CLIMATE EMERGENCY RESPONSE GROUP

Committing to delivery: Certainty and leadership for a just transition to a net zero, climate resilient future for Scotland.

Briefing Paper: Enabling local authorities to unlock private finance

August 2023

Enable local authorities to unlock the finance needed to drive action on climate change mitigation and adaptation

SUMMARY of CERG's proposal

The Programme for Government and the Scottish Budget should commit to initiating a five-year strategic programme of action including regional pathfinders, technical assistance and pipeline development underpinned by coordinated support and knowledge sharing and improvements in the enabling environment. This would enable local authorities to fulfil their potential role in securing the investment required to tackle the climate emergency at pace and scale.

Introduction

This paper is one of a set of four briefing papers published by the Climate Emergency Response Group (CERG). These papers set out detailed proposals for immediate action on four priority issues which could deliver a significant step-change in the Scottish Government's response to the climate emergency. These priority issues are:

1. Introduce a **Net Zero Test** to inform all policy and investment decisions.
2. **Enable local authorities to unlock the finance needed** to drive action on climate change mitigation and adaptation.
3. Introduce **fiscal levers as part of a coherent strategy to reduce car reliance** and improve places for people.
4. Create the right environment for **commercial building sector commitment to a large-scale retrofit and heat decarbonisation pilot in every Scottish city.**

CERG believes meaningful, measurable action against these four proposals this year is essential to a) meet the 2030 climate targets and b) give businesses, investors and citizens the clarity they need. All proposals are within the powers of the Scottish Government and strongly align with the Scottish Government's wider commitments and priorities.

While each briefing paper stands alone as a single proposal, there are strong overlaps and common themes across CERG's four proposals, including:

- The need for **policy certainty and an enabling environment** that provides the confidence and clarity needed for investors, businesses and citizens to act;
- A focus on **finance** - aligning all public investment with the transition, securing private finance, and delivering financing mechanisms that ensure the upfront costs of the transition are affordable to all;
- Opportunities **for private sector and public engagement** to enable a just transition.

A report containing summaries of all CERG's 2023 proposals is available here.

Structure of the briefing paper

The theme for this briefing paper was selected by CERG members through a scoping and prioritisation exercise based on [CERG's assessment of progress in 2022]() and the group's understanding of the current policy and political context.

The proposal was developed and ground-tested through an iterative and inclusive process which included stakeholder workshops, expert interviews, discussion with Scottish Government officials and document analysis.

Each briefing paper sets out a clear rationale for why action is required this year and what could be achieved, recommendations for immediate action and how these recommendations should be reflected in the 2023-24 Programme for Government, budget, and other forthcoming Scottish Government announcements. Consideration is given to the resource needs to deliver the recommendations.

Next Steps

CERG members look forward to the opportunity to have an open discussion with Ministers and Scottish Government officials about the recommendations set out in this briefing paper.

The group offers its collective knowledge and experience to the Scottish Government to explore how to turn these proposals into measurable changes that have an impact on investment, capacity and policy delivery and ultimately deliver the net zero, climate resilient economy and society that Scotland needs.

………

Context and rationale for the proposal

It is accepted knowledge that public funding will not deliver the transition to net zero, and the resilience to climate impacts required. In 2020, the UK Climate Change Committee estimated that capital investment would have to grow fivefold between 2020 and 2030 to meet the UK's net zero requirements[1] but that this will ultimately generate major financial savings in operating costs and energy consumption whilst boosting the economy, improving the environment and people's health and wellbeing. If resilience is built into projects, these investments will help to avoid at least some of the costly impacts of climate impacts. Within the Glasgow City Region alone, the most recent estimates of projected investment for its Green Deal are in the order of £40bn[2]. Similar levels of investment are projected to be required for adaptation, with an initial estimate of £1.8bn needed in Scotland by 2030[3]. Despite these large figures, closing the investment gap is essential for a just transition and must form a core part of the Scottish Government's strategy to tackle the climate crisis[4].

Across the UK, it has been estimated that 82% of investment needed for net zero is within the influence of local government[5]. This influence comes through i) direct local authority investment; ii) through leveraging private sector investment; and iii) by using its policy, regulation, influencing and convening powers to steward private capital towards appropriate investment opportunities. (Financing Options for Glasgow's Green Deal, 2022). Importantly, local authorities have an important role in ensuring that the balance of cost, risk and returns is equitably shared across society – particularly working to minimise the potentially high costs to householders.

