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Policy Paper

Let's go public:
Practical routes to transform
our buses, energy, and homes



About CLES

Founded in 1986, the Centre for Local Economies is an independent economics think tank and charity. We work collaboratively across the UK and Ireland to develop solutions that ensure economies are rooted in the places people call home.

At CLES, we partner as equals with all levels of government, local institutions and communities – challenging outdated methods and tackling local issues with practical, long-term solutions.

About Just Transition Partnership

The [Just Transition Partnership](#) advocates for action to meet climate change targets in ways that protect workers' livelihoods and make Scotland more equal and inclusive.

Founded in 2016 by Friends of the Earth Scotland and the Scottish Trades Union Congress, the alliance now also includes the trade unions UNISON, Unite, the Public and Commercial Services Union (PCS), the University and College Union and the Communication Workers Union (CWU), as well as WWF Scotland, the New Economics Foundation, Platform and Common Weal.

About this report

This paper presents CLES's research for the Just Transition Partnership on practical pathways to expand public ownership in Scotland's buses, energy, and home retrofit sectors. It draws on academic and grey literature, analysis of policy, funding and institutions, Scottish and international case studies, and consultation with local government officers, trade unions, community organisations and sector experts. Written principally for Scottish and UK policymakers, it identifies changes needed to enable public delivery of climate action across the UK so no place misses out, workers are protected and public investment delivers public value.

It is designed to be read alongside the accompanying toolkit, which is a practical starting point for local authorities and other public bodies exploring public ownership or direct public delivery of buses, energy and retrofit. It helps elected members and officers identify opportunities, assess the conditions needed for success and agree the next practical step.

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In brief

Scotland must transform its economy at speed to confront the climate and cost-of-living crises, while protecting workers and improving the places where people live. Yet it is not on track to meet its climate targets, and market-led delivery has too often weakened services, local capacity and communities' ability to retain value. The transition will be shaped by who owns and controls its infrastructure as well as how quickly it is built.

The Community Wealth Building (Scotland) Act 2026 provides a framework for changing how wealth is owned and retained.¹ At its core, community wealth building is about changing ownership structures so that wealth is generated, retained and recirculated locally rather than extracted from communities. Public ownership is therefore not a peripheral concern but one of the most powerful tools available to deliver community wealth building and a just transition together.²

Buses, energy and home retrofit are different systems, but they share a common political economy. All are essential to climate targets and everyday living standards; all require substantial public investment or intervention; and in each, ownership shapes who controls decisions, where financial value flows and whether investment builds lasting local capacity. Yet bus services have contracted, renewable energy wealth flows out of communities, and retrofit programmes have failed to build the workforce and institutions needed for sustained delivery.

Public ownership does not guarantee good outcomes, but it is increasingly a precondition for a transition that serves workers and communities. With capable institutions, democratic accountability and social purpose, it can retain value, integrate services, support long-term investment and build secure jobs and skills. Scottish examples are already showing what this can achieve. What is missing is a policy and investment framework that makes these benefits widely attainable.

The central policy choice is whether public money should continue to subsidise privately controlled systems that enable value extraction or instead builds public assets and institutional capacity whose benefits are retained for workers, communities and future generations. Public ownership is central to turning community wealth building into a just transition.

This paper recommends three connected reforms for the Scottish Government: build delivery capacity, change investment and appraisal, and address specific sectoral challenges. In order to do this, it should:

- establish a Public Ownership and Delivery Unit to support public operation and delivery of buses, renewable energy generation, heat networks, and retrofit;
- reform public investment flows to build public ownership of the infrastructure needed to deliver a just transition;
- put ownership at the centre of community wealth building guidance for authorities;
- create a funded Public Bus Transition Programme to expand local and regional public ownership and direct operation, with dedicated funding, guidance and technical support;

¹ Scottish Parliament (2026). Community Wealth Building (Scotland) Act 2026. [Link](#).

² TL Goodwin and H Power (2021). Community Wealth Building: a history. CLES. [Link](#).

- use available powers to secure local democratic ownership of energy systems, including ownership conditions for projects on public land;
- make public or not-for-profit ownership the default for publicly supported heat networks, with appraisal and funding centred on affordability, fuel poverty and long-term public capacity;
- fund retrofit as a permanent public responsibility and core industry; and
- embed these reforms in proposed public sector reform, the Better Buses Bill and the Buildings (Heating and Energy Performance) and Heat Networks (Scotland) Bill.

