



Arianne Burgess, MSP
Convenor of the Local Government, Housing and Planning Committee
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25 April 2024

Dear Ms Burgess,

Thank you for your letter of 26th March and for your interest in CERG's work.

CERG strongly welcomes the Committee's decision to build on the NZET Committee's inquiry report into the role of local government and its cross-sectoral partners in financing and delivering a net-zero Scotland.

Local government has an absolutely crucial role in delivering the transformation to a net zero, climate resilient Scotland. The local level is where many of the opportunities and benefits from a just transition lie – new jobs, economic innovation, and the creation of healthy, resilient places to live and work.

But there are considerable challenges given the fiscal squeeze on council budgets. Local authorities need to access £ billions to decarbonise and adapt their own assets as well as deliver their specific duties in relation to national policy - e.g. planning, building regulations, traffic regulations. In addition, they also have a considerable leadership role to transform places on an area-wide basis.

It is CERG's belief that the current lack of progress on climate action is caused, in the main, by a lack of policy delivery rather than a lack of good policies, programmes or strategies. We argue that the current political crisis around Scotland's climate targets must be overcome through renewed efforts to accelerate delivery – by improving and accelerating decision-making, prioritising resources and overcoming bottlenecks and barriers.

Enabling local government to play their role in delivery is central to this urgent task. The lack of local authority resources – funding, expertise and capacity – means Scotland's ability to meet its targets and deliver on national flagship policies is at risk, e.g. decarbonising heat, renewable energy, 20-minute neighbourhoods, 20% reduction in car kms. Scotland is also not well-placed to develop large-scale business cases for net zero programmes in partnership with the private sector, without experienced regional and local authority teams dedicated to this work.

In this letter we set out three key priorities that we think it would be useful for the LGHPC to look at in detail. These are:

- **The role of the proposed Climate Delivery Framework**
- **Public funding reform**
- **Enabling local authorities to access private finance - investable pipelines, technical assistance and pathfinders.**

More detail on our thinking on these 3 issues is set out below.

We are also aware that there are limitations in local authority capacity and resourcing which are playing a role in delaying project approval and delivery processes. These lie in planning, procurement and consenting. Not only do these factors delay delivery, but they also increase risks and uncertainties for investors. We hope some of these issues have been discussed during your 'check-in' on NPF4 but are certainly also relevant here.

We would be delighted to discuss any of the issues covered in this letter with your Committee in more detail, as well as other thoughts we may have relating to local authority delivery on heat, public procurement, and transport.

With best wishes

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Further details provided overleaf.

1. The Climate Delivery Framework

In 2022, CERG called for a ‘joint net-zero delivery framework’ between national and local government ([CERG-Main-Report-2022.pdf](#) Proposal 2). The purpose of this framework should be to review, discuss and agree implementation approaches, address challenges linked to the delivery of national net zero policies and targets, and enable alignment between national and local targets and pathways. CERG welcomed Cabinet Secretary McAllan’s announcement of the establishment of the Climate Delivery Framework in her speech to Parliament last week (18th April 2024). This Framework could be an important first step in delivering the Verity House Agreement’s pillar on ‘just transition to deliver net zero’. The LGHPC may be interested to explore this in more detail and seek assurances that this framework will indeed focus on overcoming the barriers identified in the NZET Inquiry report to facilitate action, and that it will receive the resources it requires to be effective.

It is CERG’s opinion that the Climate Delivery Framework should:

- Be agile and flexible, allowing constructive dialogue and the testing of short, medium and long-term solutions to clearly defined problems.
- to consider how to enable local authorities and regional partnerships to deliver place-based approaches.
- enable local authorities to move forward at pace to deliver better outcomes for the climate (emissions reduction, adaptation and responding to the direct impacts of climate change), nature, the economy and society.

