



Series on energy  
climate change – paper 7

# Energy Efficiency as Part of Local Government Decarbonisation Plans



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# Introduction

Local authorities continue to strive towards their net zero targets, but there can be no doubt that progress is stronger in some areas than others. One particular 'Cinderella' area is energy efficiency, but this is rapidly rising up the agenda due to the energy crisis and rocketing costs for householders and business premises.

There are problems everywhere in this scenario: a poor housing and building stock, failed Government policy or a policy vacuum, the need for private investment to be raised and public investment to be improved. This has led to universal calls for a proper comprehensive plan but still one is awaited from Government.

72% of greenhouse gas emissions come from energy usage.  
This could be radically improved if we invested in efficiency measures.

*What can local authorities do to improve this situation?*



# The Current Position

The two areas of energy efficiency in buildings are housing and non domestic property. The thermal performance of both areas in the United Kingdom is sadly poor. There are 30 million houses across the country and most do not come close to meeting net zero standards. In EPC terms there are still millions that are below an EPC level of C – and that is way off where we need to be.

Commercial property fares little better and local authorities are now reaping the consequences of that with steeply rising energy costs as we endure yet another energy ‘crisis’.

The statistics here are truly shocking. As Environment Journal has reported, “Rates of energy efficiency installations in England peaked at 2.3 million per year in 2012 but have dropped by around 90% since then. A report by the Energy and Climate Intelligence Unit calculated that had peak rates of energy efficiency works been maintained, then £3bn could have been saved on energy costs by 2022.”

Instead Environment Journal reports that only half of UK homes actually meet the insulation standards set in the 1970’s. In fact, the average ‘insulation age’ of a house in the UK is 40 years old, meaning that few have sufficient insulation to meet modern energy efficiency standards.

There really is no excuse for this. How has the UK sunk to such low standards? The reason may partly be explained by climate (colder climates like those found in Scandinavia are forced to address the issue) but more important is the lack of regulation requiring building to better standards in the first place. This may not have mattered in the 1970’s but as yet another energy crisis is upon us, increasing costs are causing untold misery to the general population and forcing many more households into fuel poverty.

Jess Ralston of the Energy and Climate Intelligence Unit makes another astounding point:

***“Insulation schemes like ECO work. They cut the energy being wasted from leaky roofs and walls, cut the amount of gas we need to keep warm and so bring down bills, and they do all that permanently. Why are we not talking about this more? If we want to increase security of supply and reduce bills at the same time, the only answer is to use less gas. That means insulation. It’s really not that hard to grasp...”***

(Environment Journal 14 March 2022)

So if the concept is that straightforward, how come successive Governments of all political persuasions have literally kicked this can down the road?

For local authorities, they have probably done more than anyone to improve housing standards. But years of austerity have taken their toll and the reduction of budgets is only getting tougher. Edie reported in December 2022 that a survey of more than 500 Councils across England and Wales on behalf of construction company Wilmott Dixon found that Councils are facing unaffordable energy bills unless measures are taken to improve the energy efficiency of public buildings. It reported: “While 82% of respondents claim their local authority has a plan in place to help deliver net zero commitments, 58% believe that efforts to roll out energy and retrofit measures are being impacted by budget shortfalls.” We will come back to available funding on the next page.

There is still progress however, such as Harringay LBC announcing in January 2023 that it plans to retrofit 15,000 Council homes over the next five years. It has recognised that simple measures, such as external wall and loft insulation, draught proof doors and windows and heat pumps rather than gas boilers will make a huge difference to the cost of running those homes.





# Government Policy

**Having established that energy efficiency is a relatively simple concept and ‘not hard to grasp’, the focus needs to move to Government policy in this area. Whitehall does not fare well in any such analysis.**

The truth is that the Government has no comprehensive plan for energy efficiency, despite being reminded of this constantly by its own independent adviser the Climate Change Committee. It has pointed out numerous times in its progress reports on the Climate Change Act targets that this is an area in desperate need of more action.

The calls for the development of a long-term plan for energy efficiency have grown stronger as the years pass. In just the last 12 months calls have been made by Energy UK, the Local Government Association, the Federation of Master Builders, the National Housing Federation and the Institute for Public Policy Research.

Early schemes, such as the Community Energy Saving Programme (CESP) and Carbon Emissions Reduction Target (CERT) were discontinued, even though they had delivered some success. The Energy Company Obligation was launched but was effectively the wrong measure. Instead of a system where the large energy companies have to fund local energy efficiency measures, the system should have directed the money towards local authorities, to develop comprehensive projects in the right areas.

These policy challenges continue right up to the present time. The Green Homes Grant is a classic example. A scheme that was fine in concept, but encountered challenges in respect of planning and execution. The market was not ready for the move and insufficient installers were available. After only 6 months, the scheme was pulled, with little of the available funding actually spent and attracting fierce criticism from almost all quarters. It is worth noting that in the entire GHG debacle, the only part of the scheme that actually worked was the Local Authority Delivery element, where Councils oversaw the measures.

