

The Highland Council

Agenda Item	7
Report No	CC/20/25

Committee: Caithness

Date: 4 August 2025

Report Title: External Funding for Energy Efficiency Projects (Domestic)

Report By: Assistant Chief Executive – Place

1 Purpose/Executive Summary

- 1.1 This report provides an update on the Energy Efficient Homes Programme and outlines external funding available to deliver energy efficiency and renewable improvements to domestic properties in Caithness.
- 1.2 The report outlines planned works in the Caithness and outlines further potential opportunities. All works are subject to the availability of external funding.

2 Recommendations

- 2.1 Members are asked to:-
 - i. **Note** the contents of this report; and
 - ii. **Agree** the development of externally funded projects and the opportunity to scale up.

3 Implications

- 3.1 **Resource** – There are no direct implications arising from this report.

Climate Change & Energy Team (CCET) have a dedicated team to manage the coordination and delivery of externally funded works. A nominal fee is charged which covers costs associated with project management.

- 3.2 **Legal** – There are no direct implications arising from this report.

The Energy Efficiency Standard for Social Housing 2 (EESH2) sets a target that all social housing in Scotland would have an Energy Performance Certificate (EPC) rating of B by the end of 2032 or be as energy efficient as practically possible. EESH2 is currently under review by the Scottish Government and is expected to be replaced by the Social Housing Net Zero Standard (SHNZS).

- 3.3 **Risk** – Risk is managed through regular review and reporting to allow corrective action to be taken if necessary.

The below table outlines key risks and mitigation actions identified for this project:-

Key Risks	Mitigation
Tenant opt-outs/ lack of private householder engagement will impact the delivery of retrofit projects and the Council's ability to secure external funding.	<ul style="list-style-type: none">- Robust engagement strategy developed with advice and support throughout.- Community events.- Review of tenant opt-out policy for Council properties.- Obtain tenant opt-in forms.- Private households already signed up under the Energy Efficient Scotland: Area Based Scheme (EES:ABS).
Accuracy of property data.	<ul style="list-style-type: none">- Desktop analysis to review data held, utilising multiple sources including Home Analytics and Stock report.- Prequalification and analysis to check eligibility.

- 3.4 **Health and Safety (risks arising from changes to plant, equipment, process, or people)** – There are no Health and Safety risk implications arising directly from this report.

- 3.5 **Gaelic** – There are no Gaelic implications arising directly from this report.

4 Impacts

- 4.1 In Highland, all policies, strategies or service changes are subject to an integrated screening for impact for Equalities, Poverty and Human Rights, Children's Rights and Wellbeing, Climate Change, Islands and Mainland Rural Communities, and Data Protection. Where identified as required, a full impact assessment will be undertaken.
- 4.2 Considering impacts is a core part of the decision-making process and needs to inform the decision-making process. When taking any decision, Members must give due regard to the findings of any assessment.
- 4.3 This is an update report and therefore an impact assessment is not required.

5 Background

- 5.1 The Council is delivering a transformative programme of energy efficiency improvements, in line with the delivery plan, for domestic properties across the Highland region. This includes delivering multi-tenure and multi-funded projects as part of a place-based approach.

For 2025/26, the Council has secured Scottish Government EES:ABS grant funding to support energy efficiency upgrades for eligible owner occupied and private rented homes. This will be further enhanced by SSE Renewables funding, targeting households identified as extreme fuel poor.

In addition, Energy Company Obligation (ECO) funding is available for all tenures (subject to eligibility). The Council has secured £9.2m in ECO funding through Union Technical Services Limited to improve the energy efficiency of Council housing stock.

The programme prioritises low income, vulnerable and fuel poor households living in the least energy efficient homes. It aims to:-

- alleviate fuel poverty and accelerate progress to meet national targets;
- contribute to carbon reduction targets in the domestic sector; and
- lower the cost of meeting the UK's renewable energy target by:-
 - promoting more efficient energy use; and
 - encouraging innovation in the industry

5.2 The 2025/26 programme will be delivered Highland-wide, with focus placed on cluster areas to identify mixed-tenure opportunities for place-based retrofit delivery.

Caithness has been identified as a priority area due to its potential for integrated energy efficiency investment, supported by:-

- high levels of fuel poverty and energy vulnerability;
- off-gas communities;
- a significant proportion of older, poorly insulated properties;
- strong community networks and active engagement through SSE community funds; and
- opportunities to align multiple funding streams for greater impact

By coordinating EES:ABS, ECO and SSE Renewable funding, the Council aims to deliver a comprehensive retrofit programme in Caithness which improves living conditions, reduces carbon emissions, and supports local economic development.