This paper also recommends that the UK government:

- reform network use charges and local supply rules so public bodies and communities can use locally generated power without facing costs designed around the GB-wide private market;
- give Great British Energy a clear public ownership mandate, including a dedicated programme of funding and capacity building for Scottish local and regional authorities and other public bodies;
- remove licensing and direct award barriers facing publicly owned bus operators; and
- align subsidy control, public borrowing and industrial strategy with the expansion of democratically owned climate infrastructure.

The Scottish and UK governments must enable public ownership of buses, energy and retrofit at scale to meet climate targets and support a good life for all. Local authorities already demonstrate what place-based ownership can achieve. Our accompanying standalone toolkit offers practical pathways for local authorities and other public bodies to develop these models now.

The rest of this paper develops the argument in three stages. First, it examines what public ownership can change across buses, energy and retrofit, drawing on Scottish examples. It then explains why these models remain difficult to expand, identifying four common barriers. Finally, it sets out a programme of action for the Scottish and UK governments to turn existing powers into lasting public capacity.

1. The case for public ownership

Scotland faces a defining challenge: to secure a good life for all within environmental limits, at a time when many households are under severe financial pressure. As climate impacts intensify and fall hardest on people and communities already facing disadvantage, the need for a just transition has never been greater. Its success cannot be judged simply by the volume of renewable energy generated, buses electrified or homes fitted with new technology. It must be judged by whether it improves daily life, reduces inequality and leaves Scotland with stronger institutions and greater economic capacity.

Buses, energy and retrofit expose the same underlying choice. Public policy already shapes all three through subsidy, investment, regulation and procurement. The question is whether that intervention leaves control and financial returns predominantly in private hands, or builds public assets, institutional capacity and democratic control.³

Transport and energy account for a significant share of household expenditure, while these sectors are among the top contributors to greenhouse gas emissions.⁴ These costs and risks are not evenly distributed. Lower income households spend a greater share of their income on essentials and are more exposed to unreliable transport, fuel poverty and poor-quality housing.⁵

Scotland's position as a major renewable energy producer has not translated into lower bills or greater local prosperity. In the Highlands, high levels of renewable energy generation coexist with some of the highest fuel poverty rates in the UK.⁶ CLES analysis of 105 Scottish onshore wind farms found £2.83bn in post-tax profits, of which almost 90 per cent was paid out as dividends to corporate shareholders.⁷ The problem is not renewable energy development itself. It is an ownership model that leaves households facing high energy costs while the places hosting the infrastructure retain only a small share of the value it creates.

The same ownership question runs through buses and retrofit, where public funding sustains delivery without necessarily building public control.

Bus deregulation promised lower fares, new services and reduced subsidy; instead, ridership has declined, fares risen, networks contracted and reliance on subsidy grown.⁸ In 2024/25, government support accounted for 56 per cent of operator revenue.⁹ Households pay more for less access, while government funds a system it cannot fully control.

Retrofit has relied on short-term, market-led programmes and household grants, encouraging fragmented supply chains and a focus on individual measures rather than the long-term performance of homes and neighbourhoods. Buildings must be decarbonised rapidly to meet climate targets, yet plans have been lacking.¹⁰ Wider UK evidence shows that pressure to

³ For further reading on the case for public ownership, see the work of [We Own It](#).

⁴ Office for National Statistics. (2026). Family spending in the UK: April 2024 to March 2025. [Link](#); Department for Energy Security and Net Zero. (2026). 2025 UK greenhouse gas emissions: provisional figures. [Link](#).

⁵ Institute for Government. (2025). Domestic energy bills. [Link](#); Office for National Statistics (2026). Family spending in the UK: April 2024 to March 2025. [Link](#); Department for Energy Security and Net Zero. (2026). 2025 UK greenhouse gas emissions: provisional figures. [Link](#).

⁶ Scottish Government. (2023). Scottish islands: data overview 2023. [Link](#).

⁷ CLES. (2026). Blown away: following the money in Scotland's onshore wind sector. [Link](#).

