

Agenda Item	8
Report No	HP/39/25

Committee: Housing and Property

Date: 5 November 2025

Report Title: Establishing a Financial Strategy for the Housing Revenue Account – Rent Strategy 2026-2031

Report By: Assistant Chief Executive – Place

1 Purpose/Executive Summary

- 1.1 This report presents Members with an update on establishing a long-term Financial Strategy for the Housing Revenue Account (HRA) which also includes a Rent Strategy for 2026-2031. It provides recommendations on the principles which establish and underpin the Financial Strategy, and which should guide rent setting. Based on these, the report sets out recommendations for the annual tenant rent consultation, focusing on the potential level of increase to be applied to Council house rents, other housing rents and service charges.
- 1.2 Financial planning for the Housing Revenue Account is particularly challenging at this time. The overall economic situation, with inflationary pressure on costs; high interest rates affecting loan charges; as well as the challenges related to the cost of living affecting the household income of many tenants all must be considered. This comes at a time when the need and demand for housing is significant. There are currently 8,714 people on the Highland Housing Register and over the course of the last year, 1,270 people presented as homeless. At the same time, the demand for accommodation for key workers across communities to sustain and deliver services and different types of supported accommodation to enable people to remain within their communities, is growing. The Highland Housing Challenge identified the need to double the number of homes in the area over the next 10 years. This is across all tenures, including the social rented sector.
- 1.3 Given the demands and housing need in Highland, it is therefore essential that the Council's Highland Revenue Account, through which existing and new Council housing is maintained and delivered, is in a strong and sustainable position. This will ensure that the Council can address and deliver on the priorities of members, tenants and communities across Highland.

1.4 This report:-

- Confirms that Highland Council rents continue to be significantly lower than the national average for registered social landlords;
- Provides a brief description of the way the Housing Revenue Account operates and considers the external factors affecting Housing Revenue Account financial planning;
- Details the principles of the Financial Strategy, including a continuation of service delivery and increased investment in both existing Council housing and in the supply of housing;
- Sets out the estimated baseline Housing Revenue Account running costs for 2026-2031; and
- Describes the proposed tenant consultation process and the financial impact of the different rent increase options.

1.5 In setting Council house rents, there needs consideration of the requirement to set a Housing Revenue Account budget, where expenditure and income are balanced. This means any increase in the cost of delivering housing services, such as an increase in staffing and supplier costs, need to be balanced by increased rent and other income generated from HRA assets. This also needs to be seen alongside the need to invest in existing housing stock which has been regularly identified as a core priority of tenants.

1.6 Members should also consider the longer-term investment and housing priorities set out in the approved Highland Housing Challenge, which commits to delivering and enabling a housing supply which supports communities' needs and contributes to the economic growth of the area. These needs will affect future rent levels to ensure that rent income keeps pace with future cost increases, particularly relating to loan charges associated with capital borrowing. The status of loan charge repayments is set out in section 6 of this report.

1.7 The intention is that the Financial Strategy, including the 5-year Rent Strategy, will provide a framework to support long-term decision-making; delivering a strong and sustaining Housing Revenue Account that best utilises its resources, delivers for its tenants and also future tenants across Highland.

2 Recommendations

2.1 Members are invited to:-

- i. **Note** the context which sets out the current and historical position of the HRA and the rationale for establishing a Financial Strategy;
- ii. **Approve** the principles of the Financial Strategy, which would also guide the 5-year Rent Strategy which will enable the expansion of the social rented housing stock alongside improving the financial sustainability of the existing HRA estate;
- iii. **Approve** the tenant rent consultation which will commence by 17 November and run for one calendar month; and
- iv. **Note** that the Financial Strategy, including the 5-year Rent Strategy, will be submitted to Committee in January 2026 for approval and that this will include details on how the rental increase will be allocated in the 2026/2027 HRA budget.