Another policy measure is the Public Sector Decarbonisation Scheme, which has also had some success in this area. However, despite this success, the PSDS has been the subject of significant criticism from local government in the way that it has been operated. These criticisms fall into a number of different areas.

The main area is timing. When the first tranche of monies were announced there was a very short timescale for applications to the fund. Bearing in mind that substantial sums of money might be being applied for, naturally there were evidential and other governance requirements in place. Many authorities found these so tight as to be impossible to comply with.



Those timescales also caused problems in relation to supply chains. Already under pressure due to Brexit and rising costs of shipping, the Ukraine crisis made this situation worse. In some cases equipment ordered was late in arrival, putting pressure on completion dates. Salix, on behalf of the government, was forced to give extended timeframes to some Councils for this reason. There are suggestions that others lost the funding they had succeeded in being allocated due to the strict terms imposed and being unable to comply with deadlines.

Also on terms and conditions, applications had to reach a certain threshold of pounds spent per tonne of carbon savings. Again, rising supply chain costs, often after orders had been placed, put some schemes in jeopardy.

This raises a wider point championed by the UK 100 group, which is can it really be the right way to always distribute funds on the basis of competitive bidding? Some authorities lack the experience or resources to engage in bidding exercises with no guarantee of success and so the money often goes to the best organised authorities, who might be described as the 'usual suspects'. UK 100 has suggested a fairer distribution of Government money might have a wider impact.

The Energy Company Obligation mentioned above is still active with ECO + recently having been launched by the Government. But it is widely regarded that this only a bridge to a more comprehensive plan.

It is clear, therefore, that this is a key area of Government climate change policy for development. The current policy vacuum has been cruelly exposed by the energy crisis and the Government has felt the necessity to offer financial support to help households and businesses afford energy costs.

Such money might have been better spent in tackling energy efficiency in past years. Lack of confidence in public policy has also hampered private investment and the Green Homes Grant referred to above is a classic example of why contractors should be wary.

It is likely that in 2023 the massive pressure on the Government to take action in this area will result in further announcements.





# Regulatory Provisions

One of the most surprising areas, as mentioned previously, is the fact that in the UK you are still able to build a property in 2023 that does not comply with net zero standards introduced in 2008. Building regulations have consistently failed to ensure that building standards rise sufficiently quickly and planning policies generally have not pushed up standards as could be expected. Net zero housing and other buildings is not a concept and there are many buildings already built to such standards across the UK for minimal extra cost.

Whilst the building industry might be said to have considerable responsibility for the standards of building delivered, they were patently allowed to do so by Government regulation.

Local authorities also share some responsibility in this area, as powers are in place for the local planning authority to require higher standards, but few local authorities actually do. The Planning and Energy Act 2008 permits local Councils to require standards of energy efficiency that are above those set down in Building Regulations and can also require a percentage of the energy used in the development to be sourced from renewable energy. Despite Government promises to repeal these powers, the provisions put forward in the Deregulation Act 2015 have never been brought into effect. As such, Councils can require anyone applying for planning or Building Regulation consent to adopt standards nearer to net zero for new buildings. Why is this not happening?



# Barriers to Local Action

This analysis illustrates why there is less action on energy efficiency at any level than would be hoped. The lack of a Government long term plan is one issue, as is the eclectic mix of different existing provisions that overlap or conflict. Resources is clearly another issue, as is the way that Government funding that is made available is actually distributed. As usual, the elephant in the room is the appetite for behaviour change on the part of the population.

This latter point is well illustrated by the fact that despite free loft insulation being on offer for years, many households did not take this up. Often this was because the work in emptying a loft to allow the insulation to be actually fitted could not be faced. With steeply rising bills, this position must surely have changed.

Much of this context could be construed in a negative light, but this is not the intention. In fact, there is much that any local authority can do to improve energy efficiency, despite the lack of public policy or funding.





# Methods of Energy Efficiency

**As mentioned previously, non domestic buildings and housing both need attention when it comes to energy efficiency.**

It could also be added that a leadership role to encourage others in the area (the business sector, community groups and individual householders) to improve energy efficiency would also help wider climate emergency targets.

There are various methods of contracting that can be adopted to deliver better energy efficiency standards. These are direct contracts, energy performance contracting or joint ventures.

## Direct Contracting

Many local authorities have procured contractors to improve energy efficiency and even add renewable energy (such as solar panels) to their civic buildings at the same time.

In order to do this, the Council needs a clear plan and specification and can undertake a relatively straightforward procurement exercise to appoint a contractor to undertake the work. As mentioned below, the Council should have clear data on current thermal and energy performance and be clear what measures it requires.

If this route is to be taken the Council will also have to raise the necessary funds, perhaps by borrowing via the Public Works Loans Board.

