



## Barriers to local authority involvement in municipal energy schemes

To: All contacts

### Key issues

Main priorities for many LAs still focussed on energy efficiency projects relating to housing/public building stock  
For renewable energy projects main focus still appears to be on roof mounted solar PV installations  
Government policy changes cited as main reason for problems and delays in implementing energy schemes

### 1. Introduction

The survey considering the barriers to local authority involvement in municipal energy schemes was undertaken in autumn 2014. It included members of APSE Energy and APSE Renewable and Climate Change contacts. It was designed to follow up the findings of APSE's state of the market survey on climate change and renewable energy (Briefing 14/26) which was published in August 2014 and can be downloaded [here](#). The aim of the survey was to consider some of the difficulties being faced by local authorities in undertaking a range of energy projects from energy efficiency to energy generation.

### 2. Survey Response

In total 48 responses to the survey were received of which 3 were anonymous. However, 43 different authorities are known to have responded (2 authorities had 2 respondents). The list of local authorities responding to the survey is shown at **Appendix 1**. The breakdown of responding authorities by nation of the U.K and Northern Ireland is as follows: England 34; Wales 5; Scotland 3; Northern Ireland 1; Unknown 3.

### 3. Energy Priorities

Below are the areas of activity/programmes which are considered to be a priority for the Council.

**Table 1 – Energy priorities**

Priority Area	Count	%
ECO/Green Deal	26	57.8%
Other retrofit programmes	22	48.9%
Collective switching	21	46.7%
Local tariffs	3	6.7%
Energy Efficiency (civic estate)	39	86.7%
Energy Efficiency (schools and others)	29	64.4%
Roof mounted solar pv	34	75.6%
Ground mount solar pv (systems under 5 MW)	12	26.7%
Ground mount solar pv (systems above 5MW)	8	17.8%
Land based wind turbines	6	13.3%
CHP/District Heat Networks	23	51.1%
Biomass boilers/supply chains	25	55.6%
Energy from waste	13	28.9%

Energy Service Companies (ESCOs) and energy trading	16	35.6%
Green fleet/transport	17	37.8%
Community energy initiatives	15	33.3%
Other (please specify)	4	8.9%

“Other” priorities listed were: Micro hydro; Hydro energy generation schemes, tidal stream and tidal energy.; Hydroelectric.

From the survey responses it would appear that the main priorities for many local authorities were still focussed on energy efficiency projects relating to the housing and public building stock with around 87% of respondents stating that energy efficiency for the civic estate was a priority closely followed by schools (64%) and ECO/Green Deal (58%). Despite changes to ECO announced by the Government in August, many of our councils still saw this along with housing retrofit as a key priority area.