3 Implications

- 3.1 **Resource** – The report details the current position of the HRA and why there is a need for a Financial Strategy, including a longer-term approach to rent setting. It sets out the implications of the recommended rent increase which needs to be viewed in the context of the wider economic conditions and on longer term housing investment requirements. It should also be noted that any rent increase will place an additional budget pressure on the Council's housing benefit budget. Conversely, increased house building would increase Council tax revenue and also contribute to the reduction of the number of homeless households in temporary accommodation which has a pressure on the Council's revenue budget from providing this service.
- 3.2 **Legal** – The Housing Revenue Account must set a balanced budget annually. Establishing a Financial Strategy does not discharge the Council's responsibilities in this regard, however this will give confidence to Members and tenants in the long-term direction of investment and, for the initial 5 years, the level of rents. This report details the implications in relation to existing legislation and guidance on the operation of Housing Revenue Accounts.
- 3.3 **Risk** - The recommendations in the report are based on a series of assumptions and projections, many of which are subject to change. There are several risk factors that need to be considered in relation to the Housing Revenue Account Budget which are detailed at section 6 of the report. The proposed implementation of a Financial Strategy for the HRA is to essentially ensure a strong, prudent and sustainable financial plan is in place for the HRA, mitigating any financial risks and ensuring that the HRA can deliver on its priorities. This mirrors the Council's approach for the General Fund in agreeing a Medium-term Financial Plan.
- 3.4 **Health & safety (risks arising from changes to plant, equipment, process, or people)** – No impact arising from this report.
- 3.5 **Gaelic** - No impact 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 The report details several issues which will directly impact on our tenants. These include affordability of rents; advice and assistance for tenants; repairs and investment to tenants homes; and the delivery of a range of related housing services. Ensuring that tenant opinion is considered through the rent consultation and through other tenant engagement activities is essential when making decisions regarding the impact of rent-setting.

- 4.4 An Integrated Impact Assessment screening has commenced on the proposed Financial Strategy and 5-year rent strategy. This will be updated following the feedback from tenants as part of the rent consultation in November and December 2025.
- 4.5 The initial screening process has concluded that there are generally positive impacts generated by the outcomes of the financial strategy and rent-setting process. The proposed Financial Strategy will ensure that there is investment in the HRA to ensure effective delivery of housing management and maintenance services to tenants (and to future tenants through allocations from the Highland Housing Register).
- 4.6 The screening process will take account of the affordability of Council house rents in comparison to other rent levels in both the private and social housing sector. It will also reflect tenant surveys and consultations which have collated tenant information on this. It should be noted that rent costs are only one of a number of household budget pressures on Council tenants and that the Poverty Commission will report in due course on the range of affordability issues such as fuel, transport and food which impact on Highland communities.
- 4.7 Details of the Screening process will be provided as part of the January 2026 Committee report on the 2026-2031 Rent Strategy.

5 Background

- 5.1 Under the Housing (Scotland) Act 1987, the Council is required to maintain a separate Housing Revenue Account (HRA) covering income and expenditure in respect of specified houses, buildings and land. There is a legal requirement for Housing Revenue Account income and expenditure to be in balance at the end of each financial year. The only significant source of income to maintain and sustain HRA assets is generated through the assets of the HRA.¹
- 5.2 The demand for housing in Highland has potentially never been greater. In June 2024, the Council agreed a Highland Housing Challenge in recognition of both the issues in meeting the current need for housing across communities in Highland and the anticipated future demand for housing based upon the economic opportunities coming to the area. There are currently 8,714 people on the Highland Housing Register (at 30 September 2025). The numbers on the Register have been steadily growing over the past number of years. In 2024/25, there were 1,270 homeless presentations in Highland, which whilst a 3-year low, is still significant for the families and individuals affected. Homeless prevention work is critical and has been successful in reducing the levels of homeless, including supporting households to move into mid-market rentals and providing financial assistance using the Council's Rent Deposit Scheme. However, the private rental sector and availability of mid-market housing in Highland is restricted which places additional pressure on the social housing sector.