2. Funding reform

Also in our 2022 report and aligned with the NZET Inquiry’s recommendation on discrete net zero funding streams, CERG advocated for the need for public sector funding reform: i.e. multi-year, non-competitive funding agreements with local authorities to provide long term certainty and integrated place-based delivery. This argument was made in the context of our proposal on modal shift ([CERG-Main-Report-2022.pdf](#) Proposal 3), but the recommendation has relevance to all local authority net zero programmes.

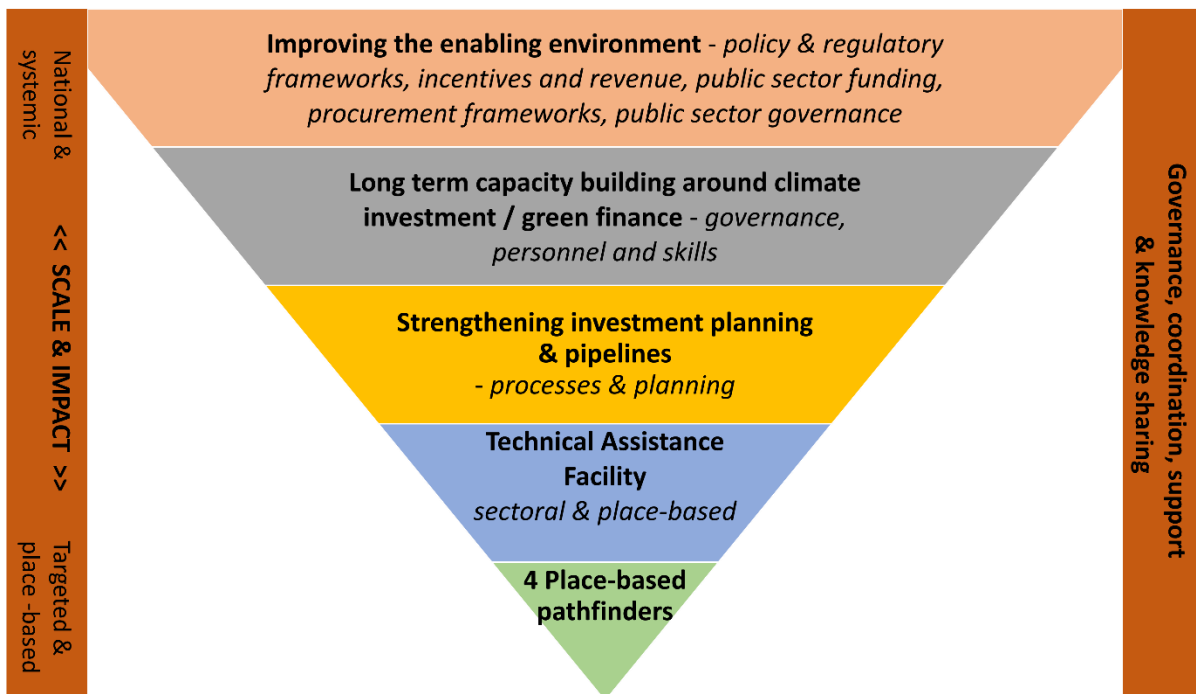
We argued that **capital funding needs to evolve from siloed, short term, competitive, single-issue grants focusing on specific transport modes to multi-year, flexible, negotiated funding tied to net zero outcomes**. This has been identified by local authorities across the UK as a significant barrier for effective delivery, and **UK100** has an active campaign on this issue. Funding reform will incentivise and support local authorities and their regional partners to design and deliver active, public, and shared transport outcomes in an integrated way through place-based transformation programmes and should:

- allow cities and regional partners to invest in the capacity and R&D they need to build large scale transformation programmes.
- coordinate investment into, and delivery of low carbon active, public and shared transport outcomes in a timely, coordinated way.
- improve the integration of sustainable transport outcomes with regional plans, neighbourhood regeneration and new developments.
- increase the flexibility of local authorities and regional partners to rapidly respond to new opportunities to deliver agreed outcomes.
- align with delivery of long-term city transformation plans / transport strategies / mobility plans.