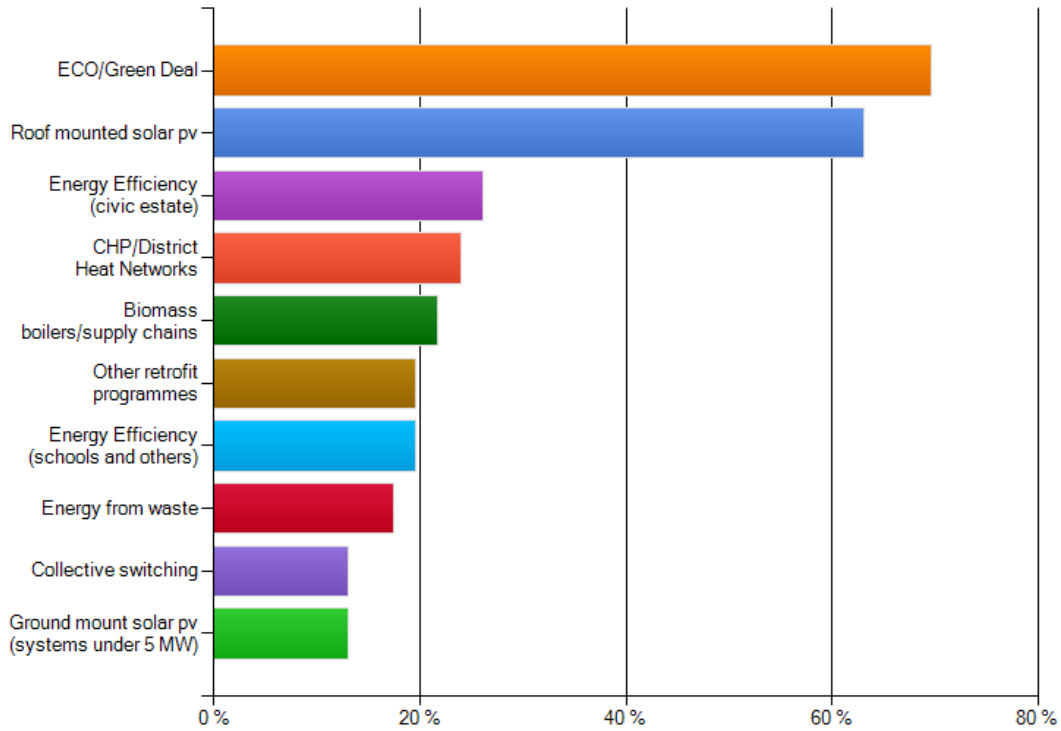
In terms of renewable energy projects the main focus of many types of council still appears to be on roof mounted solar PV installations with 75% of respondents identifying this as a priority. This may also reflect the Government’s renewed focus on roof based solar PV and away from subsidies for ground mounted solar PV with the removal of ROCs for schemes over 5MW.

15 respondents (33%) identified community energy initiatives as a key priority for their council. Given the launch of the Government’s Community Energy Strategy in January 2014 together with the availability of funding through the Urban and Rural Community Energy funds, it will be interesting to see if this becomes an increasing priority for local authorities as the push towards creating more community energy capacity through the work of the Shared Ownership Taskforce begins to develop.

The survey responses illustrate that many local authorities are involved in a wide range of energy efficiency and energy generation projects. However, when asked has your Council ever encountered any problems in delivering your local energy priorities due to changes in policy or other delays? Overwhelmingly 95.6% of councils answered yes.

When prompted further to state which of the activities/programmes the Council has been involved with have encountered problems or delays the responses showed:

