

Agenda Item	4ii
Report No	CCC/19/26

The Highland Council

Committee: Climate Change

Date: 4 November 2026

Report Title: Net Zero Thematic Group Update – Social Housing and Housing Revenue Account (HRA)

Report By: Assistant Chief Executive - Place

1 Purpose/Executive Summary

- 1.1 The report provides an update on the work being progressed through the Social Housing and HRA Thematic Group.

2 Recommendations

- 2.1 Members are asked to **consider** and **note** the progress of actions by the Social Housing and HRA Thematic Group.

3 Implications

- 3.1 **Resource** - the function of the Net Zero Thematic group requires continued close working across teams in Housing, Climate and Energy, and Property.
- 3.2 **Legal** - The Council has several requirements in respect of reporting against its climate change obligations, in addition to being required to directly support Scotland's target to end its contribution to climate change no later than 2045.
- 3.3 **Risk** - Failure to proactively address the climate and ecological emergency across all service delivery areas carry significant reputational risk, particularly considering the political ambition at both local and national levels around the climate change agenda. In addition, failure to take a proactive approach to climate change action will limit opportunities to secure external funding.
- 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 Housing Strategy/Policy

- 5.1 Housing and Building Maintenance continues to prioritise energy efficiency and decarbonisation as a core element of its asset management and capital investment strategy. Through partnership working with the Climate Change and Energy Team and Design and Construction Team, the Council has successfully delivered place-based programmes across both Council and private sector housing, maximising the impact of investment within Highland communities.

The current HRA Capital Plan 2022-2027 has delivered significant investment in energy efficiency measures and has secured over £11m of additional external funding to supplement Housing Revenue Account investment. This has enabled the Council to accelerate the delivery of retrofit measures, improve housing quality, reduce carbon emissions and support tenants experiencing fuel poverty.

Looking ahead, the approved HRA Capital Plan 2027-2032 represents £116.151m of investment in existing Council housing stock, an increase of approximately £28m compared to the previous five-year programme. Energy efficiency, heating upgrades, insulation, and wider fabric improvements remain key investment priorities as the Council prepares for future regulatory requirements, including the proposed Social Housing Net Zero Standard which the Scottish Government has indicated they will introduce during the term of the current administration.

- 5.2 The Council will continue to actively pursue external funding opportunities to supplement HRA investment and accelerate delivery wherever possible, helping to maximise outcomes for tenants while reducing reliance on borrowing and rental income.

6 Energy Efficient Homes - Caol

- 6.1 The Council teams have successfully completed the place-based, mixed tenure retrofit project in Caol, designed to improve energy efficiency, reduce carbon emissions and support wider decarbonisation objectives across the community. The project upgraded a total of 79 properties, comprising 30 Council homes and 49 privately owned properties, demonstrating the benefits of a coordinated, area-based approach to improving housing stock across multiple tenures.

The scope of works included:-

- external Wall Insulation (EWI) to improve thermal performance and reduce heat loss;
- removal of asbestos roofing and installation of new roof coverings;
- installation of Air Source Heat Pumps to provide low-carbon heating solutions; and
- installation of Solar Photovoltaic (PV) systems to generate renewable electricity.

6.2 All works have now been completed and formally signed off. Final project reporting, including independent case studies and post-completion evaluation, has been received and the project has been successfully closed. The programme has delivered improvements in energy efficiency, housing quality and thermal comfort for residents while contributing to wider carbon reduction objectives.

The post-completion case study identified significant improvements in the energy performance of participating homes and demonstrated the benefits of targeted retrofit investment.

Key findings included:-

- sample properties improved from predominantly EPC Bands D and E to EPC Bands A and B following completion of the works;
- space heating demand reduced by between 40% and 60% across the assessed property archetypes;
- carbon emissions reduced significantly, with savings of between 3.61 and 8.14 tonnes of CO₂ per property per year, depending on house type; and
- improvements in thermal performance, ventilation and building fabric are expected to contribute to enhanced tenant comfort and reduced risk of condensation and damp-related issues.

6.3 Whilst actual outcomes will vary between households, the findings demonstrate the positive impact that targeted retrofit investment can have on energy performance, tenant comfort and fuel poverty outcomes. The project has also provided valuable evidence to inform future investment planning and improve the Council's understanding of the opportunities and challenges associated with delivering energy efficiency improvements to non-traditional housing stock.

6.4 The Caol project represents a successful example of a strategic mixed-tenure retrofit programme, demonstrating how external funding can be leveraged to maximise investment and accelerate decarbonisation across Highland communities. More than 40% of the costs associated with improvements to Council properties were secured through external funding sources, significantly reducing the financial burden on the Housing Revenue Account whilst supporting progress towards net zero ambitions.