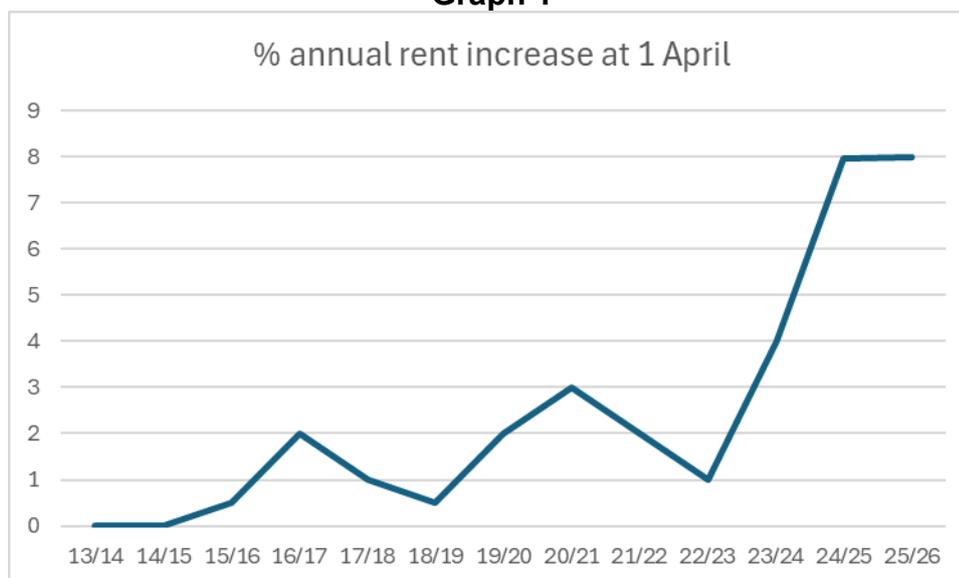
¹ *The Housing (Scotland) Bill 2024 has included additional powers to enable the General Fund of Local Authorities to contribute to HRAs. It is important to note that the Bill has not yet been enacted, and further guidance will be required however such an approach would have an impact and consequence on general fund spent.*

- 5.3 The level of demand for housing comes alongside the need to ensure all existing Council properties across Highland receive appropriate investment in terms of the main elements such as bathrooms, kitchens, windows and doors. There is also the key objective in improving the energy efficiency and external fabric of our stock where this is technically feasible. This is essential to support a reduction in energy costs faced by tenants and has been identified as a key priority by tenants.
- 5.4 While the capital investment to improve the housing stock is accepted as essential by all stakeholders, this is however at a time when the level of borrowing to undertake both capital works on existing properties and build new properties is at an all-time high.
- 5.5 Although many of the factors affecting Housing Revenue Account expenditure are the same as those affecting the Council General Fund there is a fundamental difference in how Housing Revenue Account services are funded. Services are almost exclusively funded through income received from rents and service charges paid by Council house tenants. It is therefore essential that a long-term financial strategy is in place to ensure that resources are managed effectively and priorities deliverable.

6 Current Position of the Housing Revenue Account

- 6.1 Over the last 10-15 years, the Council has gone from one of the highest rents in Scotland to one of the lowest. Between 2013/14 and 2023/24, the average annual increase was 1.6%. In the main, this was below inflation levels. Whilst low rents have been a positive for tenants, levels of inflation and the improvement requirements for the HRA meant that borrowing was essential to meet the duties to tenants. As discussed elsewhere in this report, the borrowing has meant that an increasing proportion of rental income has funded loan charges rather than the services expected by tenants.

Graph 1



6.2 Affordability of Rents

As illustrated above, over the last 10 years, rents in Highland have not been in line with inflation or aligned to the investment for capital works required on HRA stock. Rents are now one of the lowest when compared with other Local Authorities but significantly lower than both Highland Housing Associations and the average Private Sector rent in Highland, as illustrated in Table 1 below. 59.3% of all current tenants are on some sort of benefit which supports them with their rent entirely or partially.

Table 1

Size of Property	Highland Council	Local Authority Average	Highland Housing Association Average	Highland Private Rent Average
Bedsit	£72.22	£92.57	£73.30	Not available
1-bed	£83.48	£99.04	£100.32	£127.75
2-bed	£94.70	£101.94	£109.12	£171.50
3-bed	£105.95	£110.94	£119.60	£227.75
4-bed	£117.18	£121.88	£132.02	£358.24

Note: based on a 48-week rental year

6.3 The table below shows recent trends in average weekly house rents by Councils and Housing Associations. Please note that these are based on a 52-week rental charge.