**If so Which of the activities/programmes your Council has been involved with have encountered problems or delays**

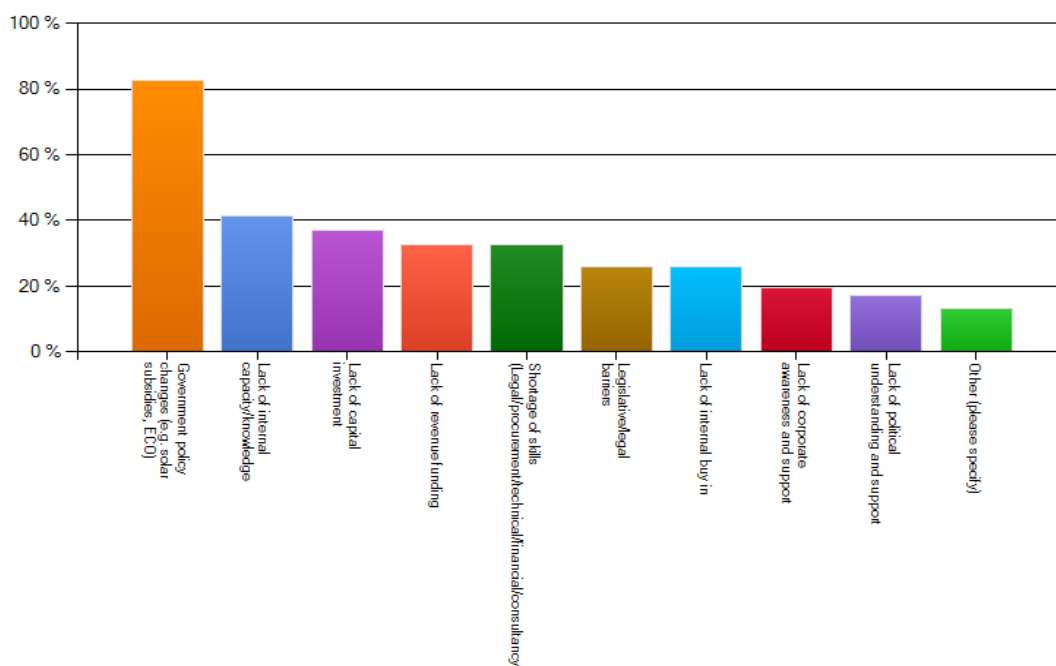


Nearly 70% of responding councils stated that problems/delays had been encountered in relation to ECO/Green Deal programmes and 64% with roof mounted solar PV. Given that these were also identified as some of the main priorities for local authorities it is significant that these were also the areas in which local authorities had encountered the most difficulties.

**4. Reasons for problems and delays in implementing energy schemes**

Local authorities were asked what in (your) experience have been the main reasons for problems/delays in undertaking local energy schemes. 44 councils replied to this question:

### What in your experience have been the main reasons for problems/delays



Overwhelmingly some 82% of respondents blamed problems and delays on Government policy changes such as changes to the subsidy regime for renewables (ROCs, FITs) and changes to the ECO scheme first announced by the Chancellor in his autumn statement in December 2013. Follow up telephone calls with a sample of respondents suggested that it was not the broad thrust of Government policy itself that was to blame, but what was perceived as a ‘feast or famine’ approach to implementation which made it difficult for councils to properly plan their programmes and to demonstrate that they could meet strict value for money tests and make a return on investment. A more consistent approach to policy making would be welcomed by councils given the timescales and resources required to implement many energy related projects particularly where they are subject to subsidy regimes. For instance, it is not degeneration to Feed In Tariffs (FITs) that caused problems, but uncertainty where councils could see projects ‘falling off a cliff’ due to announcements that created uncertainty in the market place and meant that councils had to revisit the business case for projects.

A second category of reasons for delays can be found in internal organisational problems relating to a lack of capacity/knowledge (42%), lack of capital investment (35%) lack of revenue funding (31%) and a shortage of skills (31%).

Interestingly a lack of political understanding and support did not appear to present a significant barrier to councils with only 8 (17%) of respondents stating that this was an issue. A ‘straw poll’ of some respondents would suggest that on occasion it was the ability of officers to meet the aspirations and expectations of elected members that was more of a constraint in this regard.

Other reasons for delays listed by respondents were:

- Grid constraints;
- The need for, or ongoing reviews of Asset Strategy / Property rationalisation;
- Public perception in relation to issues such as land based wind turbines; and
- Market availability, temporary heated market conditions and contractual structures

Only 27% of respondents referred to legislative/legal barriers as being a problem for their local authority. When prompted further and asked “do you feel that local authorities have sufficient statutory/legal powers

available and legal certainty to undertake local energy projects?” 60.5% of respondents stated that they did not feel that they had sufficient statutory/legal powers. This is a somewhat surprising given the availability of a wide range of powers to get involved in municipal energy schemes, such as the General Power of Competence under the Localism Act 2011, the duty of well-being in Scotland and more general powers relating to local authority trading and investment, together with the ability to sell electricity from renewable energy projects introduced by the Government in 2010.

However, local authorities were then asked “what in your view are the main statutory/legal barriers facing local authorities?” which seems to clarify further the underlying reasons for any uncertainty about legal powers. This question had 38 responses as follows:

**Table 2 – Statutory/legal barriers**

Barrier	Count	%
Uncertainty over central Government policy on local authority role (e.g. community energy)	29	74.4%
Legal/regulatory framework governing energy generation/distribution/supply	24	61.5%
Ability to generate/sell energy locally	21	53.8%
EU Procurement law/Regulations	21	53.8%
Lack of statutory powers for local councils	12	30.8%
State Aid issues	10	25.6%
Legal clarity to engage in energy projects	10	25.6%
Other (please specify)	5	12.8%
Local planning framework	4	10.3%
Use of reserve planning powers by Secretary of State	3	7.7%

It is not necessarily the statutory powers available to local authorities that is the main problem, but rather uncertainty over central government policy on the role of local authorities in relation to such issues as community energy (74%) and the legal/statutory framework governing the energy generation, distribution and supply (61%) that represent the main underlying reasons for the responses from local authorities, together with EU Procurement rules (53%) and uncertainty over the ability to generate and sell energy locally (53%).