The local level is where many of the opportunities for a just transition and wellbeing lie – new jobs, economic innovation and the creation of healthy, resilient places to live and work. Local authorities not only face the challenge of accessing the £ billions needed to decarbonise and adapt their own assets and deliver their specific duties in relation to national policy - e.g. planning, building regulations, traffic regulations. They have considerable leadership role to transform places on an area-wide basis. Place-based approaches cost less and have the potential to deliver significantly more social outcomes and co-benefits[6] and tackle inequality. This means that local authorities need the flexibility to structure their own portfolio of projects, according to local need and circumstances. This place-making approach needs to be a priority with delivery of programmes at a neighbourhood scale. Work is ongoing to build and test the financial instruments that will best deliver this and develop a pipeline of investable projects across the UK (eg 3Ci).

Current approaches are not mobilising funding at the pace and scale required. Gaps in local authority capacity and skills; short-term, sectoral public funding streams; a lack of coordination and clarity of roles between national government, regional structures and local government; are leading to delays, under-delivery, fragmented approaches, and are making it 'extremely challenging to attract the much-needed private investment'.[7]

[1] https://www.theccc.org.uk/publication/the-road-to-net-zero-finance-sixth-carbon-budget-advisory-group/
[2] FINANCING OPTIONS FOR GLASGOW'S GREEN DEAL December 2022. Pengwern Associates.
[3] Paul Watkiss Associates internal numbers, based on Watkiss, P. (2020) The Costs of Adaptation, and the Economic Costs and Benefits of Adaptation in the UK
[4] Making the Future : Initial Report of the 2nd Just Transition Commission
[5] Department for Business Energy and Industrial Strategy, 2021
[6] IUK-090322-AcceleratingNetZeroDelivery-UnlockingBenefitsClimateActionUKCityRegions.pdf (ukri.org)
[7] CCC, 2022

Comprehensive analysis of these and other barriers have been well documented, accompanied by clear recommendations for action (e.g. Climate Change Committee, the Scottish Parliament's NZET Committee's Inquiry into the role of local government, Audit Scotland, UK100, CERG, etc.). There is also consistent messaging coming from specialist advisory groups such as the Green Finance Institute, 3Ci, research by UKRI / Innovate UK, UK100 and the European Mission Platform on Climate Neutral and Smart Cities and Adaptation to Climate Change.

The challenge for the Scottish Government is to turn these recommendations into strategic practical measures that will result in funded programmes and delivery on the ground. The recently agreed 'New Deal' for local authorities and the Climate Intelligence Service are valuable and strategically important first steps to fill core gaps in capacity and resources.

CERG welcomes the emphasis within the Verity House Agreement[8] on greater collaboration to '*transform our economy through a just transition to deliver net zero, recognising climate change as one of the biggest threats to communities across Scotland*', and the commitment to develop and agree a shared programme of activity around this and a Fiscal Framework with simplified funding by end of September 2023.

The Scottish Cities Alliance has proposed a Joint Net Zero delivery governance framework to coordinate dialogue, align effort and action across national, regional and local authority levels to overcome the challenges of delivering net zero.

This CERG proposal complements the Net Zero delivery governance framework and its proposed workstreams by setting out immediate actions that should be taken by the Scottish Government to speed up progress in tackling the financing challenges around local delivery. Delivery of these actions and building the capacity and ability of local authorities could be coordinated and delivered, at least in part, through the governance framework, with key roles for the Sustainable Scotland Network and other support agencies.

Existing barriers to delivery

Availability of finance is not the primary barrier, it 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**.[9]

1. The '**project development gap'** – the gap between high-level statements of ambition and project registers, and a pipeline of investment-ready projects that are technically sound and financially robust. The OECD recommends earmarking 10% of total project costs for project development[10]. GFI identifies the project development gap as the '*the most pressing obstacle to their successful deployment of capital towards net zero*'[11] . The project development gap is in part 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). This is exacerbated by the **significant financial stress** that local authorities are under, meaning they are having to carefully prioritise delivering their statutory obligations and services

[8] New Deal with Local Government – Verity House Agreement - gov.scot (www.gov.scot)
[9] Finance.pdf (uk100.org) page 22
[10] Developing Robust Project Pipelines for Low-Carbon Infrastructure | en | OECD
[11] Mobilising local net zero investments: challenges and opportunities for local authority financing. UKRI report with GFI. July 2022 REPORT (ukri.org)

alongside limitations in services such as planning and procurement. These factors can cause significant delays to projects adding risk and increasing the cost of investment (as reported to the NZET Committee).