5.3 The Council is currently delivering the D-C Project in Caithness, and other areas across the region, providing energy efficiency improvements to eligible Council properties. To date, 69 installations have been completed in Caithness which have been fully funded through ECO. Leveraging over £1.2m of funding to date, to deliver 148 measures.

By integrating EES:ABS and SSE Renewable grant funding alongside ECO funding, the programmes reach and impact will be significantly expanded.

6 Opportunities for Caithness

6.1 The D-C Project currently has a further 92 Council houses identified for fully funded energy efficiency upgrades in Caithness.

To date, 57 owner occupier/ private rented properties have registered interest in the EES:ABS project. These households will be contacted by the Council's appointed contactor in the coming weeks to discuss next steps and arrange property surveys.

Figure 1 illustrates fuel poverty likelihood among the 57 properties in Caithness. 81% are likely to be classified as fuel poor, highlighting the urgent need for intervention.

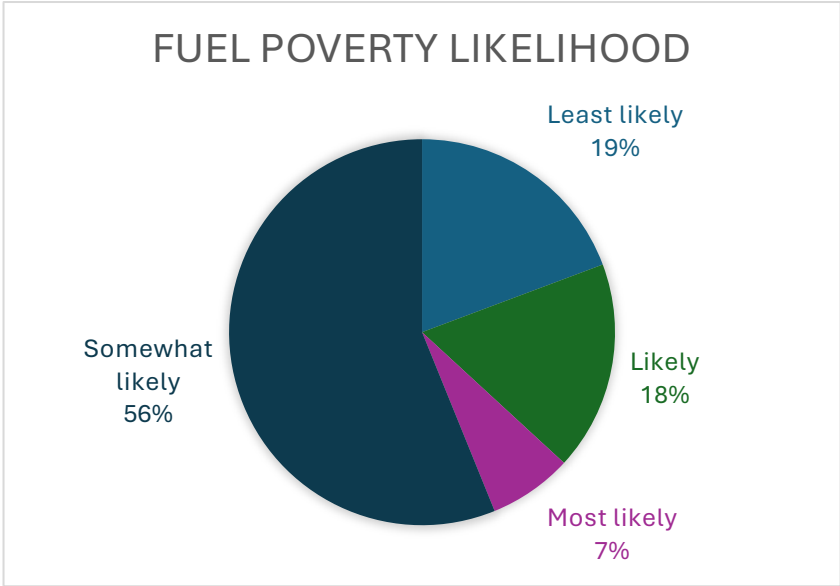


Figure 1: Fuel Poverty Likelihood

Pre Energy Performance Certificate (EPC) data was available for 93% of properties, enabling desktop modelling of potential EPC improvements based on implementing all energy efficiency measures identified.

Figure 2 illustrates projected EPC bands before and after improvements. Currently 95% of properties have a pre-EPC band D or below, requiring interventions to meet Scottish Government’s target of achieving an EPC rating of C or better by 2030. If all recommended measures are implemented, 72% of properties are expected to reach a post-EPC band C or above.

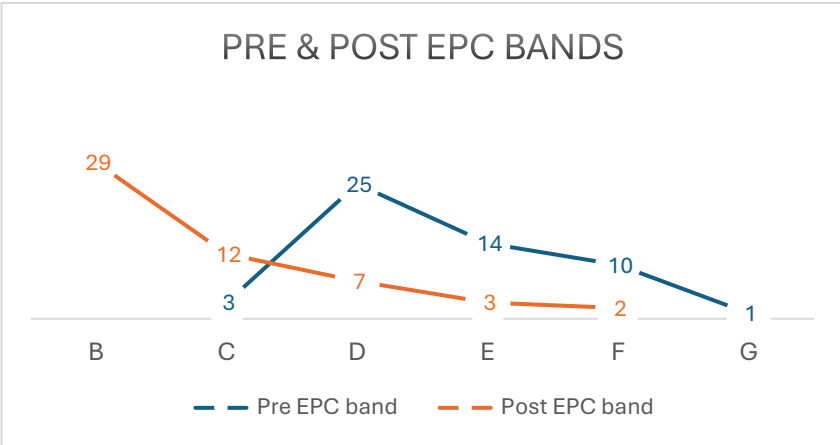


Figure 2: Projected Pre & Post ECP bands

Desktop analysis has identified an additional 5,400 mixed-tenure properties which may be eligible for external funding. To progress these properties, additional funding will be required.

7 Next Steps

- 7.1 Community engagement events will be held in Wick and Thurso to raise awareness of the programme and encourage uptake of external funding opportunities.