Other barriers listed by respondents were:

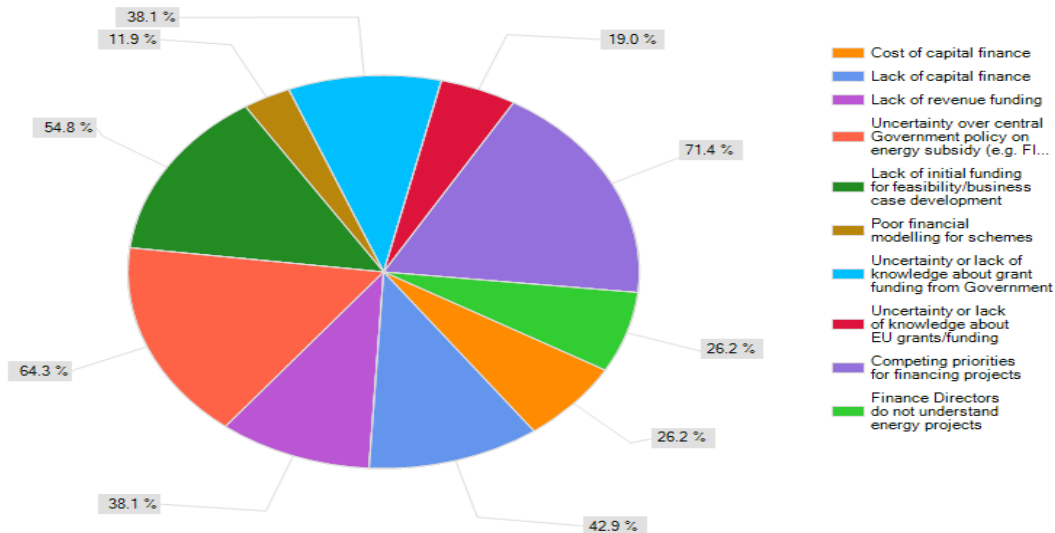
- Distribution Network Operator (DNO) regulations
- The lack of a stable environment and open transparent systems (“*how quickly did initiatives like the GDHIF disappear, and FIT levels change every 3 months etc.*”)
- Procurement and contractual structures.
- Lack of ability to aggregate demand from multiple developments.

Issues around the ability of local authorities to sell energy locally from renewable energy projects are increasingly coming to the fore. This is despite the 2010 regulations permitting councils to sell electricity from renewable generation schemes. Where there is a ‘private wire’ arrangement from the renewable generation project to the user of the electricity, then the approach is fairly straightforward, but what would appear to be increasingly the case is that prohibitive grid connection costs, grid capacity and the transmission and distribution costs chargeable over and above any Power Purchase Agreements (PPAs) between small community/local authority generators and the purchasers of the electricity, is creating significant problems and adding costs. ‘Licence Lite’ was designed as a way of overcoming some of these difficulties by reducing the burden of regulation on suppliers, but would not appear to be a solution for smaller community projects and there are significant difficulties with ‘sleeving’ power from projects to customers which are preventing progress and undermining the viability of ‘sustainable energy’.

## 5. Financial and organisational constraints

The next set of questions in the survey related to financial and organisational constraints facing councils. Respondents to the survey were asked "what do you feel are the main financial constraints/barriers to local authorities engaging more effectively in local energy projects?" 41 Responses were received to this question.