## Energy Performance Contracting





Another way to do this is to adopt a newer and more innovative methodology to deliver the improvements required, known as energy performance contracting. This is often referred to as EPC, but this sometimes causes confusion with the term EPC in solar farm construction (which stands for Engineer, Procure and Construct i.e. the build contract).

This form of contracting is growing in acceptance with many public bodies going down this route. Essentially, under this form of contract a contractor designs and installs measures in buildings to reduce energy consumption and improve energy efficiency and the investment in the infrastructure is funded by the savings in energy costs.

Crucially, the contractor guarantees that energy savings will be delivered in accordance with a defined measurement and verification protocol. This methodology confirms that savings have been made against the baseline performance. In similar fashion to the old Private Finance Initiative contracts, this allows the contractor to apply its expertise to decide which measures will best provide the reductions in energy consumption. An output specification merely says what level the Council wants to reach and it is up to the contractor how to get there.



Benefits of this type of arrangement were set out by DECC (the former Government department) as follows:

			
Guaranteed energy savings	Reduction in backlog maintenance levels, maintenance costs and other running costs	Creating the opportunity for renewable energy generation and income	Reducing the impact of future energy price rises through significantly reducing energy use

Wider benefits were listed as:

- Delivering CO2 reductions and helping to achieve corporate [net zero] targets
- Improving the building environment and comfort for occupants through updated and more efficient heating and cooling systems
- Creating a safer environment through improved lighting, reduced equipment failures and better building management systems to help identify issues
- Investment in buildings and green technologies to help generate local jobs and improve local skills

(Department of Energy and Climate Change 'Guide to EPC Contracting Best Practices' January 2015)

The best known proponent of EPC contracting in local government is Local Partnerships, which has helped many authorities undertake this contracting route. An example is Peterborough City Council which entered into an EPC arrangement with Honeywell Building Solutions which involved all Council premises undergoing an energy review whereupon energy efficiency measures were identified and implemented.

## Joint Ventures

A third way of going about this is to enter into some form of joint venture with a private sector contractor to undertake work to mutual benefit. Probably the best example of this currently in local government is Bristol City Council's LEAP project.

City Leap is Bristol City Council's big energy investment programme, with a remit including: heat networks, smart energy systems, energy efficiency for homes and commercial buildings and renewable energy.

It is a joint venture with a private partner, and Bristol City Council has recently chosen international contractor Amaresco (supported by Swedish company Vattenfall) as its partner from a shortlist of three preferred bidders. The deal will last for 20 years and is intended to unlock private investment to support public funding.

As the Bristol Post commented:

*"Over the next five years, Amaresco has promised to save 140,000 tonnes of carbon dioxide, install 180 MW of renewable energy generation, and invest £22m in energy efficiency. The company is also promising to subcontract some projects to local firms and create 410 new jobs in Bristol."*

## Local Authority Approved Lists

A number of local authorities have also set up approved lists and schemes to provide grant funds to home owners with approved contractors.

# Preliminary Steps

**Before taking any concerted action in relation to energy efficiency, a local authority has to follow some simple guidelines:**

- Create or improve awareness within the Council and the community about how important energy efficiency is to reaching net zero targets, as well as reducing costs. Build support for an initiative this way
- Undertake surveys of Council properties and housing to ascertain the baseline level of energy efficiency. There are decent homes standards for housing and EPC levels for other buildings, but a more in depth analysis will probably be required. This will demonstrate where the Council is starting from and how far it has to go. How good the data is will reflect in how successful any project is
- Consider how investment can be provided. This might be Government funding, such as the Public Sector Decarbonisation Scheme or the Social Housing Decarbonisation Scheme or whatever
- Alternatively, consider how to unlock private sector investment in your area, by way of a joint venture
- If bidding processes are necessary (for example bidding for PSDS funds) be resourced and ready with projects to propose
- Consider local skills and workforce issues – are there contractors available to undertake this work?

When a good baseline position has been achieved, the Council can understand the magnitude of the task and decide how to approach it. If the task seems to big, break it down into bite sized chunks.



# Conclusions

In work on climate change or climate emergency action plans, there is always focus on the 'low hanging fruit' to start with. But the 'difficult box' has to be addressed at some stage. A very high percentage of emissions in any Council's carbon footprint is derived from buildings and housing. If this is to be properly addressed (i.e. through direct action and not through offsetting) then energy efficiency has to be tackled. Council's also have an obligation to support people in their area no living in Council housing to get energy support.

There are different ways in which this can be done and even small District Councils can take some action. The benefits of such action are likely to be apparent very soon afterwards.

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As part of our commitment to helping local authorities innovate in the green space, our infrastructure and energy partner, Steve Gummer has teamed up with Steve Cirell, a Solicitor and Consultant who independently advises local authorities on climate change and renewable energy to produce a series of thought pieces about what local authorities could be doing to further the green agenda. We hope you have enjoyed reading the seventh in this series and for more please visit our [Green Goals web page](#) and follow us on [LinkedIn](#).

For further information, please contact Steve Gummer, on 020 7405 4600.

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