- speed up delivery through efficient and smart deployment of government funds.

3. Enabling local authorities to access private finance – investable pipelines, technical assistance and pathfinders.

CERG set out 5 clear recommendations in its 2023 proposal '[Enable local authorities to unlock the finance needed to drive action on climate change mitigation and adaptation](#)'.



Analysis by the Green Finance Institute among others, suggests that the availability of finance is not the primary barrier. The real barrier is the ability to create robust business cases and investment models that create a return on investment and address issues of scale, longevity, and confidence. This can be referred to as '**the project development gap**'.

The project development gap is created by a **lack of specialist skills, capacity and dedicated staff time within local authorities to bring projects to market, and a lack of pre-commercial development funding** for local authorities / regions to undertake the necessary planning and development work (and buy in specialist support).

Action is needed to cover **the pre-commercial development funding**¹ as well as drawdown access to **specialist inputs and advisory services** to help local authorities package projects, create institutional / legal structures, identify potential sources of finance. This would enable local authorities to move forward much faster with projects.

CERG notes that several of the larger local authorities are now starting to move forward with ambitious investment plans and are allocating resources to create the structures and systems they

¹ European funding such as the ERDF used to provide this. Some funds are also available through the UKIB & the Shared Prosperity Fund,

need to develop and deliver large scale programmes². However, we need to avoid a 2-tier system where a few large well-resourced local authorities forge ahead, and others are left behind.

The LGHPC could look into what plans are being made by the Scottish Government to bridge the **'project development gap'** – the gap between high level plans and ambitions and a pipeline of investment-ready projects that are technically sound and financially robust, and aligned with different forms of finance³. The Scottish Government's new Investment Strategy and Delivery Unit, established in response to the Investor Panel's recommendations, has a role here and is working to strengthen SG's expertise in green finance.

Given that capacity and expertise within local authorities in this area remains fairly limited, it is CERG's view that to stimulate delivery of net project projects now, there needs to be a **'Technical Assistance Facility'** (potentially delivered through regional structures) that is resourced to provide draw-down technical and financial expertise to local authorities and regions to help package place-based net zero projects, identify the best scale at which to design and deliver projects, facilitate and negotiate new partnerships and investor relationships, finalise bankable investment projects, and get demonstrator projects up and running.

This must then lead to **real delivery projects – pathfinders** - to test delivery, the viability of financing models and institutional structures, track outcomes and revenue streams, forge new partnerships and ways of working, and build confidence, capacity and knowledge of what works and what doesn't.

Examples of interest:

- An interesting model being tested in the north of Scotland is the North Net Zero Partnership (coordinated by the Scottish Futures Trust), which acts as a 'Programme Management Office' providing the coordination, governance arrangements, business case development and pooling finance for net zero projects across the North Region.
- With Local Heat and Energy Efficiency Strategies in place, the Heat and Buildings Bill pending, an clear need for private investment and a strong case for place-based delivery approaches, decarbonising heat is a priority area. SNIB, BE-ST and partners are working up proposals for a place-based decarbonisation unit to provide technical assistance and oversee pilots.
- The Heat Network Support Unit is a good example of the Scottish Government investing resource into project development and 'upstream coordination' of heat network projects. While CERG has argued that the scale of the resource available is insufficient, and noting the limitation that it only focuses on heat networks, the model itself is working well and lessons could be learned from it.
- 3Ci has a partnership with the Scottish Cities Alliance to help mobilise finance and drive investment into local Net Zero projects in Scottish cities. Their recent publication presents some of the challenges that still remain ⁴

² [Green Investment Team To Unlock Funding for Net-Zero - Glasgow City Council](#)

³ As a point of reference, the OECD recommends earmarking 10% of total project costs for project development.

⁴ [3Ci-Scottish-Cities-Net-Zero-Investment-Report-January-2024-Final.pdf](#)