**What do you feel are the main financial constraints/barriers to local authorities engaging more effectively in local energy projects?**

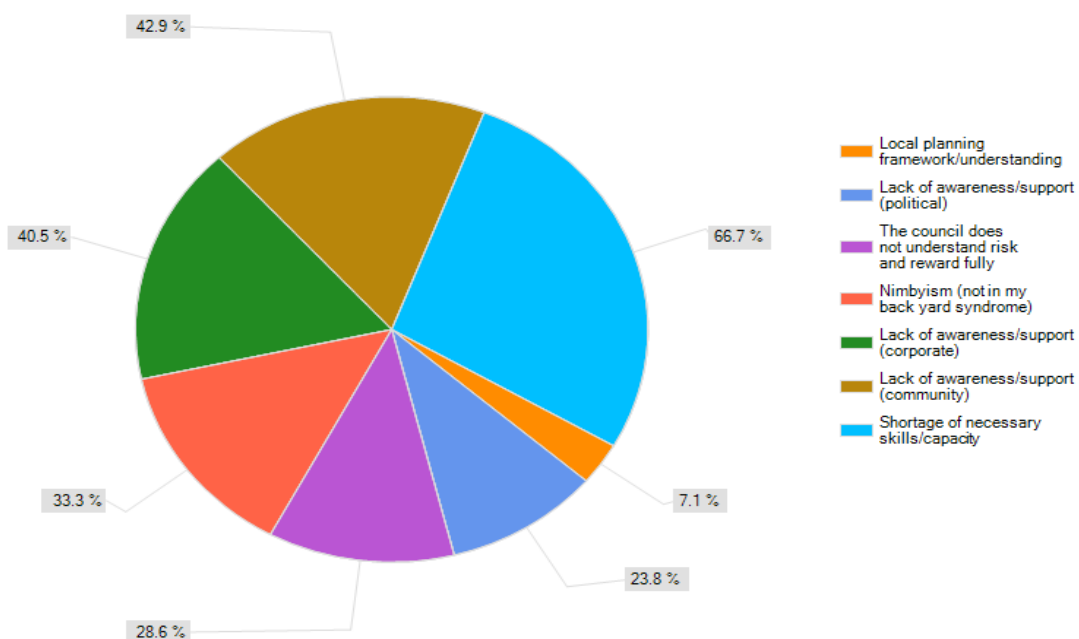


The main barriers identified by survey respondents were competing priorities internally for the financing of projects (71%) followed by uncertainty over central Government policy on energy subsidy regimes (63%). Another key area was a lack of funding for feasibility/business case development (56%).

Amongst several comments made by local authorities, one officer stated "we are fortunate to have a very knowledgeable and supportive finance and procurement team. In other Authorities that we know of, barriers are very different." This is confirmed by other comments including by one council: "there is a Lack of commitment at Director and member level - energy is low on the agenda compared to other issues." Yet another local authority commented that there was a "corporate lack of appetite for risk which led to overpricing risk in business models". Again the issue of the cost of overcoming grid constraints was raised by a number of councils.

The next question in the survey sought to explore the political and organisational barriers to local authorities engaging more effectively in energy projects.

**What in your view are the main political/organisational barriers to local authorities engaging more effectively in local energy projects?**



66% of local authorities responding to the survey stated that a shortage of necessary skills/capacity was the main organisational barrier. There was also a view that lack of awareness and support in the local community (45%) and ‘nimbyism’ (not in my back yard syndrome) (32%) represented a further barrier to engaging in energy schemes. Local opposition to land based wind turbines is a well-known phenomenon and ensuring that communities are both well informed about how energy projects affect them and the potential wider advantages in terms of longer-term energy security, local economic benefits and reducing fuel bills is an important role for councils. Having an effective communications and engagement strategy in place is the cornerstone of any successful local energy strategy. Lack of corporate (44%) and political support (24%) was also raised as a potential barrier with one council commenting that: “These (energy projects) are extremely long term projects and do not provide short term rewards or results. This is a major barrier to keeping political and corporate interest and commitment.” Another Council stated that: “There is some good support - but the bigger corporate picture can be dominant”.