⁸ P. Alston, B. Khawaja & R. Riddell. (2021). Public Transport, Private Profit. [Link](#)

⁹ Transport Scotland. (2025). Scottish Transport Statistics. [Link](#).

¹⁰ Climate Change Committee. (2026). Progress in reducing emissions in Scotland – 2025 report to Parliament. [Link](#).

minimise costs and maximise contractor margins can produce poor-quality work, while local authorities struggle to maintain the workforce and technical capacity needed for sustained delivery.¹¹

These questions sit at the heart of community wealth building. Ownership must be considered before deciding how a service or programme is commissioned, so that market provision ceases to be the unexamined default and public spending builds lasting local capacity.

Here, public ownership primarily means local and regional public enterprise and in-house delivery, sometimes with public sector partners. Any public sector reform must be about embedding public ownership and organising delivery at the scale best suited to each service and place.

Public ownership in practice: Scottish examples

The appropriate form and scale of public ownership will differ between sectors and places. Existing Scottish practice nevertheless reveals common advantages and shows why it is important to retain delivery capacity.

Lothian Buses

Lothian Buses, owned by four Scottish councils, is the UK's largest municipal bus company, with 2,500 staff and annual revenues of over £175m. It operates an extensive network, has maintained increasing levels of bus use relative to comparable Scottish cities and is recognised for service quality.¹² Its public structure allows profits from well-used services to support less commercially attractive routes and wider transport investment.¹³

Lothian's success also illustrates the advantage of retaining public infrastructure and institutional capacity that many local authorities are now having to rebuild.

Highland and Scottish Borders: In-housing bus services

In the Highlands and Scottish Borders, in-house bus operation emerged in response to market withdrawal and steep tender price increases. Services include home-to-school transport and rural lifeline routes, as well as routes previously run by private operators on a commercial basis. Direct operation has controlled costs, expanded services and increased passenger use.¹⁴ In Highland, in-house delivery is generating annual savings of over £1.7m against previous tender prices, while supporting growing passenger numbers.¹⁵ In the Borders, passenger numbers rose from around 2,000 to nearly 12,000 per month within a year of bringing services in-house.¹⁶

These examples show how public operation can rebuild affordable, reliable services, provided local government retains the expertise to run them.

¹¹ M. Pauker and D. Brown. (2026). A Plan for Places: Transforming Housing and Lowering the Cost of Living Through Home Improvement Corporations. Common Wealth. [Link](#)

¹² Understanding Glasgow. (2022). Scottish Cities. [Link](#).

¹³ Lothian Buses. (2026). About Us. [Link](#).

¹⁴ Discussion-group participants, CLES research team conversations, June 2026 (anonymised).

¹⁵ The Highland Council. (2026). Committee welcome significant growth, savings and future plans for Council's In-house bus service. [Link](#); Discussion-group participants, CLES research team conversations, June 2026 (anonymised).

¹⁶ Scottish Borders Council. (2025). Major progress made in transforming local bus network, highlighted by seven-figure investment and increased passenger numbers [Link](#); Discussion-group participants, CLES research team conversations, June 2026 (anonymised).

South Lanarkshire Council's solar programme

South Lanarkshire developed its own solar programme using a retained in-house building services team. The council trained its own electricians and used council roofers to install Solar panels (solar photovoltaics, or PV) across schools and leisure facilities. The programme has installed 3,035 kilowatt-peaks (kWp) of capacity and generated energy savings that are reinvested in further projects.¹⁷ It has reduced energy costs while retaining work and developing skills and knowledge within the public sector.

The key asset was not the solar technology alone, but the delivery capacity the local authority had retained and developed. Many local authorities no longer possess comparable technical expertise.

Aberdeen Heat and Power¹⁸

Aberdeen City Council established Aberdeen Heat and Power as a not-for-profit company with governance and tariffs geared towards reducing fuel poverty. The network has expanded to 5,000 homes and public buildings,¹⁹ serving areas selected for their high levels of fuel poverty.²⁰ Its social purpose is embedded in its governance. The starting point also matters: most residents were switching from electric storage heating when the scheme was established, making district heating comparatively attractive and affordable.²¹

What public ownership changes

These examples reveal a common set of mechanisms through which ownership can change outcomes: where value goes, how services are planned, the time horizon for investment and the capacity retained within the workforce and public sector. These are the links between buses, energy and retrofit, and the basis for assessing what policy must enable.

