

The Highland Council

Agenda Item	10
Report No	ECI/31/25

Committee: Economy and Infrastructure

Date: 21 August 2025

Report Title: Delivery Plan Budget Monitoring and Progress Update Q1 2025-26 – Net Zero, Energy, Investment & Innovation (NZEII)

Report By: Assistant Chief Executive - Place

1 Purpose/Executive Summary

1.1 The Highland Council's Delivery Plan 2024-2027 is structured around a portfolio management approach, overseen by six thematic Portfolio Boards. Each programme or project is aligned to one of these boards and is subject to regular reporting through the Portfolio Reporting Cycle, as approved by Council on 9 May 2024. Projects are typically brought to the relevant strategic committee for scrutiny and assurance. However, in certain instances, such as where a project has cross-cutting implications, requires urgent decision-making, or sits outside the normal reporting cadence - standalone reports may be brought forward to either committee or Full Council. Where this applies, appropriate signposting is provided within this report to ensure clarity and transparency in governance.

1.2 This report provides financial, performance, risk and general information on the following Delivery Plan projects/Programme:-

Net Zero, Energy, Investment & Innovation (NZEII) Portfolio

- Investment & Innovation – Solar PV Commercial Estate Project
- Investment & Innovation – Investment Pipeline Project

1.3 The content and structure of the report is intended to:-

- assist Member scrutiny and performance management
- inform decision making and aid continuous improvement; and
- provide transparency and accessibility

2 Recommendations

2.1 Members are asked to:-

- i. **Consider, scrutinise and approve** progress to date of projects as outlined in this report;
- ii. **Approve** the progression of the Tain North and Tain South solar PV projects to Outline Business Case stage, including the commencement of planning, legal and financial due diligence; and
- iii. **Agree** that outcomes of this next phase will be reported back to Members ahead of any Final Investment Decision.

3 Implications

3.1 **Resource** - Any resource implications (if any) for delivery plan projects or programmes will be detailed in the Financials sections of each of the project updates provided below.

3.2 **Legal** - This report contributes to the Council's statutory duties to report performance and secure best value in terms of; Section 1(1)(a) of the Local Government Act 1992, and Section 1 of the Local Government in Scotland Act 2003, respectively.

3.3 **Risk** - There are no risk implications arising as a direct result of this report. Project/Programme risks are identified via the council risk management process and monitored through the Portfolio Boards and are reported in the Risk sections of each project update below.

3.4 **Health and Safety (risks arising from changes to plant, equipment, process, or people)** – No implications.

3.5 **Gaelic** - There are no Gaelic implications arising as a direct result of 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 a monitoring and update report and therefore an impact assessment is not required.

5 Net Zero, Energy, Investment & Innovation (NZEII) Portfolio - Investment & Innovation – Solar PV Commercial Estate

5.1

Project: Solar PV Commercial Estate

R ●

A ●

G ●

C ●

RAG Status: RED

The original aim of this project was to deliver 1MW of solar PV across the Council’s commercial estate through third-party Power Purchase Agreements (PPAs) with tenants. However, market testing has confirmed that this model is not commercially viable in its current form.

The complexity lies in structuring PPAs across a varied estate where each building presents different technical, legal, and commercial constraints. Providers require long-term, stable offtake agreements, yet many Council leases are short-term or lack the clarity needed around energy use, tenant obligations and roof access. This creates a fragmented risk profile that limits investor confidence and delivery at scale.

In response, officers are exploring a revised model where the Council acts as the primary off taker, contracting directly with a solar developer or PPA provider. Energy would then be supplied to tenants under separate agreements, aligned to existing lease terms. While this increases the Council's role in energy supply and introduces new billing and regulatory requirements, it offers greater control, flexibility, and revenue potential.

An options paper on the revised approach will be presented to the NZEII Portfolio Board in August 2025.

5.2 Key Milestones, Measures of Success & Requests for Change

MILESTONES		CURRENT STATUS
<i>Starts Jun24 / Completes Jul24</i>	Solar PV Commercial Estate: PIN Review	M12 24/25 Completed
<i>Starts Jul24 / Completes Sep24</i>	Solar PV Commercial Estate: FBC Proposal approved	M8 24/25 Completed
<i>Starts Sept24 / Completes Jun25</i>	Solar PV Commercial Estate: Tender Process begins	M3 25/26 No Significant Progress
<i>Starts Sept24 / Completes Jun25</i>	Solar PV Commercial Estate: Appointment of PPA partner	M3 25/26 No Significant Progress
<i>Starts Jul25 / Completes Mar26</i>	Solar PV Commercial Estate: Phase 1 Installation	

Market engagement ran from September to November 2024, followed by site assessments through April 2025. This confirmed the original delivery model is unviable due to site-level complexity and inconsistent lease terms.

A revised approach, where the Council acts as primary off taker, is now being developed. An options paper outlining this model will be brought to the NZEII Portfolio Board in August 2025.

5.3 Financial Summary

£	Income Generation: Solar Panels – Commercial Estate - HC 290224 CS:16- FY 25-27	
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The project originally targeted £0.5m income by 2027, with no income expected in FY2025/25. Due to the lack of viability in the original model, no income has been realised to date.

£	Solar PV Commercial Estate: Investment	£ 63,135
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£0.063m was allocated over two years for staffing. A revised delivery model may require additional pre-capital investment, subject to approval.