When asked how their Council viewed energy as an issue the dominant area was as a means of cost reduction (73%) and as a means of income generation (53%). Interestingly however, 63% still saw energy as a climate change matter which given the impact of austerity on budgets suggests that local authorities have not lost sight of the wider environmental agenda including the need to reduce carbon emissions.

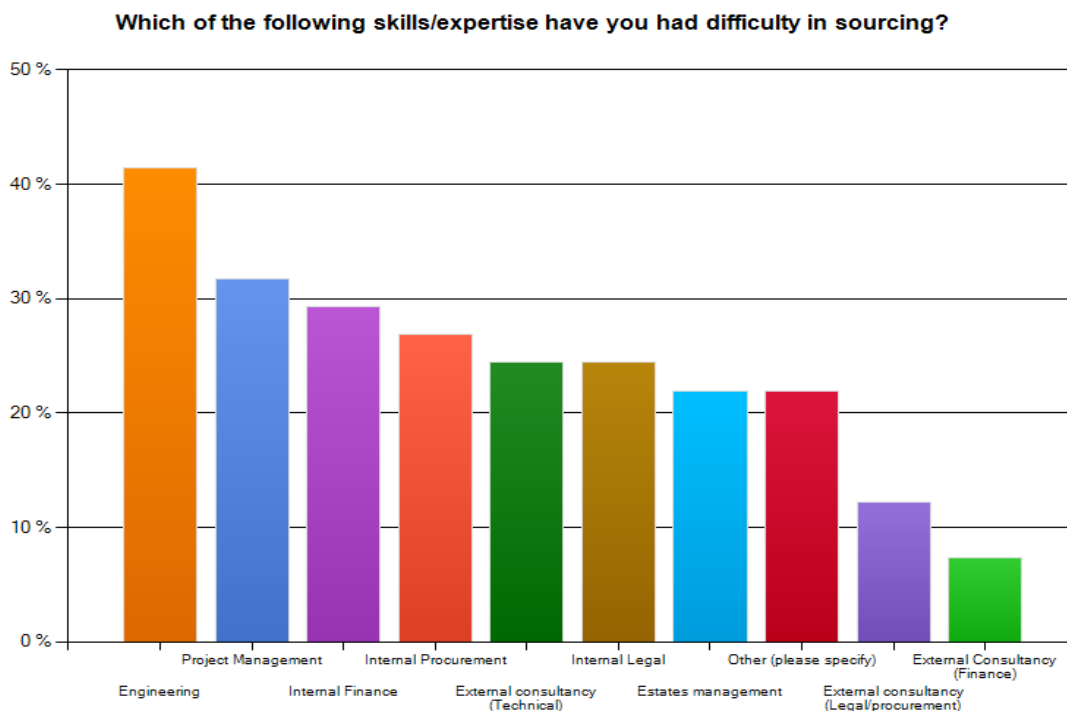
**Table 3 – Energy as a driver**

Viewpoint	Count	%
An area for cost reduction	30	73.2%
A climate change matter	26	63.4%
An area for income generation	22	53.7%
A major cost driver	18	43.9%
Something for property officers/energy managers	17	41.5%
An area for transformation	7	17.1%
Other (please specify)	3	-
A burning platform (something requiring radical change due to dire circumstances)	2	4.9%

One local authority commented that energy was “an issue for future resilience and economic growth stimulant” and yet another as “a vital social issue, in terms of reducing fuel poverty and providing a better quality of life for low income households”.

## 6. Skills and expertise

When asked which skills/expertise the council has had you had difficulty in sourcing the responses were as follows:



Around 40% said that they had difficulties sourcing engineering skills whilst 32% said that they had difficulty attracting project management skills and 30% said it was a lack of internal finance resource. The lack of skills covered a wide range from procurement to internal, technical and legal.

One local authority in particular commented that:

*“At present we have been able to source the majority of requirements internally. However, on some projects we now need advice, but there are few frameworks that meet our needs. In tendering we do not necessarily know what we need to ask for, which leaves us exposed to slow/insufficient/inexpert advisers. All internal disciplines are working on other projects and are conflicted in their commitments with many other calls on their time. This has significantly slowed progress due to lack of resource.”*

Other councils stated that they were able to source the necessary skills where funding allowed and another authority stated that there was a conflict of priorities for resources “external advice has to be fiercely justified for cost”.