Table 2

	20/21	21/22	22/23	23/24	24/25	25/26
Councils	£78.10	£79.70	£82.10	£85.21	£90.11	£96.23
Housing Associations	£89.82	£91.51	£95.73	£100.84	£107.05	£111.65
All social landlords	£83.84	£85.36	£89.21	£93.73	£98.99	£102.66
Highland Council	£71.72	£73.15	£74.88	£77.87	£82.84	£89.46

6.4 The low level of rent increases has had a compounding issue on the HRA at a time when costs more generally have been increasing. The rent increases of 2024/25 and 2025/26 have, however, been successful in effectively delivering on the priorities identified by tenants. In particular, the higher rent increases in the last 2 years have provided the required increase in the Repairs and Maintenance budget.

6.5 Investment in Existing Stock

Over the past 15 years a series of new regulations and standards have required upgrades and improvements to current HRA properties. Highland reached compliance with the Scottish Housing Quality Standard in December 2015, which was achieved as a result of unprecedented capital investment in heating, insulation, bathrooms and kitchens.

6.6 Further investment was required in the following decade in order to comply with extensions to the Standard. These have included:-

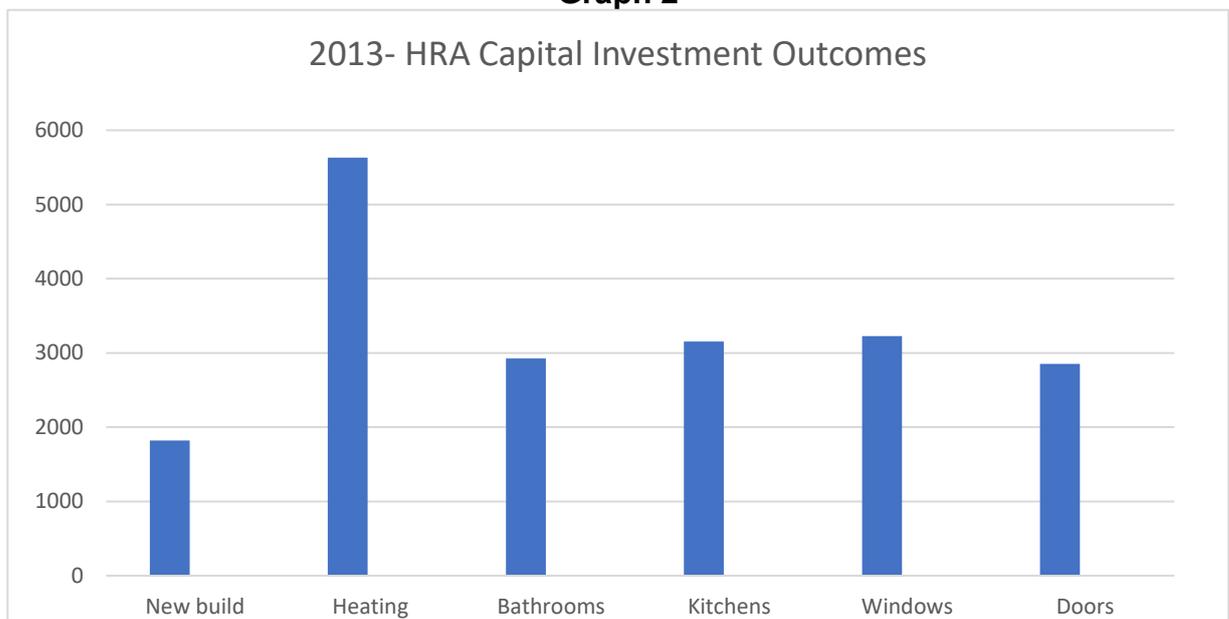
- the energy efficiency requirements of the Energy Efficiency Standard for Social Housing, introduced in 2014;
- the energy efficiency requirements of the Energy Efficiency Standard for Social Housing 2, introduced in 2019;
- the installation of interlinked fire alarms into all Council properties, introduced in 2019; and
- compliance with 5-yearly electrical inspection compliance reports, introduced in 2022.

6.7 Further investment specific to Highland, included:-

- ringfenced adaptations budget of a minimum of £1m per annum to support people to remain in their own homes.
- an environmental improvement budget to improve the condition of communal areas of housing estates; this was approved as 5% of the overall mainstream capital programme.