First, it can retain and reinvest value. In-house bus operations help authorities control costs and build public services.²² Public operators can cross-subsidise necessary routes, while not-for-profit heat networks can prioritise affordable tariffs, maintenance and expansion.²³ South Lanarkshire's solar savings financed further installations. Not every public enterprise will generate a surplus, and some essential services require subsidy; the point is that subsidy can transparently secure social outcomes and public capability rather than private returns.

Second, it supports integration and place-based planning. A public bus operator can align routes, fares, depots and fleet investment with access to hospitals, employment, education and town centres, instead of route-level profitability.²⁴ Cross-authority or regional collaboration can further improve planning and connectivity and protect socially necessary

¹⁷ South Lanarkshire Council. (2025). The future is bright for primary schools. [Link](#); Discussion-group participants, CLES research team conversations, June 2026 (anonymised).

¹⁸ Aberdeen Heat and Power uses a range of heat sources, including waste incineration. This is a non-renewable source of energy and generation contributes to climate change. With a ban on landfill coming into force in 2028, local authorities are looking for solutions to dealing with waste; this should include a focus on reducing waste.

¹⁹ J Webb. (2015). Improvising innovation in UK urban district heating: The convergence of social and environmental agendas in Aberdeen. [Link](#); Aberdeen Heat and Power. 2019. Transition Roadmap. [Link](#).

²⁰ Vital Energi. n.d. Torry Heat Plant. [Link](#); Aberdeen Heat and Power. 2019. Transition Roadmap. [Link](#).

²¹ J Webb. (2015). Improvising innovation in UK urban district heating: The convergence of social and environmental agendas in Aberdeen. [Link](#); Discussion-group participants, CLES research team conversations, June 2026 (anonymised).

²² Ibid.

²³ STUC. (2025). The Next Stop: The case for publicly owned buses in Scotland. [Link](#); Aberdeen Heat and Power. (2019). Transition Roadmap. [Link](#).

²⁴ STUC (2025). The Next Stop: The Case for Publicly Owned Buses in Scotland. [Link](#).

routes through cross-subsidy.²⁵ Publicly led retrofit programmes can plan around the long-term performance of whole buildings and neighbourhoods rather than isolated measures.²⁶

Third, it makes longer investment horizons possible. Bus infrastructure, heat networks, renewable generation and retrofit capacity are long-lived assets. Appraisal based on short-term commercial returns can make projects with wider public benefits appear unviable.²⁷ With appropriate funding, public and non-profit models can give greater weight to affordability, decarbonisation, housing quality, health and retained institutional capacity.

Fourth, it creates foundations for a just transition for workers. Apprenticeships and skills pipelines depend on stable employment. Public operators can recruit and train at scale, preserve knowledge, strengthen health and safety, and offer progression that fragmented subcontracting and repeated retendering cannot. Outsourcing also removes workers from public sector collective bargaining arrangements, which drive Fair Work, transferring them into private sector employment where coverage is lower.²⁸

These benefits are not produced by ownership alone. Public ownership must be accompanied by democratic governance, transparent objectives, meaningful worker and trade union voice, resident and community participation, and clear duties on affordability, service quality and reinvestment. The aim is not just to change the name above the door, but to change the purpose and practice of the institution so that it delivers better outcomes for communities.

²⁵ Ibid.

²⁶ Interreg. (2020). Wilmcote House. [Link](#); LSE Housing and Communities. 2019. Retrofit to the Rescue: Environmental upgrading of multi-storey estates. [Link](#).

²⁷ Discussion group participant, CLES research team conversation, June 2026 (anonymised).

²⁸ Department for Business & Trade. (2025) Trade union membership, UK, 1995 to 2024 [Link](#).

2. Why public ownership is not yet scaling

Scotland increasingly has permission for public ownership, but not yet the system needed to deliver it. The Transport (Scotland) Act 2019 restored local authorities' power to run buses; devolved heat powers support networks and local planning; and the Community Wealth Building (Scotland) Act 2026 creates opportunities to increase democratic ownership and to leverage the economic shaping power of public institutions. Proposed bus and energy legislation may extend these opportunities. Yet funding, institutional capacity and supportive policy have not developed alongside formal powers. Public ownership remains legally possible but structurally disadvantaged.