A number of Councils referred to a reduction in internal resources. One Council commented: “we had a team of 8 in 2013 but that will be down to one part time post from November 2014”. Yet another Council stated that “the Energy Management team has been reduced from 7 to 2.5 staff whilst workloads have increased in terms of EU legislation - CRC, GHG, DEC’s etc.”

When asked if they had sourced any external services to support/deliver local energy projects/Programmes and how this had been sourced the following represents the majority of responses:

- Open competition via OJEU and tendered contracts.
- Use of a Community energy consultant
- EU Intelligent energy
- External district heating consultants procured with Council and HNDU funding.
- Through technical partnership arrangement whereby external consultants are selected for generic work via competitive tender every 3-4 years. Call off contract can then be used to deploy expertise.
- Use of external consultants for Heat Networks under the Department of Energy and Climate Change (DECC) Heat Networks Delivery Unit (HNDU) funding although the council *"would have preferred to spend some of it on internal officer time"*.
- Through Frameworks such as Warm Up North, British Gas and Green Hub, Willmott Dixon
- support through APSE Energy and Walker Morris LLP
- Local energy consultancy companies
- Through existing frameworks and new procurement activities.
- Combination of competitive tender through The Chest (NW procurement hub) and direct appointment of expert advisers.
- Ten year Property & facilities contract with Carillion
- Through existing frameworks via Local Partnerships
- Relationship to Thames Valley Energy
- Known consultants or contractors
- Through APSE but otherwise historically by competitive tender to a brief.

One local authority stated that: *"We've not used much external resource so far, but that's likely to change quite soon"*. Another even commented *"by creative means"*. What seems clear is that local authorities are sourcing a range of external support either via existing frameworks, local consultants or organisations like APSE. There was a demand that external support should be available through a 'trusted source'. Councils relying on external consultancy support and access to framework arrangements needed to be sure that, not least on value for money grounds, the advice they are receiving can be justified and meets their own local requirements.

Councils were then asked what current resources/sources they used to keep up to date in relation to energy matters. 30 local authorities replied to this question. The main areas were as follows:

- Mainly DECC website but also local authority networks e.g. District Heating and contact with other agencies e.g. health service energy manager.
- APSE contacts, 2degrees, news, Green Building Council (GBC), Parliament, and Gov.uk.
- Local authority networks, Welsh Local Government Association (WLGA) and relevant websites.
- APSE, Carbon Trust, DECC
- Internet Institute for Public Policy Research (IPPR) articles, energy support agencies
- Government press releases, APSE, National papers, Info 4 local
- APSE, Energy Institute and other journals and email newsletters.
- Various email alerts, Carbon Action Network, OFGEM daily update, DECC alerts, Knowledge HUB and Public Sector Carbon Network.
- A number of different websites and e-mail updates
- APSE, EU, DECC, various web sites
- Web, APSE, Sustainable Scotland Network (SSN), Scottish Energy Officers Network (SEON), newsletters, trade press
- APSE updates and meetings, Energy events, Carbon Trust Wales events, magazines
- membership of Major Energy Users Council (MEUC)
- Energy related Web sites, plus Energy Institute, Energy Saving Trust, DECC

- A range of online sites and magazines
- Primarily vanguards group and Domestic Energy Assessors (DEA) forums.
- On line newsletters and networks
- Links to organisations such as Sustainability East, East of England Office and DECC.
- APSE Energy, linked in forums, renewable energy forums, DECC, government forums.
- APSE energy is the best trade emails and DECC
- Most on line free bulletins.
- APSE, Institute of Environmental Management and Assessment (IEMA), Carbon Trust, DECC, Various other
- Alliance for Sustainability and Prosperity (ASAP) briefings, national networking events, academic briefings and meetings, web stories, print media
- Energy Live News, Solar Power Portal, Public Sector Energy e-news, many others
- APSE Energy DECC Trade magazines

One local authority commented: *"We are a small-medium sized council adverse to risk - we cannot be the first to undergo something, but can piggy back on other peoples work such as procurement frameworks. It needs to be clear what frameworks other councils are looking to put together"*.