2. The '**financial advisory gap'** (UKRI & GFI, 2022[12]) – local authorities lack the specific financing expertise to structure and blend different financial instruments against their project pipelines. Intermediary agencies such as 3Ci are evolving to fill this space, build confidence and experience, and create new public-private financial instruments, but don't currently have the capacity to deliver advisory services at the unprecedented pace and scale required. This is an area of considerable innovation to test new operational financing structures and financing instruments . For example, 3Ci cites the lack of legal structures to enable public sector projects to generate revenue / income as a barrier[13].

3. **Competitive, short-term, sector specific, government funding:** Short term government funding pots take up resources, don't align well with place-based or collaborative approaches, tend to favour well-resourced councils and don't always align with local priorities or timelines. Research by UK100 found that local authorities in UK spent between £27 million and £63 million between 2019-2022 on applying for competitive funding pots (UK100). To equitably close the financing gap there is a need to deploy public funding in a different way - to support project development, de-risk investment opportunities, and have sufficient flexibility to accommodate differing levels of local capacity.

4. The Public Bodies Duties in the Climate Change (Scotland) Act state that public bodies 'in relation to their functions' should address climate change mitigation and adaptation, and promote sustainable development'. **Mandatory reporting doesn't cover area-based emissions.** As a result, the transformative potential of local authorities and other public sector bodies to cooperate across institutional boundaries, convene stakeholders and enable delivery on an area-based, large scale is not easily prioritised. However, any changes in obligations would require additional resources for the local authorities to fulfil these requirements.

5. **Policy uncertainty and regulatory gaps**: Lack of certainty about the future drives risk, which reduces investor confidence and the predictability of returns on investment and increases the cost of capital.

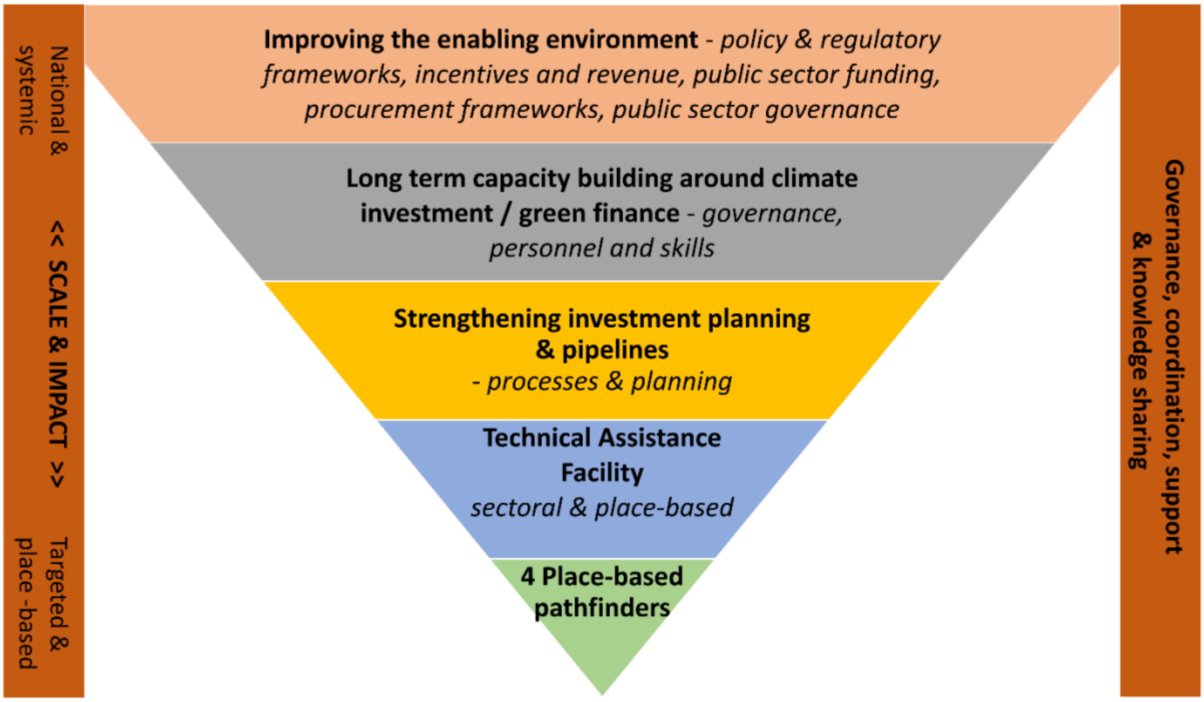
6. **Data and emissions / benefit measurement tools:** need consistent approaches to measuring and reporting carbon and area-wide emissions, to allow aggregation of projects to scale, detailed project planning, and to capture, model and monetize co-benefits (social, health, environment). (to be fulfilled through the Climate Intelligence Service). There is the potential to better align existing public sector (and academic) knowledge, data and capacity.