New sources of finance have not yet closed this gap. The Scottish National Investment Bank (SNIB) has a net zero mission but cannot invest directly in local authorities. Great British Energy's offer to Scottish local authorities and other public bodies remains in development.

The practical obstacles differ between buses, electricity and heat, and retrofit. Each nevertheless exposes the gap between permission and delivery capacity. The sector analysis below identifies how that gap arises, before drawing together four common barriers.

Buses: powers restored, but no equal route to public operation

The Transport (Scotland) Act 2019 gives local transport authorities three routes to improving bus services: Bus Service Improvement Partnerships (BSIPs), franchising and direct operation.²⁹ The Scottish Government has ringfenced funding for the first two, but not for direct operation, and guidance on establishing public operators is still lacking. Start-up funding, technical assistance and legal guidance are needed to rebuild delivery capacity.³⁰ The proposed Better Buses legislation should make public ownership an explicit goal.

Franchising can regulate routes, fares and service standards, but does not itself build public delivery capacity. A shift towards public ownership requires investment in public operators to build practical capacity to run services directly; alongside this, market regulation through franchising may be required in some places, such as in larger urban regions with several private operators.³¹ Direct award rules allow public contracts to be directly awarded to an operator, up to a threshold; these thresholds may permit pilots within franchised networks, but these regulations may limit the expansion of these models.³²

Regional delivery may suit some places, but Regional Transport Partnerships vary in powers and capacity. Strathclyde Passenger Transport has operational functions as a Local Transport Authority, while ZetTrans in Shetland and SWestrans in Dumfries and Galloway use powers transferred by coterminous local authorities; others remain mainly strategic. Public sector reform should give suitable regional bodies consistent powers and appropriate structures to operate services directly.

Existing bus funding includes the Scottish Government's Network Support Grant, concessionary reimbursement, supported services and capital programmes such as the

²⁹ Transport Scotland. (2019). Transport (Scotland) Act 2019 and Bus Services. [Link](#).

³⁰ Scottish Government. (2026). Scottish Budget 2026 to 2027. [Link](#); Discussion group participant, CLES research team conversation, June 2026 (anonymised).

³¹ STUC. (2025). The Next Stop: The case for publicly owned buses in Scotland. [Link](#).

³² Ibid; A direct award is when a public contract is awarded without a competitive tendering procedure.

Scottish Government's Bus Infrastructure Fund and decarbonisation funding. Authorities seeking to establish or expand direct operation also need greater, stable revenue funding to build capacity and sustain early network growth.³³

Uncertainty over reimbursement for the Scottish Government's £2 fare cap further complicates planning. Without clear compensation arrangements, local authorities cannot assess the financial viability of direct operation or how this public funding will secure public value.

Licensing creates a further obstacle. Local authorities using section 19 and 22 community bus permits cannot also hold a full Public Service Vehicle operator's licence. This confines their in-house services to a not-for-profit permit model and prevents them from operating on the same footing as commercial companies.³⁴

Scotland has restored the power to operate buses without constructing an equally viable route for authorities wishing to use it.

Energy and heat: local opportunity within a privately structured market

Local authorities can develop renewable electricity generation on their estates and negotiate shared ownership stakes in energy projects. Supplying that power locally is harder. Reserved electricity supply rules and grid charges restrict integrated local systems.³⁵ A council can build a wind turbine, but supplying residents or other public bodies through the grid brings it within Ofgem's regulatory framework, with compliance costs and wholesale market exposure that public and democratic operators struggle to absorb.³⁶

Repowering (i.e. replacing or upgrading) existing wind assets over the coming decades creates a major opportunity to secure public and community ownership stakes.³⁷ Without intervention, however, a second generation of privately controlled infrastructure risks reproducing existing patterns of value extraction rather than building local wealth and democratic ownership.³⁸

Heat networks offer greater scope for devolved action. Local authorities have powers to develop, own and operate them, while the Scottish Government controls zoning and infrastructure development. Emerging policy creates uncertainty but also an opportunity to shape ownership in a sector that meets around 1.5 per cent of Scotland's heat demand, against an estimated potential of 20 per cent.³⁹

The Scottish Government's Heat Network Support Unit and Heat Network Fund provide feasibility and development funding, but councils still need viable business models that tackle fuel poverty and support the energy transition. Commercial return tests can conflict with that purpose, while policy and network costs falling disproportionately on electricity can make low-carbon electric heat unaffordable.⁴⁰ Authorities also need support to use lower-cost industrial

³³ Discussion group participant, CLES research team conversation, June 2026 (anonymised).

