The Highland Council

Agenda Item	9
Report No	HP/22/26

Committee: Housing and Property

Date: 12 August 2026

Report Title: Housing Revenue Account (HRA) Capital Monitoring Outturns 2025/26 and HRA Capital Monitoring 2026/27 to 31 May 2026

Report By: Assistant Chief Executive - Place

1 Purpose/Executive Summary

1.1 This report provides the Outturn Monitoring Statement for the Housing Revenue Account Capital Programme for the 2025/26 financial year and also Quarter 1 of the 2026/27 financial year up to 31 May 2026.

The report provides details of expenditure against both the mainstream HRA Capital Programme and the Council house building programme.

2 Recommendations

2.1 Members are asked to:-

i. **Consider** and **note** the final outturn figures for the Housing Revenue Account Capital Programme 2025/26: and
ii. **Consider** and **note** the May 2026 figures and projected outturn for the Housing Revenue Account Capital Programme 2026/27.

3 Implications

3.1 **Resource –** There are no implications arising from this report.

3.2 **Legal** - There are no implications arising from this report

3.3 **Risk** - Implications to the budget position, and budget assumptions, will be kept under review and reported to future Committee. Loan charges continue to represent a long-term cost pressure facing the HRA, and the loan charge ratio cap of 43% agreed by this Committee 43% and as part of the Council's Treasury Management Strategy, is in place to manage borrowing and ensure sustainability for the HRA.

There are concerns that the impact of the Middle East crisis will be reflected in higher inflation later in 2026/27 which will be assessed by Finance as part of their financial modelling and management processes.

3.4 **Health and Safety (risks arising from changes to plant, equipment, process, or people)** – Continuing investment in our stock will help meet statutory compliance with health and safety requirements.

3.5 **Gaelic** - There are no Gaelic 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 update report and therefore an impact assessment is not required.

5 Background

5.1 The mainstream HRA Capital Programme is based on the HRA Capital Plan 2022-2027, through which resources are allocated at area level and local projects approved at an Area Committee level. Given this is a 5-year programme, and projects can be both brought forward and slip, the monitoring provides the position at the current time and reflects the movement within the overall programme.

5.2 The new Council house build programme was approved at Committee on 5 November 2025 as part of the Council's Strategic Housing Investment Programme 2024-2029. Increasing the supply of affordable housing in Highland is a key feature underlying the Highland Housing Challenge which was established at Council on 27 June 2024.

6 Mainstream Capital Outturn and Outputs 2025/26

6.1 **Appendix 1** details the final outturn figures for the HRA Capital Programme 2025/26. It reports a final outturn figure of £51.719m against a budget of £75.399. Overall, £23.680m is reprofiled into the 2026/27 financial year.

6.2 The £23.680m underspend is comprised of £10.797m from Mainstream Capital Programme and £12.883 from the newbuild programme. The reasons for slippage are detailed in 6.3 below and at 8.2.

6.3 **Mainstream HRA Capital Programme**
On the mainstream programme for investment in existing housing stock, the final outturn was £23.420m against the budget of £34.217m. As previously reported to committee, the main reason for the underspend against the proposed budget is achieving grant contribution to the programme from the Energy Company Obligations fund and Social Housing Net Zero fund. This has been a positive, maximising use of the HRA budget. The mainstream programme is reprofiling £10.797m into 2026/27 which is the final year of the 2022-2027 Capital Programme and this is detailed further at section 7 of the report. The Housing Asset Strategy Team is working to profile works to the end of March 2027.

6.4 The majority of spend was against Heating and Energy Efficiency projects accounting for 72% of the mainstream programme for 2025/26. In year reprofiling of contingencies ensured we remained responsive to premature component failures and end of lifecycle replacements including kitchens, bathrooms, one-off heating replacements and electrical installations.

6.5 Table 1 shows capital investment outputs for the 2022-2027 Capital Programme up to 31 March 2026.

6.6 **Table 1 – 2022-2027 Capital Programme Outputs to 31 March 2026**

Programme	Element	Count
Free From Serious Disrepair	New Roof	592
Energy Efficiency	Loft Insulation	3
	Wall Insulation	89
	Floor Insulation	1
	Front Door	1,821
	Back Door	1,336
	Windows	1,634
	Heating	2,492
	Solar Panels	915
Major Component Replacement	Bathroom	1,483
	Kitchen	1,546
	Full Re-wire	210

6.7 Table 2 shows capital investment outputs against focus areas for the 2026/27 financial year up to the end of May 2026. The table does not include outputs for works currently in progress.

6.8 **Table 2 – 2026/27 YTD Capital Programme Outputs**

Programme	Element	Count
Free From Serious Disrepair	New Roof	18
Energy Efficiency	Wall Insulation	0
	Front Door	92
	Back Door	38
	Windows	52
	Heating	144
	Solar Panels	21
Major Component Replacement	Bathroom	82
	Kitchen	75
	Full Re-wire	14

6.9 Energy Efficiency is a major focus of the 2026/27 Capital Programme. The D-C programme aims to improve Energy Performance Certificate ratings from D or below to at least a C rating.

