrastructure needed to underpin this, at the same time growing local jobs and skills. This has since lost momentum, although in 2012 the council worked with local business partners and the LEP to submit a 'future cities' bid to the Technology Strategy Board which focused on delivering energy, ICT and transport projects, including low carbon technology.<sup>13</sup> The bid was not successful but featured a number of ideas which could be taken forward in other ways.

The Swindon and Wiltshire LEP was established in July 2011 as a partnership between Swindon Borough Council, Wiltshire County Council and businesses. Its priorities are: inward investment; supporting and stimulating existing business growth and facilitating new business set up; job creation, education and skills; and economic infrastructure.

**“The city deal recognises the importance of low carbon development, in particular to reduce energy bills and increase long term security of supply.”**

### Swindon and Wiltshire's city deal

The city deal is being led by Wiltshire Council and Swindon Borough Council, in partnership with the LEP. Its key priorities are employment, skills and land use, aiming to ensure a consistent approach to decision making across Swindon and Wiltshire. A central priority is to unlock the economic potential of the strong military presence in the area, both in terms of the skilled workforce, many of whom are being released under the Army 2020 programme,<sup>14</sup> and bringing military land back into use for business and housing. The bid also recognises the potential economic benefits of spin offs from developments in military technologies.

The bid identifies three economic zones with the best potential for jobs, business growth and encouraging inward investment. It aims to grow the local skilled labour market; for example, through 2,000 higher education degrees and apprenticeships in the area. At the same time it seeks to devolve the funding process for apprenticeships, skills and research to local authorities and the business community so that the required skills are developed. The city deal recognises the importance of low carbon development, in particular to reduce energy bills and increase long term security of supply, for example by establishing local energy companies which then sell energy to local businesses at lower rates. It sees a role for this sector in generating local jobs, with sufficient training to develop a workforce with the appropriate skills.

### Local issues and opportunities

Whilst the bid does recognise the local low carbon economic potential, there was a sense that this is just one of many priorities for the LEP and the city deal, with deal leads still considering how it can help to drive the local economy. There was a concern that it would only really be seen as a key priority if it also helps to bring down living costs, and that more could be done to recognise the wider role strong low carbon ambitions would play.

Getting local people to buy into 'green' was also seen to be a challenge. Climate change is still seen as a distant problem, and tackling it is perceived to be costly. For both consumers and businesses to support the low carbon agenda there needs to be a financial payback and the city deal could play a role in facilitating this. It was also recognised that energy consumption and energy efficiency should feature as well as generation. For example, there is a need for new housing locally but nothing to enforce it being built to achieve higher environmental standards. National policy is not seen to be strong enough and there were concerns that local standards would lead to builders taking their business elsewhere.

**“For both consumers and businesses to support the low carbon agenda there needs to be a financial payback.”**

Finance was seen to be a barrier: it was clear that ideas wouldn't be taken forward if they required new money as this is not available through the deal. One suggested solution was to bring existing pots of money together through partnerships, for example following the model used by the Community Foundation for Wiltshire and Swindon in partnership with Age UK and the Citizens Advice Bureau, who support the fuel poor by distributing donations from those who receive winter fuel payments but don't need them to those with more need.<sup>15</sup>

Another stumbling block was that the bid is focused on the period to 2015 (LEPs are currently guaranteed core funding until 2015<sup>16</sup>); therefore, suggestions with a longer term focus are not considered feasible. Transport is one example. Despite good rail and road connections from Swindon, there are no branch lines, so car use is high. However, exploring the options for new branch lines was seen to be beyond the scope of this deal. If the timeframe is a limiting factor here, so it could also be elsewhere.

Opportunities for low carbon development were identified as:

**Developing low carbon skills and training:** to address the skills and employment gap, local people could be trained in low carbon technologies, such as renewables installation, with these courses included in the existing city deal plans for extra higher education places. In addition, from 2014, Swindon's UTC (University Technical College), which will work in partnership with industry and education providers, could train people to work in this sector.<sup>17</sup>

**Exploring the potential for local energy supply:** a proposal in the deal to create local energy suppliers would address energy security and fuel poverty concerns, lower bills, provide local jobs and benefit local businesses. This would be much simpler and less costly locally if national sleeving arrangements for green energy were changed, streamlining the approach and involving fewer players. The local authority could co-ordinate a pool of locally generated low carbon energy for distribution, which could then be part of a local business support package to provide certainty and supply at a lower cost. Energy from waste could be part of the local supply, as a more efficient way of dealing with domestic waste, or local opportunities for biomass could be explored.

**Re-establishing the energy partnership:** this was seen to be a valuable way of getting local authorities and businesses to work together to look at local opportunities for low carbon. Using the city deal to re-establish this, with the LEP fully engaged, could be a valuable way to ensure the local low carbon ambition is supported and delivered.