## 7. Conclusion

As Councils seek to explore and exploit the opportunities afforded through a range of energy schemes they are confronted by a number of barriers which, whilst they are not stopping councils pushing ahead with their plans and projects, are causing delays and uncertainty. These broadly fall into the following main areas:

- **Engagement** – In some Councils, 'energy' is not seen as a political, corporate and community priority.
- **Policy** - Concerns about the policy environment within which they are operating and the need for more consistency at Government level to afford local authorities the ability to properly plan and implement their programmes.
- **Procurement** – There are clearly issues about procurement and EU rules. Many local authorities feel that procurement can be quite prohibitive and are therefore looking for access to trusted 'frameworks' in order to source external support.
- **Regulation** – Problems encountered with regard to the regulation of the energy market and perceived and actual difficulties in terms of accessing the market to supply energy and over grid connection and capacity.
- **Resources** – A lack of both internal and external resource to support the development of local programmes and to implement projects. This is particularly the case in terms of access to technical, financial and legal expertise to support projects and revenue funding to undertake initial feasibility and business cases.

A number of the comments from individual local authorities reflect these emerging issues:

- *"I have mentioned the Distribution Network a number of times. This is now a critical issue for us which is hampering further renewable energy development and one over which the local authority appears to have no control. I feel it is an area which needs looking into as, at the moment, the DNO has complete control - no doubt within OFGEM regulations - but this is preventing achievement of local benefits and strategic ambitions."*
- *"Internal structure within the council - different activities and roles fall under different services within the council and each have conflicting objectives"*.
- *"Developing new schemes is hard when cuts dominate the landscape and the speed of change is so fast there is no time for new schemes (even ones that deliver incomes) to be considered"*.
- *"Having the resources and time plus the necessary knowledge to pull all the parts of a large scale renewable project together"*.

- *“Build a critical mass of organisations so that change is affected which really makes a difference. To change the markets we need scale, breaking them down into bite sized chunks may seem appealing for devolution of power, but we need the system to carry on working and this is much more difficult if we fragment the existing networks which are in place”.*
- *“Bring back national indicators or something similar! Our Council has decided that it will focus on its statutory obligations. Under the current leadership energy and climate change will only become a priority when central government requires it to take action.”*
- *“National procurement frameworks would be useful, procurement is the greatest time barrier to progress”.*
- *“The main issue is sheer complexity and the multiple options, with Government constantly changing the regulatory and incentive environment”.*

**Mark Bramah, Director of APSE Energy & Ailsa Gibson, Climate U.K.**

### Appendix 1 – Survey respondents

Bath and North East Somerset	Guildford Borough Council	Rotherham MBC
Belfast City Council	Isle of Wight Council	Salford City Council
Bradford City Council	Knowsley Metropolitan Borough Council	Sefton Metropolitan Borough Council
Caerphilly CBC	Hull City Council	Southampton City Council
Cardiff City Council	Lancaster City Council	Southend on Sea Borough Council
Cherwell DC and South Northants Council	Leeds City Region Enterprise Partnership	Stockton-On-Tees Borough Council
City & County of Swansea	London Borough of Harrow	Vale of Glamorgan Council
Clackmannanshire Council	Middlesbrough Council	Wakefield Metropolitan District Council
Corby Borough Council	Newcastle City Council	Warrington Borough Council
Daventry DC	North Somerset Council	Warwick District Council
Derby City Council	Nottingham City Council	Warwickshire County Council
Derbyshire County Council	Nottinghamshire County Council	<b>+ 3 where the authority was unknown</b>
Dumfries and Galloway Council	Oxfordshire County Council	
Durham County Council	Peterborough City Council	
East Dunbartonshire Council	Portsmouth City Council	
Flintshire County Council	Reading Borough Council	