³⁴ Ibid.; Transport Scotland. (2025). NSG Section 19 and 22 Permit Operators. [Link](#).

³⁵ Regen. (2024). Power of Places: A vision for local energy in the UK. [Link](#).

³⁶ Regen. (2024). Local supply for community generators. [Link](#).

³⁷ Equitable Energy Research. (2026) Onshore wind repowering report: Opportunities for community wealth building in Argyll and Bute – and beyond. [Link](#).

³⁸ CLES. (2026) Blown away: following the money in Scotland's onshore wind sector. [Link](#).

³⁹ Scottish Government. (2025). Scottish Government response to green heat finance taskforce. [Link](#).

⁴⁰ Discussion group participant, CLES research team conversation, June 2026 (anonymised).

waste heat, mine water and geothermal energy, which remain marginal while most existing networks use gas.

Public developers also need confidence about future demand. Mandatory connection obligations can strengthen investment cases, but public bodies should be funded to meet transition costs before being required to connect.⁴¹

The Scottish Government's emphasis on attracting private investment should not crowd out public ownership. As it considers regional and national delivery models, it should provide explicit powers and capacity to develop publicly owned heat infrastructure. Publicly funded networks should operate without profit distribution, with transparent pricing, affordability safeguards and surpluses reinvested in decarbonisation, tariff reductions and other public priorities.⁴²

Unlike the reserved electricity market, many barriers to public heat networks can be addressed through devolved action on capacity, appraisal and demand certainty. Forthcoming legislation is an opportunity to establish that delivery framework.

Retrofit: investment without a permanent delivery system

Scotland is funding retrofit activity without yet funding a permanent retrofit system. Many local authorities lack in-house capacity, while uncertainty over standards, including the Social Housing Net Zero Standard, and over funding and delivery pipelines prevents long-term planning and investment.⁴³ There is also a need to build and maintain public trust and confidence in retrofit programmes, which is critical to decarbonising Scotland's buildings.⁴⁴

Procurement practices, short funding cycles and grants for individual households favour contractor-led projects over permanent public capacity. They tend to reward installations rather than outcomes and discourage investment in workforce development, maintenance, long-term building performance and long-term work need to build trust with residents.⁴⁵ In a sector that requires significant workforce growth, long-term funding matters: stop-start funding is an obstacle to investment in training and makes it harder to retain skilled workers between schemes.⁴⁶ Multi-year public delivery could support secure employment and sustained training, helping to develop a well-equipped sector and improve the quality of work.

Existing funding programmes provide important household support: the Scottish Government's Home Energy Scotland grants and interest-free loans, and Warmer Homes Scotland's support for eligible lower-income and fuel-poor households, provide important help with installation costs. Future delivery should retain affordability protections within area-based programmes, supported by trusted advice and meaningful resident participation. These safeguards are particularly important in mixed-tenure projects, where residents can otherwise face unaffordable costs, little influence and even displacement.

⁴¹ N Thomson et al. (2025) Funding and financing heat networks in Scotland. [Link](#).

⁴² Scottish Futures Trust. (2024). Heat Networks Delivery Models. [Link](#).

⁴³ The Social Housing Net Zero Standard will set out the regulations for how local authorities and housing associations heat residential properties, as well as how energy efficient the buildings need to be.

⁴⁴ Scottish Government. (2025). Improving home energy efficiency - retrofit assessment review: policy report. [Link](#).

⁴⁵ Discussion group participant, CLES research team conversation, June 2026 (anonymised).

⁴⁶ National Retrofit Hub. (2026). Policy recommendations for a national retrofit workforce strategy. [Link](#); Energy Systems Catapult. (2026). IPEC 20, Part 3. [Link](#).

