

Agenda Item	11.
Report No	CCC/25/24

# The Highland Council

**Committee:** Climate Change Committee

**Date:** 7 November 2024

**Report Title:** Innovation Funding

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

## 1 Purpose/Executive Summary

- 1.1 The Net Zero strategy presents additional financial challenges to an already stretched budget. This report outlines the need for an innovation funding strategy aimed at maximising the Council's ability to secure external funding to mitigate financial pressures. In addition to meeting the Council's climate goals, this funding strategy will also target resources to develop green skills in the region, fostering economic growth across multiple sectors. By transitioning to green jobs, the Council aims to not only achieve its sustainability targets but also stimulate local employment and skill-building opportunities.

## 2 Recommendations

- 2.1 Members are asked to **consider and agree to recommend** that the Council approve the proposal to develop a more focused and consistent approach to bid writing around the net zero agenda supported by the climate and energy team as part of the innovation and investment workstream in the Council's Our Future Highland Delivery Plan.

## 3 Implications

- 3.1 **Resource** – The recruitment of a Project Officer for the Innovation Funding Team will allow for further development of the funding strategy and engagement with external financing sources, including those focused on skills development for green jobs and economic growth. The proposed initial costs would be met from the existing SALIX management fund with ongoing costs met from the administration/management fees allowed on all successful funding bids.
- 3.2 **Legal** - There are no identified legal implications arising from this report.
- 3.3 **Risk** - There are no direct implications arising from this report
- 3.4 **Health and Safety (risks arising from changes to plant, equipment, process, or people)** - There are no direct implications arising from this report.

3.5 **Gaelic** - There are no direct 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 an innovation funding report, there is no impact assessment needed at this stage

## 5 Background

5.1 The Net Zero strategy is central to the Council's climate policy. Transitioning to net zero is akin to a new industrial revolution, requiring significant changes in technology, systems and delivery models. These changes can come with higher initial costs but will have long-term gains. Given the Council's budget constraints, identifying additional funding sources is crucial. By increasing focus on the funding available for Net Zero the Council can support the development of green skills and support the regions successful transition to a green economy, creating jobs and supporting the Council's ambition to be a leader in sustainable growth.

5.2 The Council has successfully secured significant funding for Net Zero initiatives, such as Energy Efficiency Scotland: Area Based Scheme (EES:ABS (circa £38.8m), and Salix (Circa £11.2m). Funding opportunities are competitive, with strict eligibility criteria, and often request matched funding. Whilst calls are in general cyclical, they are usually open for a limited period and often request baseline/background information.

On any date we only get a snapshot of available funding, however, there is a marked decline. In October 2023 the amount of Net Zero funding available for bidding to the THC, was (£1,173m) the vast majority of which was through the Scottish Government.

Funder	Total Amount
European Commission	184,000,000
Scottish Government	1,173,150,000
UK Government	60,114,000
<b>Total</b>	<b>1,417,264,000</b>

As of September 2024 the amount of Net Zero funding available was (£66.1m). Three Thematic groups, Built Estate & Energy, Land Use & Environmental and Procurement & Community Wealth Building) presently have no open calls. The other thematic groups have open calls for funding totalling:-

- Circular Economy - £11m
- Transport - £100k
- Social Housing & HRA - £5m
- Capital Programme and Net Zero Funding- £50m

<b>Funder</b>	<b>Total Amount</b>
European Commission	0
Scottish Government	66,000,000
UK Government	100,000
<b>Total</b>	<b>66,100,000</b>

This may be due to several factors, budget deficits (SG), end financial year end (EU) new budget development (UK). However, the annual trend from financial year 2023/24 to 2024/25 is markedly downward.

Resources are required, financial and human, to implement the Net Zero Strategy. Developing a bidding strategy allows for a more focused consistent approach both internally and externally. Internally developing a collaborative process requires support and commitment from the Climate Change and Energy Team and Thematic Groups. Each bid is specific and requires screening to ensure it aligns with Highland Council policy and the Net Zero Strategy and that resources (financial, human and material) are available should the bid be successful. There is also a need for internal commitment for bid development and implementation. This is an important consideration as successful bids require buy in across all services otherwise the Council risks not only reputational damage but also exclusion from future bidding opportunities. Baseline attribute information for our non-domestic buildings is in the process of being collected and this should increase the opportunities for accessing funding.

There is also a need to look externally for available funds to maximise impacts. The majority of government bids require matched funding which require either capital funds from the Council, or institutional loans. Access to external funding can not only result in blended bids (as successfully shown in EES:ABS) but also open opportunities for collaborative projects such as Heat Networks, Solar Farms etc.

- 5.3 The Council needs both financial and human resources to pursue funding opportunities. Developing a clear strategy with internal collaboration is essential to ensuring alignment with THC policy. Securing external funding often requires matched funds, which can come from capital reserves or loans.

We have developed a dataset to track and analyse funding opportunities. This allows for a more strategic approach and faster bid response times. Future plans include enhancing this dataset with Power BI dashboards to track KPIs, particularly focusing on how these efforts can support job creation and green skills training in line with economic growth objectives.

In financial year 2024/25, we have secured £1.88m of funding, with an additional £651k expected from Salix and £438k in bids under review. We are preparing further bids totalling £1m, to be submitted by November 2024. Additionally, we are actively exploring partnerships that could expand our access to funding for green skills initiatives, which are critical for long-term economic resilience.

<b>Project</b>	<b>Successful</b>	<b>Under Review</b>	<b>Pipeline</b>
SHNZ Fund	£962,000.00		
SHNSF	£140,000.00		
CNIF - Retrofit		£112,299.00	
CNIF - RDT - Housing		£251,633.00	
CNIF - RDT - Habitat		£75,000.00	
Salix - Streetlighting	£487,462.50		
Salix LED	£289,015.00		
Salix LED	£16,387.50		
Salix – Pipeline			£651,477.50
	<b>£1,878,477.50</b>	<b>£438,932.00</b>	<b>£651,477.50</b>

5.4 The key proposal is to recruit a Project Officer for the Innovation Funding Team. Currently, the team consists of only one Project Manager, who handles daily operations. Adding a Project Officer will allow for further development of the funding strategy and engagement with external financing sources, including those focused on skills development for green jobs and economic growth.

It is proposed initial costs are met from the existing SALIX management fund with ongoing costs met from the administration/management fees allowed on all successful funding bids.

Designation: Assistant Chief Executive - Place

Date: 7 October 2024

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Background Papers: None

Appendices: None