The D-C Programme continues to deliver significant benefits to Council tenants and across Highland. Since February 2025 the project has installed 862 energy efficiency measures in 498 Council homes, the project was paused October 2025 due to funding uncertainty and restarted May 2026. It will run until December 2026 when the current Energy Company Obligation (ECO) scheme ends.

To date it has successfully leveraged circa £7.644 million of external funding through ECO, enabling a range of energy efficiency improvements to the fabric of the property, upgraded heating systems and solar panels (subject to property eligibility/ suitability) which has assisted to make homes warmer, improve comfortable levels for tenants while improving energy efficiency and potentially reducing fuel costs. Delivered in alignment with the Council's Local Heat and Energy Efficiency Strategy (LHEES) and ambitions to reduce fuel poverty across the region.

This investment demonstrates the Council's commitment to improve the quality and sustainability of its housing stock, ensuring residents can enjoy healthier homes and lower energy bills for years to come.

The D-C Programme represents additionality and the works identified and undertaken were not part of the original 2022-2027 HRA Capital Programme.

Table3 – D-C Programme Outputs

Measure	Feb 25 - Oct 25 No of measures	May 26 - Jul 26 No of measures	Total measures installed
Solar PV	417	79	496
Air source heat pump	143	5	148
Loft insulation	42	4	46
Room in roof insulation	7	0	7
Cavity wall insulation - extraction & refill	126	25	151
Cavity wall insulation - virgin fill	13	1	14
Total Measures	**748**	**114**	**862**
Number of properties completed	**419**	**79**	**498**
Energy Company Obligation (ECO) funding	**£7,138,450**	**£505,669**	**£7,644,119**

This is also a major focus for the next Capital Plan, as detailed at item 12 on the agenda.

6.10 The Chancellor announced at Budget in November 2025 that the UK Government had taken the decision not to renew Energy Company Obligation (ECO4), originally due to end 31 March 2026 the scheme was extended by nine months until 31 December 2026. This is to allow suppliers additional time to meet existing targets and remediate non-compliant installations. Highland Council seeks to maximise and support remaining ECO funded opportunities until the scheme ends.

6.11 UK Government's Warm Homes Plan, launched earlier this year, is expected to accelerate investment in domestic energy efficiency, clean heating and renewable energy technologies. Local authorities are expected to play a key role in identifying priority households, supporting retrofit delivery, tackling fuel poverty and collaborating with partners. While the Plan is not a direct Scottish Government programme it will likely have implications for Local Authorities in terms of its aims to accelerate home energy efficiency improvements, clean heating update and fuel poverty reduction. It places a strong emphasis on collaboration, coordination and adopting a place-based approach which directly aligns with Highland Council's Local Heat and Energy Efficiency Strategy. This aligns with the findings and call to action from the Highland Poverty and Equality Commission in relation to accelerating home energy efficiency.

6.12 It is anticipated the Plan will complement existing Scottish programmes such as Warmer Homes Scotland; Area Based Schemes and Social Housing Net Zero Fund to improve housing quality, reduce energy costs for residents, support local green jobs and contribute towards local and national net zero objectives. While detailed delivery arrangements in Scotland will continue to reflect devolved responsibilities.

6.13 Housing and Building Maintenance working in partnership with Scottish and Southern Energy Networks (SSEN) have refurbished 18 units in Wick to be used as worker accommodation. The refurbishment project is due for completion in late August 2026. SSEN will hand the units back to Highland Council after 5 years.

7 2026/27 Quarter 1 Monitoring Statement up to 31 May 2026

7.1 **Appendix 2** details the position for the HRA Capital Programme 2026/27 at 31 May 2026. It reports a current spend of £3.852m against a budget of £83.603m. The budget is comprised of £34.154m for the mainstream HRA capital programme and £49.450m for the newbuild programme. Progress against the mainstream HRA capital budget for 2026/27 is detailed at 7.2-7.4 and the newbuild programme at 8.4-8.8.

7.2 **Mainstream HRA Capital Programme**

On the mainstream programme for investment in existing housing stock, the projected outturn is £28.037 against the budget of £34.153m.

This is the final year of the 2022-2027 HRA Capital Programme. The Asset Strategy Team will continue to initiate new projects up until the end of October 2026 with completions expected by 31st March 2027. New projects initiated after October 2026 will be included in the following 2027-2032 HRA Capital Programme. A completion report for the 2022-2027 HRA Capital Programme will be presented to Housing and Property Committee in 2028 after finalising defects periods.

7.3 The projected variance figure of -£6.116m cumulative over the 5-year programme and represents a reduction compared to the end of 2025/26. As noted at 6.3, additional grant contribution has contributed to this variance from the original programme. The Housing Asset Strategy Team is working on profiling remaining expenditure and commitments to the end of 2027 with the goal of completing expenditure to reduce the variance figure through. Revised projections will be presented to a future Housing and Property Committee with recommendations for profiling the variance into the 2027–2032 HRA Capital Programme.