## “Many local people aren’t yet aware of what the city deal could offer them.”

**Encouraging and supporting business decisions:** the deal could be used to ensure low carbon is a central element of the local procurement approach being developed. This could influence buying decisions across the supply chain, with SMEs supported to make the right choices. Beyond this, the deal could propose an SME network for the wider region, to help them communicate and co-ordinate better when bidding for work in emerging fields. At the national level, a lack of certainty and joined up policies from government means that businesses are not encouraged to invest. As part of the negotiation process, ministers need to talk to industry to find out what is needed to provide that certainty.

**Increasing home energy efficiency:** strengthened national housing policy would encourage greater efficiency in new build and retrofit. At the local level there is an opportunity to use the deal to push local housebuilders to do more alongside construction itself, for example exploring decentralised heat and power opportunities, or green broadband. At the same time, the deal could propose local programmes to help communities and individuals become more efficient with their use of energy, saving money as well as lowering energy consumption.

**Further developing sustainable transport infrastructure:** with some long term ideas not feasible as a focus for the bid, it could instead develop the hydrogen highway plans, as per the TSB future cities bid, establish car clubs, explore infrastructure solutions to connect other areas of Wiltshire to the M4 corridor and further expand local cycle networks.

There was a strong interest among the group to work out how best to bring different initiatives together to make approaches better integrated. But there was also recognition that, to do this, there needs to be effective communication of low carbon messages to make consumers and businesses aware of the different approaches and to encourage engagement. Many local people aren’t yet aware of what the city deal could offer them, how it can join up existing activities, or be used to engage others. Developing or strengthening partnerships was seen to be essential for this, bringing together businesses (including SMEs), the local authorities, LEP and other groups to explore opportunities and make sure low carbon approaches are at the heart of the local economy.

# National recommendations for greening city deals

Whilst the issues and solutions highlighted here apply to three very distinct city deals and localities, what emerges are a number of messages relevant to other city regions negotiating their deals, and to central government as it continues to devolve powers to local areas.

We propose the following ten recommendations for cities and government based on the conclusions of these workshops and our previous analysis of city deals. The first set highlight opportunities to refine and negotiate city deals over the next few months with greater consideration for low carbon development. The second set go beyond this, reflecting on the city deals as a process and drawing out lessons for the government's broader strategy to devolve decision making to the local level. These recommendations are not intended to be prescriptive; individual regions will take different approaches and have different priorities. However, we consider there is real value and transferable learning to be gained from the experiences we have reported.

## Recommendations for current city deals negotiations:

### **Cities need to make the most of existing local visions and ambitions for low carbon**

**growth:** as we recommended in our 2012 *Green cities* report, existing low carbon plans, targets and commitments should be integrated into city deals, examining how these fit with the central objectives of the deal and identifying opportunities for the deal to help deliver or make progress on them.

## “Existing low carbon plans, targets and commitments should be integrated into city deals.”

### **Cities should maximise the value of partnerships, strategic approaches and joined up**

**thinking:** at the local level local authorities, LEPs, businesses, education providers and communities should work together to develop a low carbon plan or other strategic approach that recognises low carbon benefits. In the absence of an existing plan, these networks become invaluable to co-ordinate activities and priorities. Between cities, experiences should be shared, lessons learned and resources pooled where appropriate. Working with government departments, local players should be able to access advice and support, and report back on their experiences with a view to shaping future policy with local needs at its centre.

### **Cities should develop local low carbon skills through targeted training and**

**apprenticeships:** giving low carbon skills priority in the city deals would ensure the local workforce is prepared for future jobs in this sector, whilst also addressing current skills gaps and unemployment. Partnerships between local education providers and businesses offering placements or apprenticeships would help keep these skills in the local area. The opportunities that existing businesses present should be maximised, rather than solely focusing on new opportunities for growth and jobs.

**Cities need to help SMEs prepare for the challenges and opportunities ahead:** while many SMEs recognise the benefits of low carbon ambition, it may be hard for them to prioritise it due to the upfront costs and the resources required. They may feel overshadowed by larger commercial players who have greater influence over decision making, resulting in them being unrepresented in the deals. Engaging SMEs locally, for example by developing SME networks, would provide support and co-ordination where needed. The networks could be used to share experiences and intelligence, enabling them to make the most of opportunities and realise the benefits they offer.

**Government and cities must sell the benefits of engaging with the city deals process:**

businesses in particular may need to be persuaded of the benefits if there is no obvious incentive to prioritise it. As well as LEPs and local authorities working to engage businesses locally, there should be greater clarity from central government about why businesses should engage with city deals, and why low carbon progress should be prioritised. Without this, there is a risk that green business voices may not be invited to join the local conversations shaping the deal. The second wave of deals covers much wider geographical regions than the first, with many local authorities involved in each deal. There is a risk that the name ‘city deal’ may mean that smaller urban or more rural areas will see it as irrelevant to them, meaning they need to be persuaded of the benefits of engaging.

**“There should be greater clarity from central government about why businesses should engage with city deals, and why low carbon progress should be prioritised.”**

**Recommendations for the longer term:**

**Government should strengthen policy to give business certainty to invest in low carbon:** local companies are influential in local decision making, and can only demand greater low carbon ambitions in city deals and other local commitments if bolstered by greater national clarity.