The Council will engage with the Scottish Government and private sector to promote the programme and pursue additional external funding to expand the scope and impact of the project.

The existing D-C Project will be aligned with EES:ABS and ECO funded initiatives to enable place-based delivery and simplify the process for residents, ensuring a more coordinated and efficient approach.

Designation: Assistant Chief Executive - Place

Date: 23 July 2025

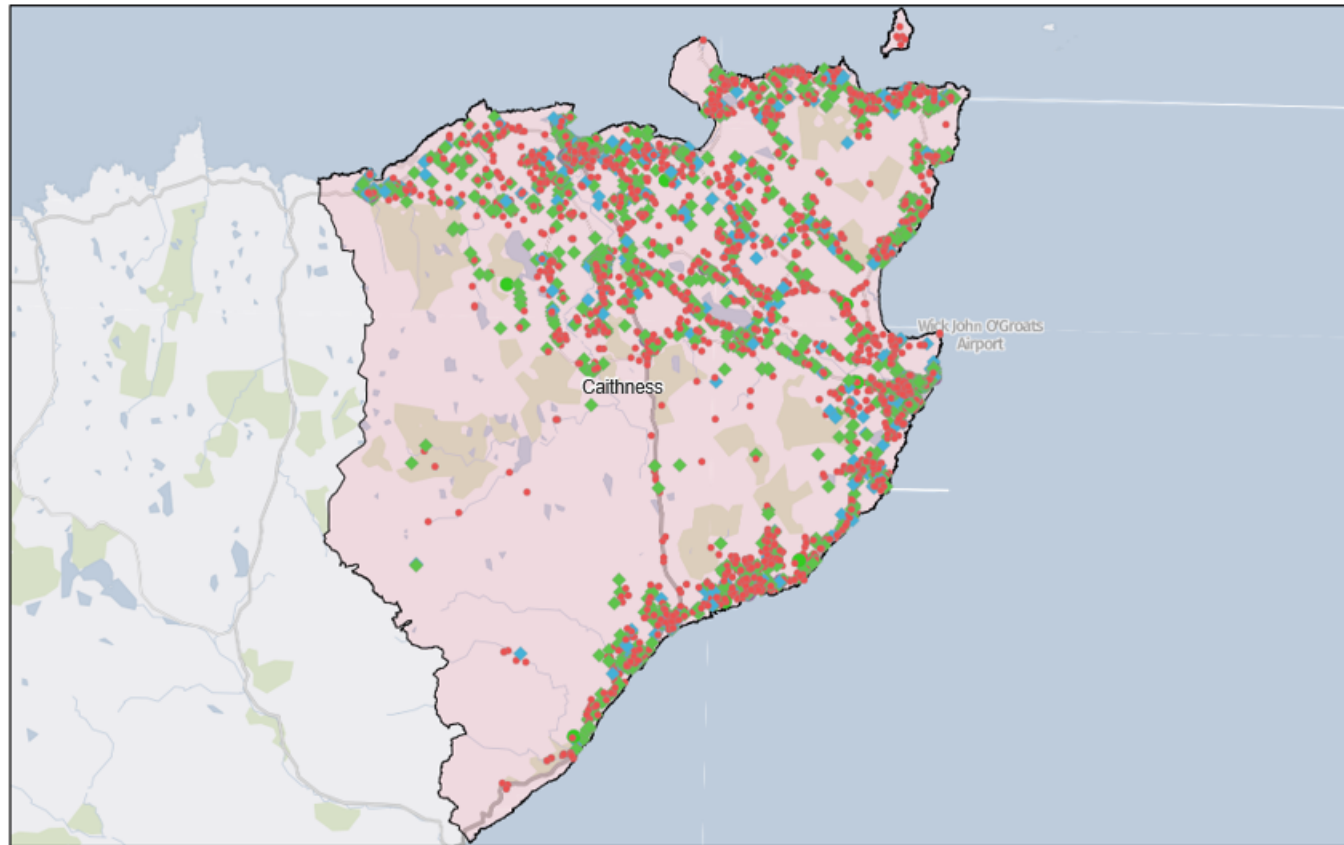
Author: Isla MacMillan, Programme Manager

Background Papers: Press [Release](#): Highland Council to deliver housing energy efficiency upgrades with ECO Funding

Appendices: Appendix 1: Caithness map

Appendix 1 - Caithness Map

Caithness opportunities



24/07/2025

Caithness opportunities

◆ ABS potential	● Not eligible
● ABS Carry Over	◆ ECO potential
● D-C	Caithness

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