6.8 There was significant success over this period in terms of the outcomes delivered for tenants, which is set out in Graph 2 below.

Graph 2



6.9 However, whilst the outcomes were essential and positive, this came at a cost. Prior to 2024/25, there was no or limited external funding to support compliance with these requirements and with low levels of rental increase, the only way in which to deliver on these legal requirements was to borrow. Graph 3 illustrates the growth in capital borrowing from 2013 onwards. There were particular peaks in 2015/16 (to achieve compliance with the Quality Standard) and in 2021/22 (to deliver new build projects delayed on site during the pandemic).

Graph 3



6.10 Council Housing Building Programme

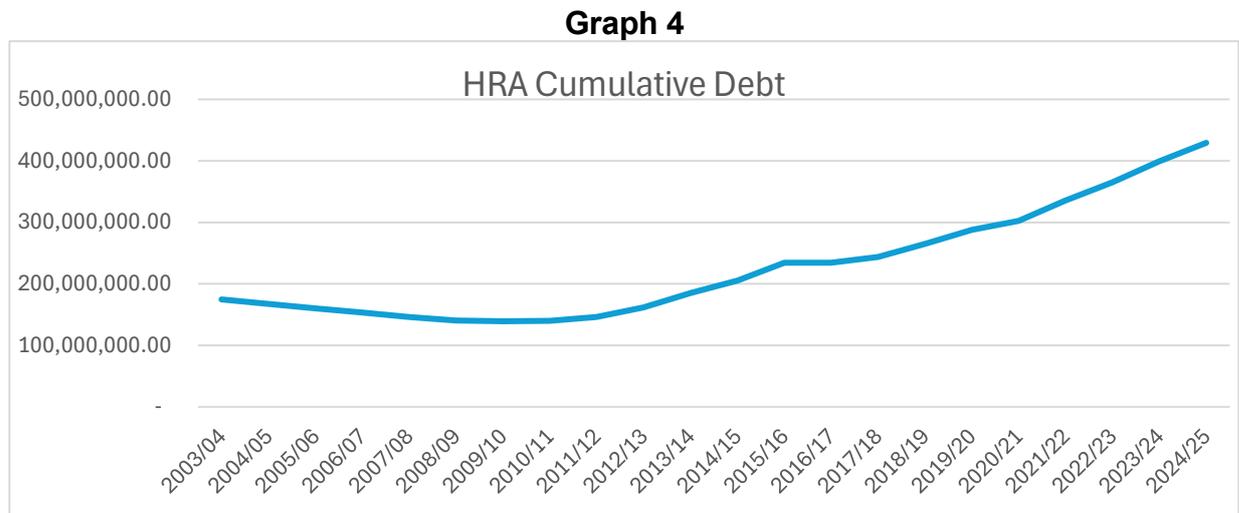
Part of the capital borrowing costs support the Council's new build programme. Between 2013/14 and 2025/26, a strong building programme was introduced, recognising the need to replenish the stocks lost through the Right to Buy legislation. Over this period, more than 1,800 houses were delivered. This takes the current stock levels to 15,363 as at 30 September 2025. This represents positive progress to increase Council house numbers, and the stock level is now equivalent to the same level as 2004. This reflects the impact of the Right to Buy legislation in Highland, and it should be noted that Highland Council stock was 19,445 in 1998, when the Scottish Government first collated this information for each local authority. As illustrated above however, the Council house build programme relied on borrowing alongside Scottish Government subsidy to deliver the high number of units.

6.11 The current house building programme is set out in the Strategic Housing Investment Programme (SHIP), with the aim of delivering 160 new houses per year for the next 5 years. The total new build budget programme for 2025/26, including contribution from the Landbank Fund and Scottish Government Grant is £38.249m, with HRA borrowing of £22.986m. An updated SHIP is considered elsewhere on this agenda which is in line with the current programme outlined above.