[12] ibid

[13] 3Ci Net Zero Programme Action Plan – Version 3

RECOMMENDATIONS FOR IMMEDIATE ACTION:

CERG's recommendations are summarised in the diagram below.



1. PATH-FINDERS: SCOTTISH GOVERNMENT SHOULD FUND & INCENTIVISE AT LEAST FOUR PLACE-BASED, BLENDED FINANCING DEMONSTRATORS THAT BUILD KNOWLEDGE AND CAPACITY ACROSS SCOTLAND.

The Scottish Government has already instigated financing pilots in different sectors[14]. However, the challenge of mobilising finance to meet multiple outcomes and place-making is an area of considerable current attention and innovation. Organisations like 3Ci are testing how to package local net zero projects into bundles that deliver multiple outcomes, balance out revenue streams (wrapping in delivery of projects with low returns on investment (RoI) such as retrofits, alongside projects with a high RoI), blend finance types, and achieve efficiencies of delivery. There is also a role for SNIB to partner with private sector organisations and investors to accelerate projects.

The Scottish Government, cities and local authorities should work in partnership with green finance experts to design a programme of **place-based investment pathfinders to be tested across at least 4 geographically, socially and economically diverse areas of Scotland.** Building capacity and knowledge across Scotland should be at the heart of these pathfinders.

The pathfinders should be specifically co-designed between Scot Gov, finance experts and local authorities as test beds to build practical experience locally and across Scotland of securing place-

[14] including EV Charging Infrastructure, Private Investment in Natural Capital programme, Bus Decarbonisation (ScotZEB), Green Growth Accelerators, Heat Networks, with more pilots expected to emerge from the Green Heat Finance Task Force.

based investment in real time, drawing on, and contributing to, innovation and lessons from across Europe and the rest of the UK e.g.:

- Deploying blending finance instruments (aligning outcome-based public investment with private investment and/or allowing recycling of capital),
- how to unlock and align different investment sources seeking different outcomes (e.g. community investment, retail finance, businesses, public funding, institutional investors)
- assurance architecture for outcomes,
- testing new financing instruments and models (eg Net Zero Neighbourhoods, Community Municipal Bonds, retail based / insurance products, etc.),
- bundling projects at community, city, regional level to streamline and blend financing,
- optimal scales of investment and delivery for different types of projects and programmes,
- new partnerships, governance models and collaborative approaches,
- just transition and consideration of a fair distribution of costs and benefits,
- better understanding and evidence of co-benefits and how best to realise them[15]

The Scottish Government should align incentives, invest funding and technical support to enable participating local authorities to undertake the necessary pipeline development work and secure the sufficient capacity. A qualified knowledge broker should be nominated and resourced to facilitate lesson learning and knowledge sharing from these pathfinders across and between regions, local authorities and the Scottish Government, and feed in lessons from pathfinders across the rest of UK and Europe. Include a direct line back to the Scottish Government to address any policy and regulatory barriers which are identified as holding back investment.

Pathfinders develop and pilot innovative solutions, overcoming challenges and identity solutions associated with introducing new financing models – i.e. governance risks, procurement risks, technical risks, financial risks, social (public appetite) risks. This real-world testing of new approaches and solutions would enable the public sector in Scotland to learn by doing – testing new ways of working and new financing instruments, building skills and knowledge at local and national level, helping to de-risk future investments, whilst actually delivering outcomes on the ground (essential given the 2030 targets) whilst enabling 'trailblazing' local authorities meet their challenging targets.