Improvements to private sector properties were predominantly funded through a combination of:-

- Energy Efficient Scotland: Area Based Scheme (EES:ABS);
- Energy Company Obligation (ECO) funding; and
- SSE Renewables Community Benefit Funding

Through combining these funding streams, the project delivered substantial energy efficiency improvements across both Council and privately owned homes, helping to reduce carbon emissions, improve household resilience to rising energy costs and contribute towards the reduction of fuel poverty within the local community.

- 6.5 The project demonstrates the value of a place-based approach to retrofit delivery, where coordinated investment across housing tenures can maximise community benefit, improve housing quality and support wider climate change objectives.

7 Energy Efficient Homes – Balintore (mixed tenure)

- 7.1 The Balintore Mixed Tenure Retrofit Project has now been successfully delivered and built upon the experience and lessons learned from the earlier Caol retrofit programme.

The project included a total of 75 properties comprising 65 Council homes and 10 privately owned properties. A comprehensive package of energy efficiency and decarbonisation measures was delivered, including:-

- installation of External Wall Insulation (EWI);
- replacement roofing works;
- replacement windows and doors to Council properties;
- installation of Solar Photovoltaic (PV) systems; and
- installation of Air Source Heat Pumps

- 7.2 All planned improvement works have been completed, and the project has now successfully progressed through the defects period, with all snagging items addressed and closed out. Final project reporting and associated case studies have been completed and received.

The programme has delivered significant improvements to the energy efficiency, thermal comfort, and long-term sustainability of participating homes, while supporting the Council's wider climate change, housing improvement, and fuel poverty objectives.

- 7.3 Post-completion evaluation highlighted a number of positive outcomes:-

- all assessed properties achieved EPC Band B following completion of the works;
- properties previously heated by electric panel heaters improved from EPC Bands E and F to Band B, representing improvements of up to four EPC bands;
- properties already benefiting from air source heat pumps improved from EPC Band D to Band B following the installation of fabric-first improvements; and
- the evaluation demonstrated reductions in both energy demand and carbon emissions across all assessed property types.

- 7.4 Whilst actual outcomes will vary between households, the findings demonstrate the positive impact that targeted retrofit investment can have on housing quality, tenant comfort, and fuel poverty outcomes. The project has also provided valuable evidence to inform future investment planning and improve the Council's understanding of delivering energy efficiency improvements to non-traditional housing stock.

- 7.5 The project successfully leveraged a range of external funding sources to maximise investment across both Council and private sector properties. More than 50% of the costs associated with improvements to Council homes were secured through external funding, significantly reducing the financial burden on the Housing Revenue Account whilst accelerating delivery of energy efficiency improvements and low-carbon technologies.

External funding secured for Council properties included:-

- Social Housing Net Zero Fund (SHNZF), supporting the delivery of External Wall Insulation and replacement windows and doors.
- ECO funding for the installation of Air Source Heat Pumps and Solar PV systems.

Works delivered to private sector properties were fully funded through a combination of:-

- Energy Efficient Scotland: Area Based Scheme (EES:ABS);
- ECO funding; and
- SSE Renewables Community Benefit Funding

- 7.6 Through combining these funding streams, the project secured substantial additional investment into the local area, delivering improvements in energy performance, reducing carbon emissions and helping households manage energy costs. The project also demonstrates the benefits of a coordinated place-based approach to retrofit, supporting progress toward net zero ambitions while contributing to the reduction of fuel poverty across mixed-tenure communities.

8 Energy Efficient Homes – Full Retrofit Balintore (Highland Council)

- 8.1 The Highland Council has successfully delivered comprehensive whole house retrofit measures to 51 properties in Balintore as part of its ongoing commitment to improving energy efficiency, reducing carbon emissions and supporting the transition to net zero.

The primary objective of the project was to improve the thermal performance of Council housing stock whilst enhancing tenant comfort and reducing energy demand. The scope of works delivered included:-

- installation of External Wall Insulation (EWI);
- installation of new windows and doors;
- installation of Air Source Heat Pumps;
- installation of Solar Photovoltaic (PV) systems; and
- installation of new roofing systems

The initial ambition was to deliver a wider programme of full retrofit measures through a combination of HRA investment and external Net Zero funding. However, following an unsuccessful funding bid, the programme was delivered through the HRA Capital Programme and remains a significant investment in the long-term sustainability, energy efficiency and resilience of the Council's housing stock.

- 8.2 All planned retrofit works have now been completed. The project is currently in the final close-out phase, with end-of-defects inspections underway to address outstanding items and ensure all contractual obligations are fully satisfied.

Final property sign-off activities are being completed alongside the receipt and verification of EPC documentation.