6.12 Based on an assessment undertaken as part of the development of the business case for the Inverness and Cromarty Firth Green Freeport, forecasts suggest that 24,000 new homes are required over the next 10 years to meet the Highland Housing Challenge – double the number currently programmed. This is homes across all tenures including social rent. The Council therefore needs to consider how it can seek to increase the number of Council properties to contribute to this and address the housing demands as illustrated through the HHC assessment and from the numbers presenting as homeless and the number of people on the HHR.

6.13 Debt and Loan Value

Graph 4 illustrates the compounding impact of cumulative HRA debt incurred in the last 20 years which has added to the existing debt burden on Highland.



6.14 The current Housing Revenue Account is under pressure. Over the last 10-15 years, a combination of low rent increases, building of additional houses, meeting enhanced standards and compliance requirements, have all compounded the historical HRA debt to the current position where 43 pence in every pound of HRA resources is servicing the debt. This position is no longer sustainable and a longer-term strategy to stabilise and strengthen the position of the HRA is essential.

7 Principles for the Financial Strategy

- 7.1 Over the last number of months, work has been undertaken to review the current position of the HRA, develop a financial model to support forward planning and consider the priorities of the Council, of Members, of tenants and the wider Highland community to help guide the development of the Financial Strategy. Workshops have been held with staff, members and tenants.
- 7.2 The following are the proposed principles that have guided the development of strategy to date and are proposed to inform the strategy going forward. They have been designed to address either the core priorities identified or one of the challenges facing the HRA:-
- 7.3
- **New housing** - double the Council's affordable housing building programme to help meet community housing need and deliver on the Highland Housing Challenge. (Council and Highland community priority).
 - **Investment in existing stock** – sufficient funds to deliver a strong capital improvement programme covering upgrades to existing properties, with a particular focus on energy efficiency and external fabric works such as insulation, heating systems, new windows and doors. (Tenant priority).
 - **Loan charge ratio** – the loan charge ratio should reduce over time. Too much of the current revenue budget is going to service the debt rather than delivering services/upgrades for tenants. (Council and tenant priority).
 - **Affordability of rents** – considering the affordability of rents should be a core principle, taking into account levels of rent arrears and the benchmarking of rents against Highland rents and others across Scotland. (Council and tenant priority).

- **Sustainability** - rent increase base must cover all core costs to ensure continued service delivery (Council and tenant priority).

8 Financial Strategy – Assumptions and Projections

8.1 Council finance staff have developed a financial model to help support and guide long term planning for the HRA. The model incorporates assumptions around the core income and expenditure elements of the HRA, profiling this into the future to understand:-

- What is required to meet the costs of the core staffing and repair budgets.
- The levels of capital expenditure for spend on existing buildings.
- The number of new houses that can be delivered.
- The impact upon the loan charge ratio.
- The level of rent increase required to meet the core costs.

8.2 The assumptions build up a financial picture that articulate the costs to the HRA over future years. Initial work has profiled over the next 10 years, with work on a 30 year profile currently being finalised. This helps ensure long term planning for the HRA and support decision making in relation to levels of house building, capital expenditure and rent levels. For example, given recent trends in repairs and maintenance expenditure the financial modelling includes an additional assumption for repairs and maintenance specific inflation, over and above its assumptions for inflation generally.

8.3 The following summarises some of the core assumptions being made to inform the financial model.

8.3.1 Supervision and Management

This budget heading includes the salaries and other running costs for housing related activities. The baseline budgets assume a projected 2% pay award for 2026-2031.

8.3.2 Repairs and Maintenance

This budget covers the cost of carrying out revenue funded day-to-day repairs and planned maintenance to Council houses, including repairs to empty houses and revenue funded environmental improvements. This includes the costs of the Council's in-house Building Maintenance teams.

Staff costs have been increased in line with projected local government pay awards as outlined in paragraph 8.3.1 (above).

8.3.3 Loan charges

Loan charge estimates for the baseline Financial Strategy reflect the expected borrowing to fund the above commitments to the increasing housing supply as well as improvements to the Council's housing stock.

The level of loan charges already places a significant burden on the Housing Revenue Account and any increase in loan charges would place further pressure on the HRA. Based on current estimates, and continuing current HRA Capital Plan activity, it is estimated that loan charges will increase by £10.7m over the period 2026-2031.