2. £10 million TECHNICAL ASSISTANCE FACILITY:

Realign a portion of Scottish Government sector-based funding to kickstart a £10m regional technical assistance facilities which will help local authorities and regions fill their 'project development gap'.

There is an urgent need for targeted and specific project development funding plus technical and financial assistance to local authorities as recommended by the NZET Committee Inquiry[16] and UKRI / GFI (REPORT (ukri.org))[17]. The Shared Prosperity Fund can be used in this way.

---

[15] New study shows the importance of place in delivering major economic and social benefits | Place Based Climate Action Network (pcancities.org.uk)

[16] *'We also call on the Scottish Government to work on securing specialist advice and assistance to local government in its engagement with institutional investors on major capital funding'*

[17] *'Local authorities have the potential to play a very significant role in ensuring the UK delivers its net zero 2050 goals if assistance can be provided to build out the skills and capacity needed and provide the project development funding needed to turn concepts into investable projects suitable for financing on commercial or blended terms'.* Mobilising local net zero investments: challenges and opportunities for local authority financing; Innovate UK & GFI, 2022.

The OECD recommends earmarking 10% of total project costs for project development[18]. There are areas of project development support – e.g. through the Heat Network Support Unit, FIRNS - The Facility for Investment ready Nature in Scotland | NatureScot, but these are sector-specific and don't align to place-based approaches or across outcome areas.

While there are multiple institutions operating around this space (sector specific, local government focused, private institutes), the support system is fragmented and partial. There are potential roles for SNIB to work via private sector partners, the Scottish Futures Trust as well as specialist external organisations such as 3Ci and Green Finance Institute. There is a gap in the financial assistance available, and a need for greater alignment between UK and Scotland.

Investment from the Scottish Government could kickstart the establishment of these Facilities which over time could be partially or wholly replenished through revenue generated from bankable investments. Each Facility should link to a coordinated network of draw-down technical and financial expertise that local authorities and regions (working singly or together) could use to help them package projects, identify the best scale at which to design and deliver projects, facilitate new partnerships and investor relationships, and finalise bankable investment projects. Shared procurement frameworks could help reduce the transaction costs for local authorities to access technical and financial advisory services.

There is also an opportunity for much stronger alignment and embedding of innovation and learning generated through the Scottish Funding Council's Innovation Centres and Alliances into the public sector landscape.

3. STANDARDISE & STREAMLINE PIPELINE DEVELOPMENT AND CLIMATE INVESTMENT PLANNING

There are large disparities and inconsistencies across local authorities in the structure and completeness of their project pipelines and many opportunities are not visible to investors. A lack of standardisation in these pipelines makes it harder for potential investors to understand the pipeline and undertake due diligence and makes it harder to aggregate projects into regional / national scale interventions (including alignment with national initiatives such as the Green Investment Portfolio). Pipelines and investment plans should also be made publicly available in an accessible, aggregable format.

Climate Investment planning is a structured, systematic process to map possible sources of finance against delivery plans, their predicted outcomes and estimated investment needs, in order to identify how to mobilise public and private capital for delivery. Guidance is emerging from European initiatives such as the EU Missions on Climate Neutral Cities and Adaptation to Climate Change [19] which could be adapted for local authorities in Scotland. This process also ensures that potential financing and funding mechanisms (and potential sources of revenue), are considered early in the structuring of projects and policy delivery. A structured approach also enables issues of fairness, equality and 'who pays' to be baked into investment plans. It also helps local authorities understand how to maximise the leverage and impact from public funds across strategic needs and the whole project lifecycle, and where private finance is most needed. The common characteristics of Investment Plans are shown below[20]:

[18] Developing Robust Project Pipelines for Low-Carbon Infrastructure | en | OECD
[19] Net Zero Cities: Climate City Contract. 2030 Climate Neutrality Plan Guidance. Page 5
[20] ibid

In Scotland this level of 'investment' pipeline and investment planning is starting to happen primarily on a sector-by sector basis – eg around EV Charging, fleet decarbonisation, decarbonising the public estate – but also on a regional basis (eg Glasgow) but it is at an early stage[21]. Data made available through the Climate Intelligence Service will inform this process by enabling local authorities to extrapolate and estimate cost, emissions savings and other co-benefits more easily, but help is required to a) help local authorities develop their pipelines and b) to structure pipelines for new areas, and c) provide guidance on developing climate investment plans.

