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| Agenda Item | 7         |
| Report No   | CCC/30/25 |

# The Highland Council

**Committee:** Climate Change

**Date:** 5 November 2025

**Report Title:** Delivery Plan Budget Monitoring & Progress Update Q2 2025/26 – Net Zero, Energy Investment and Innovation Portfolio – Net Zero Delivery - Heat Networks

**Report By:** Assistant Chief Executive - Place

## 1 Purpose/Executive Summary

1.1 The Delivery Plan 2024-27 consists of 57 projects/programmes, managed through 6 Portfolio Boards. Each project is reported to a relevant committee for consideration and scrutiny in terms of the Portfolio Reporting Cycle agreed at Council on 15 May 2025. Exceptions to this general rule may apply when for example circumstances merit a standalone project/programme report to either committee or Council. If exceptions apply this report will signpost to where the relevant reporting can be found.

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

- Net Zero Delivery – Heat Networks

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 **scrutinise** and **note** progress to date as outlined in the report.

## 3 Implications

3.1 **Resource** - Any resource implications, if any, will be detailed in the programme update 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.
- 3.4 **Health and Safety (risks arising from changes to plant, equipment, process, or people)** - No implications arising from this report.
- 3.5 **Gaelic** – No implications arising 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 a monitoring and update report and therefore an impact assessment is not required.

## 5 Net Zero Delivery – Heat Networks

- 5.1 Overall Project RAG



This Project has been ragged as Green. Following further discussions with the Scottish Government and the Project Lead, it has now been agreed to utilise the Zero Waste Scotland (ZWS) technical framework to appoint Buro Happold via direct award. This decision reflects the framework’s operational status and its ability to streamline procurement, enabling the Council to commence work promptly. The kick-off meeting is scheduled for 30 September, marking the formal start of this phase. We are finalising the delivery model appraisal, with agreed deadline of 3 October. This work is critical to shaping the strategic direction of the project. Additionally, we are about to undertake further analysis on the West Bank of Inverness, with the aim of updating the Techno-Economic Model (TEM) for that area. This update will inform the decision-making process for the next steps toward the Outline Business Case (OBC). This will ensure a robust foundation for future investment decisions and stakeholder engagement.

## 5.2 Key Milestones & Requests for Change

Milestones currently set up in PRMS to monitor progress of the programme are as follows:-

| <b>MILESTONES</b>                      |  | <b>CURRENT STATUS</b>      |
|--|--|----------------------------|
| <i>Completed Q3 23/24</i>              | Heat Networks: Deliver the LHEES Strategy and Implementation Plan for publication [comp. 2023] | <b>Q3 23/24 Completed</b>  |
| <i>Starts Apr24 / Completes Jul24</i>  | Heat Networks: LHEES Delivery Plan submitted to SG   | <b>M8 24/25 Completed</b>  |
| <i>Starts Apr24/ Completes Mar25</i>   | Heat Networks: Feasibility covering 4 key zones across Inverness and business model completed  | <b>M12 24/25 Completed</b> |
| <i>Starts Jun25 / Completes Jul25</i>  | Heat Networks: RFI to the market   | <b>M4 25/26 Completed</b>  |
| <i>Starts May25 / Completes Dec25</i>  | Heat Networks: Business case developed   | <b>M6 25/26 On Target</b>  |
| <i>Starts Apr26 / Completes Sept27</i> | Heat Networks: Contracts & Procurement   |                            |
| <i>Starts Oct26 / Completes Dec26</i>  | Heat Networks: End of Delivery Plan - Progress Report  |                            |
| <i>Starts Jan28 / Completes Jan28</i>  | Heat Networks: Design and Construction for one heat network                                    |                            |

An update on progress with Key milestones is as follows:-

1. The strategic heat network feasibility study has been completed and was presented to Members of the Climate Change Committee and the City of Inverness Area Committee in May. The study highlights the significant opportunity to decarbonise heat across Inverness and identifies three priority heat network zones, West Bank, Raigmore, Longman and City Centre. Westbank, Raigmore and Longman and City Centre.
2. As part of the strategic feasibility work, a Heat Network Vision Statement has been drafted. This document outlines the anticipated role of heat networks in supporting Inverness's decarbonisation goals and sets out the Council's expectations for how heat networks will contribute to broader policy outcomes and objectives.
3. A legal consultant has been working with the Council to explore potential delivery structures that could enable the deployment of heat networks in Inverness. The delivery model work is now completed.

### 5.3 Financial Summary

- i) **Savings** – There are no savings targets associated with the Heat Networks Project.
- ii) **Investment** – Heat Networks has approved investment of £50,000.
- iii) **Mitigations** are currently not required for the Project.

### 5.4 Key Risks

| <b>KEY RISKS ASSESSED / RESPONSE</b>    | <b>CURRENT RISK RATING</b> | <b>RESPONSE</b> |
|---|----------------------------|-----------------|
| Heat Networks: Missed Investment Window | <b>6</b>                   | <b>Tolerate</b> |
| Heat Networks: Feasibility              | <b>6</b>                   | <b>Tolerate</b> |

#### 1. Missed Investment Window

**Risk:** There is a risk that the project may not secure funding within the required timeframe.

**Mitigation:** The Scotland’s Heat Network Fund (SHNF), a key capital grant funding source for zero-emissions heat networks, has recently been extended. The new grant claim deadline is March 2030, providing a longer window for applications.

**Status:** This risk is currently assessed as Tolerate.

#### 2. Project Feasibility

**Risk:** There is a risk that some heat network projects may not be viable.

**Mitigation:** The Council has undertaken multiple feasibility studies across the Highland region. The strategic feasibility work for Inverness has concluded that all identified networks are viable. Ongoing work is aligning with the LHEES Delivery Plan to ensure continued feasibility and strategic alignment.

**Status:** This risk is currently assessed as Tolerate.

### 5.5 **Forward Plan**

The key activities for the next Quarter (Q3) are as follows:-

- 1. A heat networks workshop with Elected Members is scheduled for November to support understanding of the heat networks work completed to date and inform Members about the next steps.
- 2. Evaluate the Request for Information (RFI) issued to the market, which aimed to gauge interest from potential suppliers, assess market readiness and incorporate early supplier input into the development of heat networks.

3. Additional funding has been secured to support further work aligned with the Local Heat and Energy Efficiency Strategy (LHEES) and heat network development. A kick-off meeting for this phase is scheduled for 30 September, with outcomes expected by the end of the financial year. Key activities include:-
  - 1) Updating the Techno-Economic Model (TEM) for the West Bank area to inform the next steps toward an Outline Business Case (OBC).
  - 2) Conducting a wider scan across the Highland Council areas to identify further heat network opportunities aligned with LHEES.
4. The Council will continue working with stakeholders, Scottish Government and other local authorities to share best practises in the development of heat networks.

Designation: Assistant Chief Executive - Place

Date: 6 October 2025

Author: Ruta Burbaite, Project Manager

Background Papers: None

Appendices: None