The potential rent increase scenarios at section 9 of this report indicate how effective annual rent increases over the 5-year Rent Strategy period can be in terms of managing the loan charge ratio.

8.3.4 Mainstream HRA Capital Investment 2027-2032

The next HRA Capital Plan (2027-2032) is in development and detailed proposals will be submitted for approval to January 2026 Committee.

The baseline Financial Strategy is estimated on the basis of a projected 5% increase per annum in the mainstream HRA Capital Programme from 2027 to 2032. This reflects the estimated expenditure associated with:-

- maintaining the existing stock to the Scottish Housing Quality Standard;
- improving the energy efficiency and external fabric of our stock to tackle fuel poverty;
- funding to achieve life-cycle and condition replacement of major elements such as bathrooms and kitchens; and
- £1m per annum set aside to continue to meet the Local Housing Strategy objective of independent living through adaptations to housing stock.

8.3.5 New Housing

The current Strategic Housing Investment Programme 2025-2030 is based on the supply of 160 new build Council houses per annum. The updated Programme is subject to a separate report to this Committee. The Highland Housing Challenge has articulated the demand for increasing housing supply and this has also been reflected in discussions in regard to the Highland Housing Register Allocations Policy and the Housing Need and Demand Assessment.

8.3.6 One of the core principles is to double the number of houses, in line with addressing the HHC. This is therefore a core assumption in the model and would be delivered through both an increase in new Council house building alongside open market purchase. It is noted that this relies on the continuation of Scottish Government grant alongside increase land supply for housing.

	2026/27	2027/28	2028/29	2029/30	2030/31	Total 2026-2031
Previous New Council House Build	160	160	160	160	160	800
Previous Open Market Purchases	10	10	10	10	10	50
Total	170	170	170	170	170	850
Proposed New Council House Build	300	300	300	300	300	1,500
Proposed Open Market Purchases	20	20	20	20	20	100
Total	320	320	320	320	320	1,600

8.3.7 Stock viability

A major exercise has taken place in 2025 to determine the stock viability assessment of existing stock. The findings of this exercise will be reported to January 2026 Committee alongside the proposed 2027-2032 HRA Capital Plan.

As part of this assessment, a number of houses have been identified which are in low demand because of their condition and location. Put simply, they are currently and will continue to cost far more to manage and maintain in the next 30 years than what they can contribute in terms of rental income.

The Rent Strategy baseline considers the proposed disposal of 15 properties per annum. Any disposals would be subject to the current governance processes and require Committee approval. It is anticipated that any targeted disposals would also involve specific legal clauses attached to the sales, particularly focusing on ensuring that any sale ensured that the property would be available to meet local housing needs or be available to community or partner agencies to meet specialist housing demand.

8.4 Long and Medium-Term Modelling

Whilst the above assumptions support and underpin the long-term Financial Strategy, this also shapes the 5-year rent strategy for 2026-2031. To deliver on and address the draft principles, the following baseline assumptions have been proposed to underpin the 5-year Rent Strategy:-

Principle	Financial Baseline
Rent Level	8% per year for 5 years
New housing - double the Council's affordable housing building programme	300 new build houses per year and 20 off-shelf purchases = 320 new Council Houses
Investment in existing stock – sufficient funds to deliver a strong capital improvement programme	£117m of mainstream capital 5-year net spend
Loan charge ratio – the loan charge ratio should reduce over time.	Over 5 years - 43.4%  36.16% Over 10 years – 43.4%  21.7%
Sustainability - rent increase base must cover <u>all core costs</u> to ensure continued service delivery	<u>All core costs covered</u>

8.5 Members are asked to note that whilst it is proposed to set the rent for a 5-year period, within the overall longer term financial planning, a budget will require to be set on an annual basis. This will provide an opportunity for review should there be fundamental changes to inflation, economic or social conditions.

9 Consultation on Rent Levels

9.1 The Housing (Scotland) Act 1987 places a duty on local authorities to consult with their tenants about any proposed rent increase, and to take these views into account when considering increases to the rent.

9.2 The Scottish Social Housing Charter also states that social landlords should set rents and service charges in consultation with their tenants and other customers.