This pipeline development and investment planning should become mandatory over time, but could be phased in – for example by focusing initially on priority public sector 'heat and fleet' pipelines and developed over time as and when tried and tested financing models are in place that could be scaled out – eg EV Charging infrastructure. There is a potential role for the Climate Intelligence Service here to align projects against targets for scale, pace and trajectory.

Guidance could ultimately be incorporated into the 'statutory guidance on public sector leadership on the global climate emergency'.

RESOURCE REQUIREMENTS: Practical guidance, road-testing and support for the public sector developed and coordinated through Scotland's national public sector support bodies – coordinated between SFT, SSN, IS, SLAED (see Recommendation 4).

4. A STRUCTURED, COORDINATED PROGRAMME OF SUPPORT TO LOCAL AUTHORITIES TO DEVELOP THE SKILLS, PROCESSES AND ROLES TO BUILD AND ATTRACT INVESTMENT

A resourced skills, capability and change management workstream within the planned 'framework for action with local government'[22] to support local authorities to build the skills, roles, processes and teams they need to deliver net zero, climate resilient programmes and outcomes. This workstream would structure a long-term programme of support (eg UK100 propose a minimum 5 year programme[23]) sharing good practices and encouraging new ways of working, roles and skills within and across national, regional and local levels of government. A strand of this workstream needs to focus specifically on roles, responsibilities and skills around green finance and investment.

[21] Official Report - Parliamentary Business : Scottish Parliament
[22] ref 'Scottish Government response to NZET Inquiry Recommendations'
[23] UK100 | Publication | Local Net Zero Delivery Framework | UK100

An investment-oriented approach requires new ways of working. There is already a lot of innovation and support happening, but across the board, work is siloed and local authority skills and capacity in financial investment in Scotland are thought to be '*at early stages*[24]. Some of the larger, leading 'pathfinder' local authorities are managing to draw on external funding[25] to increase their resource and create new posts and new teams, with smaller local authorities being left behind.

A model could be developed based on the practices being used in the EU Missions on Climate Neutral Cities and Adaptation to Climate Change – where mission platforms have been established to coordinate the necessary technical, regulatory and financial expertise required by cities[26].

A well-developed ecosystem of support and knowledge sharing for the public sector is already in place (eg SSN, SLAED, IS, SCA, ZWS, SFT, Scotland Excel, Adaptation Scotland, alongside professional bodies such as CIPFA etc.) and is already informally collaborating around the climate finance agenda. However, much more could be done to strategically align these agencies and coordinate their work around a shared long-term strategy of regular support, knowledge exchange and training to build sufficient permanent expertise and 'know-how' across local and regional government and the wider public sector. This strategy could build on the change management framework already developed by Improvement Service around 'opportunities for transformation' and 'conditions for change'[27] and would align with the training provided through the Climate Intelligence Service. It should be co-designed and co-developed by the public sector support agencies with sufficient investment to enable sustained support.

This strategy, training, support and practice should start as soon as possible in 2024, and can feed into, but mustn't wait for, the updated statutory guidance on public sector leadership on the global climate emergency[28]'.

5. ACT ON RECOMMENDATIONS TO IMPROVE THE ENABLING ENVIRONMENT

This refers to the wider policy, economic and procedural context which helps to build market confidence, reduce risks for investors, enable place-based blended finance, and create revenue sources. These conditions are created by, and require intervention by both the Scottish and UK Governments (eg Electricity Market Reform or the Green Finance Strategy) and vary between sectors. Policy risk raises the cost of capital **- the UK Climate Change Committee estimates that effective policy could cut the cost of capital by three-quarters**[29]. Decarbonisation cannot be delivered at scale without investors having sufficient demand assurance and this demand cannot be delivered without improving the enabling environment.

Without changes in the context in which local authorities and public bodies operate, recommendations 1 – 4 of this proposal will have only a limited impact. Changes in the enabling environment are, quite simply, essential.