Public funding must be multi-year and should support direct labour models, resident engagement, proper diagnostics, apprenticeships and maintenance planning. This would put high-quality work, public trust and local capacity at the centre of delivery. Retrofit should be funded as a permanent public responsibility and a core industry capable of creating jobs across Scotland.⁴⁷

Across all three sectors, public ownership can also support domestic supply chains. It gives the Scottish Government, local authorities and other public bodies a practical means of fulfilling their community wealth building duties to retain and circulate wealth locally and regionally, and support local businesses. Public ownership is a lever for this: it can be used to support domestic supply chains in buses, retrofit and energy, thereby maximising the value created for Scotland through the just transition.

Four barriers holding public ownership back

Viewed separately, buses, energy and retrofit face different technical and regulatory problems. Viewed together, they reveal four recurring institutional barriers to expanding public ownership.

1. **Powers without capacity.** Formal authority to create services or enterprises is insufficient without specialist staff, development finance, clear guidance and practical routes through procurement, licensing and governance.
2. **Projects rather than institutions.** Short-term capital programmes buy vehicles, technologies and works without reliably funding the staff, revenue and development capacity needed for durable public organisations. Persistent local authority underfunding reinforces dependence on outsourcing.
3. **Appraisal that undervalues public benefit.** Business cases and best value judgements can understate affordability, service access, skills, public assets and locally retained wealth. Projects that serve a just transition can fail tests centred on private market returns.
4. **Reserved systems that constrain potential under devolution.** Electricity markets, grid charging, local supply rules, subsidy control and aspects of bus licensing sit at UK level. Scotland can act within its powers, but integrated municipal systems on the scale seen in parts of Europe also require changes to the wider regulatory settlement.⁴⁸

Taken together, these weaknesses point to a contradiction at the heart of Scotland's current approach: while the Scottish Government sets out to achieve a just transition and to build community wealth, the institutions that fund, appraise and regulate delivery continue to favour short-term projects and private market models over building public capacity. Scotland needs an enabling system that can turn powers into institutions, and isolated examples into a sustained programme of public ownership.

⁴⁷ Patel, S. et al. (2026). Workforce requirements for net zero: transport and construction. [Link](#).

⁴⁸ For an example from Europe, see Platform's case study on Munich's municipal utility company: Platform London (2023). *Public Ownership NE Scotland*. [Link](#).

3. A programme for government

These barriers require a connected programme of institutional, financial and regulatory reform. Scottish priorities fall into three groups: build delivery capacity; change investment and appraisal; and create sector-specific pathways for public ownership. Legislation should secure these reforms. UK action must address the reserved constraints. Both governments and other public bodies also have direct responsibilities as owners of buildings, users of energy and participants in community wealth building.

Priorities for the Scottish Government

1. Build delivery capacity through a Public Ownership and Delivery Unit. Establish a national support function for local and regional public authorities and public enterprises delivering buses, energy, heat networks and retrofit. It should provide legal, procurement, financial, technical and governance expertise; maintain model business cases; identify funding; share specialist staff and learning; and build a pipeline of deliverable projects.

2. Reform investment and appraisal to build public ownership. Enable the Scottish National Investment Bank to invest in local authorities and direct ScotWind revenues towards public ownership of energy and transport. Appraisal methodologies should compare whole-life public value with outsourcing, including retained skills, avoided leakage and public asset creation, rather than judging proposals principally through short-term commercial returns.

3. Put ownership at the centre of community wealth building guidance. Statutory guidance under the Community Wealth Building (Scotland) Act 2026 should make clear that changing ownership structures is central to generating, circulating and retaining wealth locally. It should require authorities to consider public ownership, in-house delivery and public enterprise alongside co-operative, community and wider social economy models, particularly for essential services and climate infrastructure.

4. Create a public bus pathway through a funded Public Bus Transition Programme. Give local and regional authorities dedicated support for direct operation, matching that available for other routes under the Transport (Scotland) Act 2019. Provide start-up and development funding, capital for fleets and depots, revenue for network growth, and specialist help with licensing, direct awards, operational systems and workforce transfer. Give Regional Transport Partnerships the power to operate services directly.

5. Use existing powers to secure local democratic ownership of energy systems. When wind farms are renewed, or new projects are developed on public land, the Scottish Government should require meaningful ownership stakes for local authorities, communities and other public bodies. Procurement legislation should be reformed to enable local authorities to buy electricity directly from community and publicly owned projects.