- 8.3 The project is expected to deliver long-term benefits through improved energy performance, reduced carbon emissions and enhanced thermal comfort for tenants, whilst contributing to the Council's wider climate change and fuel poverty objectives.

9 D-C Highlands - Council Properties (ECO funded)

- 9.1 The D-C Highlands Programme has been a significant source of external investment into Highland Council housing stock, supporting the delivery of energy efficiency improvements designed to improve thermal comfort, reduce carbon emissions and help address fuel poverty.

The ECO funding programme has now closed to new projects. However, funding previously secured by the Council's delivery partner allows works already in the pipeline to continue. As a result, installation activity remains ongoing and is expected to conclude naturally by mid-November 2026.

- 9.2 As of the end of August, the programme had delivered 229 individual energy efficiency measures, including solar photovoltaic systems, air source heat pumps, loft insulation and cavity wall insulation improvements.

A further 89 surveys and installations are currently underway or programmed for delivery before the programme concludes. The project team continues to work with tenants and contractors to maximise the number of eligible measures installed within the remaining funding period.

- 9.3 The programme has delivered a positive impact across Council housing stock by improving energy efficiency, reducing energy demand and supporting lower carbon heating solutions. In addition to the immediate benefits for tenants, the survey information gathered through the project will provide valuable data to help inform future housing investment and retrofit programmes.

10 Educational Resources

- 10.1 Energy efficiency improvements can result in lower energy costs for tenants which in turn can reduce fuel poverty. To support tenants a suite of education resources is currently being developed. These resources aim to raise awareness, build understanding, and ensure tenants feel informed and empowered before, during, and after installation works.

The aim is to reduce the number of tenant opt-outs per project, particularly in relation to air source heat pumps. Tenants have expressed concerns adapting to new technologies and uncertainty over disruption during works, and significant work has taken place to build tenant confidence in the works and the potential benefits to households in terms of thermal comfort and fuel bill savings.

- 10.2 FAQ documents have been reviewed by Housing Services and the Tenant Participation Team, with amendments recently being made in response to the tenant feedback received.

To support tenant engagement, a series of short videos and information leaflets have also been produced to help residents understand the installation process, anticipated benefits and what to expect during works.

Once finalised, these resources will be published through the Council website and other appropriate communication channels to support future energy efficiency and retrofit programmes.

11 Integration of external funding

- 11.1 The external funding landscape for energy efficiency and decarbonisation programmes continues to evolve. The UK Government has confirmed that there will be no direct successor to the Energy Company Obligation (ECO4) programme following its conclusion, although ECO4 has been extended to allow completion of existing commitments through to December 2026.

The Council continues to deliver previously approved ECO-funded measures through the D-C Highlands Programme and is working closely with delivery partners to maximise the benefits of funding already secured. Installation activity will continue until the remaining allocation has been fully utilised.

- 11.2 Officers continue to engage with the Scottish Government and sector partners, receiving regular updates on emerging policy and funding opportunities associated with future energy efficiency, fuel poverty and decarbonisation programmes.
- 11.3 Given the importance of external funding in supporting housing retrofit activity, the Council will continue to monitor developments closely and assess opportunities to align future investment programmes with any successor schemes as they become available.

12 Recognition and Awards

- 12.1 The scale and quality of the Council's energy efficiency and retrofit programmes have received external recognition at both regional and national level, reflecting the positive outcomes achieved for tenants, communities and the wider environment.

During the delivery of the projects outlined within this report, the Council and its delivery partners have received the following awards and commendations:-

- Energy Efficiency Awards Scotland – Regional Council or Local Authority Body of the Year (Winner).
- Energy Efficiency Awards Scotland – Regional Housing Association or Landlord of the Year (Highly Commended).
- Scottish Green Energy Awards – Outstanding Project (Winner).

In addition, the D-C Highlands Programme has been shortlisted as a finalist in the Scottish Housing Awards 2026 under the Net Zero in Housing category, with the outcome to be announced later this year.

- 12.2 These accolades provide independent recognition of the Council's commitment to improving the energy performance of its housing stock, reducing carbon emissions, tackling fuel poverty and delivering long-term benefits for Highland communities. The awards also demonstrate the value of collaborative working between Housing Services, the Climate Change and Energy Team, contractors and external funding partners in delivering ambitious retrofit and decarbonisation programmes at scale.

Designation: Assistant Chief Executive - Place

Date: 1 October 2026

Author: Graeme Ralph, Housing Investment Manager

Background Papers: Carbon Futures Architect Case Study – Balintore Social Housing Energy Improvements
Carbon Futures Architect Case Study – Caol Social Housing Energy Improvements

Appendices: None