---

[24] Official Report (parliament.scot)
[25] such as Shared Prosperity Fund, UKIB and previously through programmes like PCAN
[26] https://ec.europa.eu/regional_policy/en/newsroom/news/2022/05/05-06-2022-discover-the-100-cities-selected-for-the-cities-mission
[27] Delivering a future for Scottish local authorities (improvementservice.org.uk)
[28] Public sector leadership on the global climate emergency: guidance - gov.scot (www.gov.scot)

[29] Finance-Advisory-Group-Report-The-Road-to-Net-Zero-Finance (4).pdf

Particularly critical is the need for policy around, for example, who is going to pay for the transition and how to build the supply chain to deliver. Regulations give confidence over revenue streams that will attract the investment.

The forthcoming Community Wealth Building Bill provides a particular opportunity to improve the enabling environment by providing Local Authorities with greater efficiency and flexibility in how they allocate their core resources to local priorities. The 'finance' and 'spending' pillars are especially relevant.

Many of these factors have already been highlighted through the NZET Inquiry, by the Scottish Cities Alliance & PCAN[30], included in previous CERG proposals and by UK100 at the UK level[31]. Given their importance in unlocking delivery and securing investment CERG urges the Scottish Government to act on these recommendations at pace. Some of the most significant issues are set out below:

- **Ensure a credible and stable policy and regulatory environment to build market confidence.** A key immediate priority relates to the Heat in Buildings proposal for regulations (see CERG proposal on greening commercial buildings), which is holding back delivery of the Heat in Buildings Strategy across public, private, domestic and non-domestic buildings.
- **Through delivery of the Fiscal Framework enable local authorities to align non-competitive public funding against their climate plans and place-based programmes**. Where possible restructure some public funding to use as catalyst funding to de-risk programmes.
- **New duties to require local authorities to contribute to, and report on, area-wide emissions reduction,** alongside additional resources to enable local authorities to take a stronger leadership role, convening public, business and third sector partners to transform places on an area-wide basis**.**
- **Overcome the hurdles which delay project approval and delivery – planning, procurement and consenting and** increased risks and uncertainties for investors
- **Strengthen governance – responsibility and oversight – for securing the finance required to meet net zero and adaptation targets.** While not wholly within the government's control, securing investment is key to hitting Scotland's legally binding targets. There are potential roles for the Exchequer and public sector Finance teams.
- **Maximise revenue-raising opportunities for local authorities.**

Resource requirements:

Delivery of this proposal requires sufficient coordination and allocation of funding (mainly resource, some capital) at national, regional and local levels at each level of the pyramid for the long term. Resources are required to create new roles, build skills and capacity across the system, increase knowledge sharing and invest in the development phase of projects. However, we believe significant value for money could be secured by more strategic collaboration across the existing public sector support institutions, aligned allocation of expertise and resources, coordinated around a clearly defined and multi-agency action plan.

[30] Net Zero Local Authority Powers. Report and Recommendations on the powers held by local authorities and their effectiveness in supporting net zero delivery. (Dec 2022)

[31] UK100 launches new Powers in Place report on council powers | UK100

This programme of action must be facilitated by the Scottish Government and requires clearly defined responsibility and accountability within the Scottish Government for oversight, coordinating delivery, monitoring and adaptive management.

The additional resources required to deliver this programme can be met through reallocation of funding away from high carbon investment and through smarter use of public resource. Examples of how existing resources could be aligned against the delivery of this programme include:

1. Better **alignment, coordination and access to expertise** through the existing network of publicly funded bodies and Scottish Funding Council / UK funded research innovation programmes;
2. **Realignment of Scot Gov capital funding** to more effectively enable access to private finance – eg through more flexible and long term place-based and outcome-based funding, and towards pre-capital, project development support;
3. **Greater efficiency and flexibility in how local authorities are able to allocate their core resources** (including less time and resource invested in bidding for challenge funding pots);
4. **Redeployment of funds away from activities that lock-in high carbon pathways** through application of a **Net Zero Test (ref CERG proposal);**

ABOUT CERG

CERG is a group of Scottish public, private and third-sector leaders who work together to inform and influence the Scottish Government's response to the climate emergency.

Collectively, the group has considerable expertise across sectors and a first-hand understanding of the practical steps that must be taken for Scotland to deliver on its vision for a net zero, climate resilient future.

CERG focuses on identifying solutions and actions that can be taken now to overcome the well-documented challenges of the transition to net zero and enable delivery to flow. Since 2019, CERG has published a series of reports setting out practical, immediate actions that can, and must, be taken now to avert the worst impacts of the climate crisis. The group also publishes annual assessments of the Scottish Government's progress to delivering on CERG's recommendations.