9.3 This year, the Council will be taking a different approach and proposing setting rents for a 5-year period, to be viewed within the longer-term Financial Strategy for the HRA. Tenants will therefore be asked for their views on the boarder principles underpinning the Financial Strategy along with their views on the impact of a longer-term approach.

9.4 The following summarises the recommended proposals for the consultation which will be scheduled to run from 17 November for a calendar month. Tenants will be asked about:-

- The principles underpinning the Financial Strategy;
- Whether the Rent Strategy will assist tenants with household budgeting and providing assurances as to where their rent money will be spent for the next five years;
- Whether the rent charged is affordable and represents value for money;
- Whether tenants agree with previous consultation responses that there should be a continuation of additional rent charged for new build properties; and
- What the priorities are for budget spend in 2026-2031, for example, investment in new windows and doors, delivering day-to-day repairs to existing standards, maintaining estate environments and so on.

9.5 Tenants will also be asked their opinion on the following rent increase scenarios for the period 2026-2031. These are based on the above income and expenditure assumptions for the period and start with the baseline scenario outlined in 8.4 which delivers on the proposed principles.

% Rent increase	Total increase in revenue budget (per yr)	52-week Average increase (26/27 rent)	Impact of rent increase
8%	Average £8.917m	£7.16	<ul style="list-style-type: none"> • Increase in new housing supply by 150 houses per year (in addition to existing programme) • 5% per annum increase in mainstream capital investment (in addition to existing programme). This would provide funding for an estimated additional 300 bathrooms and kitchens; an estimated additional 180 insulation and heating installations; and an estimated additional 370 window and door installations over the 5 years. • Loan charge ratio to be reduced to 36.16% by March 2031
9%	Average £10.003m	£8.05	<ul style="list-style-type: none"> • Increase in housing supply by 150 houses (in addition to existing programme) • 5% per annum increase in mainstream capital investment (in addition to existing programme). This would provide funding for an estimated additional 300 bathrooms and kitchens; an estimated additional 180 insulation and heating installations; and an

			<p>estimated additional 370 window and door installations over the five years.</p> <ul style="list-style-type: none"> • Additional £21.2m available for extra capital works 2026-2031. This would provide funding for an estimated additional 740 bathrooms and kitchens; an estimated additional 460 insulation and heating installations; and an estimated additional 900 window and door installations over the five years. • Loan charge ratio to be reduced to 35.15% by March 2031
10%	Average £11.130m	£8.95	<ul style="list-style-type: none"> • Increase in housing supply by 150 houses (in addition to existing programme) • 5% per annum increase in mainstream capital investment (in addition to existing programme). This would provide funding for an estimated additional 300 bathrooms and kitchens; an estimated additional 180 insulation and heating installations; and an estimated additional 370 window and door installations over the five years. • Additional £42.4m available for extra capital works 2026-2031. This would provide funding for an estimated additional 1,480 bathrooms and kitchens; an estimated additional 920 insulation and heating installations; and an estimated additional 1,800 window and door installations over the five years. • Loan charge ratio to be reduced to 34.14% by March 2031

10 Next steps

- 10.1 As outlined above, there are ongoing challenges facing the HRA budget including: the importance of delivering improvements to existing homes – a key priority of tenants; additional regulation related to compliance and potential increases in housing standards; and general increases in costs associated with inflation and construction costs. This all impacts upon the HRA's borrowing costs.
- 10.2 This must also be seen within the context of the Highland Housing Challenge and the identified need to double the number of homes across all tenures over the next 10 years, including social housing. The Highland Housing Register Allocations Annual Report was presented to August's Committee and confirmed the continuing level of housing need in Highland. This will be detailed further in the Housing Need and

Demand Assessment which will be submitted to the Scottish Government in Spring 2026.

- 10.3 The findings of the tenant rent consultation will be submitted to Committee in January 2026. Committee will be asked to approve the Financial Strategy including a Rent Strategy 2026-2031, and this will include the rent increase levels for this period, including detailed budget breakdowns for 2026/27.

Designation: Assistant Chief Executive – Place

Date: 8 October 2025

Author: Alison Clark, Chief Officer, Housing and Communities
Brian Cameron, Strategic Lead, Housing & Customer Services

Appendices: None