**Government must guarantee LEP funding to encourage long term thinking:** as LEPs only have guaranteed funding for the period to 2015, and do not yet have clarity on how the single funding pot will be implemented, they are unlikely to champion plans that require longer term investment. Government should provide certainty that core LEP funding will be extended beyond 2015, as a means of encouraging long term investment in key sectors such as low carbon.

**Cities should explore opportunities for local pilots of national initiatives:** new and novel approaches that regions could feature in their city deals or other low carbon programmes could help them distinguish themselves from other areas. For example, by running pilots ahead of national initiatives, as Birmingham has been doing for the Green Deal, regions can establish themselves as exemplars for others.

**Cities and LEPs should proactively develop regional co-ordination:** the benefits of joined up thinking and co-ordination across a region in the long term are significant, and businesses and local authorities are now starting to recognise this need. However, LEPs are responding to this in quite different ways and with highly varied capacity and competence across the country. The government should carefully consider the placing of further requirements and responsibilities on LEPs, as not all will be ready for additional demands.

**Government needs an effective communications strategy for its central to local transition:** there is a lack of basic understanding of what a city deal is amongst some potentially important local players, meaning the deals risk having a low profile and regions fail to realise the opportunities for local growth. Without effective communication and messaging from government about what the initiatives are and the benefits of engaging with them, there is a risk that future localist approaches will suffer from the same problem.

## Conclusion

The low carbon agenda offers considerable environmental, economic and social benefits to cities, and has the potential to play an important role in delivering the central ambitions of the city deals. Many cities and city regions in England are leading by example, with proactive LEPs recognising the benefits of low carbon development and integrating plans for it into their deals; local authorities forming strong partnerships with other authorities, businesses and education providers; and businesses fully supporting low carbon development as a priority. However, this is not the case across the board.

As we found in 2012, the wave one cities had featured low carbon development in their deals but, in most cases, could have gone further to fully integrate their ambitions across all areas of the deals, aligning overarching growth priorities with existing low carbon visions. In wave two some positive stories are emerging as the deals are negotiated. But some regions are failing to see low carbon development as a priority, others recognise its potential but are not integrating it across their deal, and, in some cases, key players are failing to see the benefits of engaging with the city deals process altogether.

In the regions we worked with there is a mixed picture, but in all three it was clear that there is potential for strengthening the green components of the deals, and there is genuine local appetite and support for this. The potential for partnerships to support local green initiatives and business growth was recognised, as were opportunities to prioritise training and skills growth in the sector. City regions were keen to explore the potential for energy from waste schemes, energy efficient housing, sustainable transport, district heating and other initiatives, both building on existing plans and exploring new opportunities.

There are many opportunities for low carbon approaches to play a major role in local economic growth, but currently these are coming up against a number of barriers. For example, while there is interest in the green agenda, in many regions there is only a fledgling process to encourage or support exploring low carbon approaches. Whilst city deals give greater independence to local areas, there is an argument for government support to encourage a focus on the low carbon sector, not least through policy certainty to encourage local investment.

### **“There are many opportunities for low carbon approaches to play a major role in local economic growth.”**

Furthermore, with the current set-up, it is difficult to see how the deals are working to change the nature of the relationship between the local and the centre. Locally, there is still a focus on what government can give an area to achieve its aims, rather than what can be achieved independently. With the government prioritising the further devolution of decision making to local areas, clearly more needs to be done to change the existing dependency culture, especially among LEPs where levels of activity and ambition can vary widely.

Our recommendations tackle some of the existing challenges, some requiring government leadership and policy changes, others relying on local leadership and ambition. They apply to the remainder of the city deals negotiation period and beyond. There is plenty government can learn from the city deals process as it refines its plans to devolve power to the local level, taking forward the Heseltine Review’s recommendations to stimulate local growth.<sup>18</sup>

Nationally, city deals are one part of the government’s central to local transition. And at the local level, they are one part of a city or city region’s strategies and plans. They should be treated as such, designed in the context of other low carbon programmes and developed alongside other local growth plans. The next few years will see local areas being given responsibility to deliver more, increasingly independent from central government and, most

likely, with tighter resources and budgets. This will clearly be a challenge, but also an opportunity for cities to really distinguish themselves and find the approaches that work best for them.

The actions we have recommended will leave local areas better placed to realise the opportunities that low carbon development presents. However, to work effectively, local leaders must prioritise joined up working, with LEPs, local authorities, businesses of all sizes and others joining forces to benefit from the new freedoms given to them by Whitehall, empowering them to make the bold decisions vital for local economic growth.



# Workshop participants

## Warwick and Leamington

Chris White, MP for Warwick and Leamington; Paul Matlock, head of strategy and corporate affairs, Calor Gas; Roger Webb, director, HHIC and deputy chief executive, EUA; Alex Metcalfe, sustainability and climate change officer, Warwick District Council; Sam Hardy, energy sector lead within the corporate relations unit, Warwick University; Tim Pollard, head of sustainability, Wolseley Group; and Carole Weaver, constituency assistant, office of Chris White MP.

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## South Swindon

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