5.4 Key Risks

The following key risk is set up and being updated and monitored in PRMS for this programme:-

KEY RISKS ASSESSED / RESPONSE	CURRENT RISK RATING	RESPONSE
Solar PV Commercial Estate: Poor uptake by commercial partners	8	Tolerate

5.5 Forward Plan

Work is underway to identify a more viable delivery model that addresses the challenges identified through initial market testing. This will include analysis of commercial, legal, and operational considerations to ensure the project can meet its generation and income targets. A detailed proposal will be brought to the NZEII Portfolio Board in August 2025.

6 **Net Zero, Energy, Investment & Innovation (NZEII) Portfolio - Investment & Innovation – Investment & Innovation – Investment Pipeline**

6.1

Project: Investment Pipeline

R ●

A ●

G ●

C ●

RAG Status: GREEN

The Renewable Energy Investment Pipeline is a strategic workstream under the Council's Delivery Plan 2024-2027, designed to deliver revenue-generating low-carbon energy projects across the Highland estate. Since the establishment of the Net Zero, Energy Investment and Innovation Team in late 2024, over 20 project opportunities have been identified and are under various stages of evaluation.

Two sites - **Tain North** and **Tain South**, both located on Common Good land, have now reached the point where they can be advanced for further technical, legal, and financial development. Each has confirmed early-stage commercial interest from credible off takers and presents a viable opportunity for behind-the-meter solar PV installations.

This report seeks **Member approval to progress both Tain projects to Outline Business Case (OBC) stage**, enabling full economic appraisal, due diligence, and detailed design to be undertaken ahead of a Final Investment Decision.

6.2 Key Milestones, Measures of Success & Requests for Change

MILESTONES		CURRENT STATUS
<i>Starts Apr24 / Completes May25</i>	Investment Pipeline: New renewables contractor framework	M3 25/26 Completed
<i>Starts Apr24? / Completes Jul24</i>	Investment Pipeline: Renewables Investment Manager appointed	M7 24/25 Completed
<i>Starts Aug24 / Completes Feb25</i>	Investment Pipeline: Programme and Engagement Plan complete	M12 24/25 Completed
<i>Starts Feb25 / Completes Oct25</i>	Investment Pipeline: Tranche one project proposals approved by E&I Committee	M3 25/26 On Target
<i>Starts Oct25 / Completes Apr26</i>	Investment Pipeline: Tenders issued	
<i>Starts Oct25 / Completes Nov26</i>	Investment Pipeline: Tranche two project proposals approved by E&I Committee	

Progression to business case stage will allow officers to confirm the viability of both projects in line with Council objectives. This includes refining technical scope, assessing return on investment, preparing revised planning submissions, and undertaking the necessary Common Good consultation process.

Previous planning consents secured in 2019, have lapsed and will need to be resubmitted under updated policy frameworks including National Planning Framework 4 and the Council's Biodiversity Enhancement Guidance, which requires a minimum of 10% Biodiversity Net Gain. Early design work indicates that both sites remain technically feasible and can accommodate the required infrastructure within existing land boundaries.

Investment Pipeline: Projected annual revenue generation from Energy Investment projects [reporting starts 2025/26]	
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Engagement with verified off taker interest in securing local renewable supply through private wire arrangements from both sites. These discussions will be formalised and tested further as part of the business case development.

Investment Pipeline: Investment and Innovation workstream generating sufficient revenue to cover project development costs [reporting starts 2026/27]	
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If approved, both projects will form Tranche One of the wider investment pipeline. Lessons learned through their development will inform the structure and delivery model for future renewable energy assets across the portfolio.

Investment Pipeline: Number of project proposals approved by E&I Committee [reporting starts 2025/26]	0
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6.3 Financial Summary

£ Investment Pipeline: Income Yr4 27/28 (Begins 27/28)	
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Initial development will be delivered using existing staff resources, with spend for planning, legal and land-related due diligence coming from funding already approved for the delivery plan. Capital costs for construction and income forecasts will be confirmed through the OBC process.

£ Investment Pipeline: Investment 24/25	£ 300,000
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Subject to Final Investment Decision and successful delivery, income from the Tain North site could commence in FY2027/28, with Tain South expected to follow in FY2028/29. These projects are expected to contribute toward the Delivery Plan's £0.5m income target and will help establish a scalable commercial model for local authority-led energy generation.

£ Investment Pipeline: INV/5 Shared investment in Renewable Energy 25/26	
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Co-investment opportunities, including the use of Common Good reserves and external finance will be explored as part of the next stage.

6.4 Key Risks

KEY RISKS ASSESSED / RESPONSE	CURRENT RISK RATING	RESPONSE
Investment Pipeline: Shortage of Investment Opportunities	3	Treat

[Programme manager to develop working relationship with DNO](#)

[Working with developers across the region](#)

It is assessed that there are sufficient investment opportunities beyond the tranche one proposals, to develop further viable renewable energy projects. Work is ongoing to optimise this project for future investment, at a project and portfolio level.

6.5 Forward Plan

Subject to Member approval, both Tain North and Tain South will progress to Outline Business Case stage. This next phase will focus on confirming project viability, refining technical design, engaging with off takers, and preparing planning and Common Good consultation submissions.

Officers will also assess delivery options, legal and property considerations, and investment structuring to support long-term income generation. This will include evaluating procurement models and potential co-investment opportunities aligned with the Council's wider investment strategy.

Outcomes from this work will be presented to Members in a future report, alongside Final Investment Decision recommendations. In parallel, the wider Investment Pipeline will continue to be developed, with Tranche Two projects expected to be brought forward to the November 2025 Economy and Infrastructure Committee for consideration.

Designation: Assistant Chief Executive – Place

Date: 17 July 2025

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Background Papers: None

Appendices: None