6. Make public or not-for-profit ownership the default for publicly supported heat networks. Publicly supported networks should operate transparently without profit distribution and reinvest surpluses in lower bills, maintenance, expansion and decarbonisation. Appraisal and funding should prioritise affordability, fuel poverty, carbon reduction and long-term public value. Mandatory or incentivised connections for new housing and public buildings should be considered where transition costs are funded.

7. Fund retrofit as a permanent public responsibility and core industry. Replace stop-start project and individual household grant schemes with multi-year, area-based settlements that enable local and regional authorities and other public bodies to build direct labour

organisations and public enterprises. Funding should cover diagnosis, design, resident engagement, project management and maintenance, and enable direct employment, workforce retention, apprenticeships and accredited training in partnership with colleges and trade unions. Require resident participation, tenant protection, affordable treatment of mixed-tenure owners and building performance outcomes.

8. Embed this programme in legislation. Use proposed public sector reform, the Better Buses Bill and the Buildings (Heating and Energy Performance) and Heat Networks (Scotland) Bill to secure the powers, responsibilities and public ownership principles needed to deliver the reforms above.

Priorities for the UK government

1. Reform the energy market to enable local generation and supply. Make network use charges and supply rules proportionate so public authorities and communities can use locally generated power without facing costs designed around the GB-wide private market. Explore options to mandate local or regional public and community ownership stakes in renewable energy projects, especially on public land and at repowering. Over the longer term, ending the privatisation of the grid is needed to unlock public control of the energy system.

2. Align public finance and industrial strategy with democratic ownership. Create clear subsidy control routes for public ownership of essential climate infrastructure⁴⁹; clarify that borrowing for service delivery assets is not speculative debt-for-yield⁵⁰; and support green public borrowing where it offers lower costs and stronger accountability than private finance. Industrial strategy should recognise public retrofit workforces, public heat networks, electric bus supply chains and public purpose energy projects as core industries needed to deliver a just transition.

3. Remove barriers to publicly owned buses. Review and clarify the relationship between Section 19 and Section 22 permit arrangements and full Public Service Vehicle (PSV) operator licensing, including the restriction on a single legal entity holding both, to ensure that existing community and in-house transport activity does not constrain public bus operations. Provide authoritative guidance on the circumstances in which local authorities may directly award services to public operators and review thresholds and requirements so successful services can expand beyond pilots.

4. Strengthen Great British Energy's local and regional public ownership mandate in Scotland. The Local Power Plan should provide substantial co-investment, development funding, capacity building and technical expertise for Scottish local authorities, backed by a target for publicly owned projects. Judge the partnership with the Scottish Government by its contribution to local public ownership, alongside distinct community ownership models, and by the benefits retained for public services and communities.

⁴⁹ Under the Subsidy Control Act 2022, UK public authorities must give subsidies in a way that minimises negative impacts on competition and investment. The UK Government has pre-approved certain types of support that local authorities can use to provide funding more quickly and with greater legal certainty.

⁵⁰ HM Treasury. (2023). PWLB Guidance for Applicants. [Link](#): The debt-for-yield restriction, which prevents councils from borrowing primarily to generate investment income rather than deliver services.

Conclusion: from public investment to public power

Scotland's market-led approach to climate action is neither moving fast enough nor reliably protecting workers, reducing pressure on household budgets or retaining wealth in communities. Existing public bus companies, not-for-profit heat networks, in-house energy programmes and direct labour organisations show that different ownership can produce better outcomes.

Public ownership gives government and communities the capacity to decide what infrastructure is for, where its value goes and how its benefits are shared. By embedding democratic accountability, worker voice, capable management and clear social objectives, public bodies can deliver what the market will not.

The present model requires the public sector to finance buses it does not control, host renewable energy infrastructure whose profits largely leave the places where they are generated, and fund retrofit programmes without building the permanent institutions and skills needed to deliver them.

That is not an efficient use of public money. It is a failure to convert public investment into public power. At a time of intense pressure on public services and a statutory commitment to community wealth building, Scotland cannot afford to keep funding systems that fail to build lasting public capacity.

The policy challenge is not to prove the concept. It is to move from permission to capacity, from projects to institutions and from isolated successes to a national strategy for expanding public ownership. A just transition will require technology and investment, but it will endure only if Scotland owns enough of the systems being built to ensure they serve its people, places and future.