7.4 Energy efficiency projects account for 60% of the mainstream programme. The Housing Asset Strategy Team is working closely with the Climate Change and Energy Team to maximise external sources of funding including remaining ECO4, Social Housing Net Zero Fund and anticipated Warmer Homes Scotland opportunities.

8 New Council House Build Programme

8.1 **2025/6 Outturn**
As reported to Committee in May, the outturn spend for 2025/26 was £29.158m subject to year-end finalisation. The final outturn was £28.299m, a reduction of £12.883m against the original budget.

8.2 Spend projections for the year faced slippage due to delays with contract starts. One major site was delayed due to planning matters which required resolution, two sites failed to get planning consent within the original timeframe, and one site had localised contamination which led to a realignment of the site – this equates to over a 100 units and related spend – the 12.883m noted above.

8.3 This underspend has a material impact on the 2026/27 budget as most projects were committed but had to be reprofiled due to slippage. The figure of £49m noted below would have been £37m had the projects progressed at the pace forecast at the beginning of the year. The nature of development is such that to achieve spend forecasts requires a shadow programme which can be implemented to absorb slippage. 2 projects were successfully brought forward however they were started in quarter 4 and the associated spend was limited in 2025/2026. It is also important to be mindful of committed spend and the impact of introducing new projects and their impact on future years spend. This can only be progressed within financial borrowing parameters.

8.4 **2026/27 Programme**
For the first time, the Scottish Government has provided a committed four-year Resource Planning Allocation. This allows for better forward planning and budgeting. In line with the Strategic Housing Investment Plan and having undertaken an analysis on the impact of borrowing on the HRA, the following table outlines the anticipated completions over the next 4 years. This is based on existing borrowing parameters as set out in the HRA Capital Plan and aligned to the HRA Financial Strategy (180 newbuild units per year and 20 off the shelf purchases).

8.5

Year	2026/2027	2027/2028	2028/2029	2029/2030
Budget	49,450	49,800	49,800	49,800
Projected unit completions	98	271	200	200

8.6 The projected unit completions are lower for 2026/2027 than previous years completions. This is due to the length and scale of contracts with completions mainly forecast for 2027/2028. The team will work with contractors to phase completions, bringing units forward into this financial year where possible. The total numbers committed should be seen over the 2-year period 2026/27 and 2027/2028 where the numbers completed equate back to the annual target of 180 newbuilds and 20 off the shelf purchases.

8.7 The newbuild delivery is supported with a landbank contribution of varying amounts to maintain our borrowing at c£90,000 per unit. This element of the landbank is a direct contribution from the second homes council tax revenue stream and the borrowing levels in line with those agreed as part of the Capital Plan and in line with the Financial Strategy.

8.8 It should be noted that the newbuild programme is delivered in the context of the HRA Financial Strategy of reducing the impact of the Council's loan charges on the HRA and the loan value ratio cap of 43%. Whilst one of the key principles of the Financial Strategy is to double the newbuild programme to support delivery against the Highland Housing Challenge, any increase in newbuild delivery would require to be considered as part of budget setting on an annual basis and be delivered within the loan value ratio cap.

Designation:	Assistant Chief Executive - Place
Date:	13 July 2026
Author:	Rory MacLeod, Service Lead (Investment and Building Maintenance) Helen Cameron, Housing Development Manager Carolyn Pieraccini, Service Finance Manager
Appendices:	Appendix 1 – HRA Capital Expenditure Outturn 2025-26 Appendix 2 – HRA Capital Monitoring Statement to 31 31 May 2026/27

Appendix 1

Housing Revenue Account Capital Monitoring Statement 2025/2026

Project Description	Revised Net Budget	Actual Net Year to Date	Year End Net Outturn	Year End Net Variance	(Reprofiling)/ Acceleration Net
	£000	£000	£000	£000	£000
Capital Programme 2025/26					
Equipment and Adaptations	1,124	968	968	(156)	(156)
Major Component Replacement	3,386	2,514	2,514	(872)	(872)
Heating/Energy Efficiency	23,375	16,849	16,849	(6,526)	(6,526)
External Fabric (Major Component Replacement)	723	590	590	(133)	(133)
External Fabric (Environmental Improvements)	2,472	839	839	(1,633)	(1,633)
Healthy, Safe and Secure	4,659	1,638	1,638	(3,021)	(3,021)
Contingencies/Retentions	(1,522)	22	22	1,545	1,545
Total 2025/26 Programme	**34,217**	**23,420**	**23,420**	**(10,797)**	**(10,797)**
Council House Building Capital Programme					
New Council House Buildings	36,189	24,767	24,767	(11,422)	(11,422)
Individual House Purchases	4,993	3,532	3,532	(1,461)	(1,461)
Total Council Building Programme	**41,182**	**28,299**	**28,299**	**(12,883)**	**(12,883)**
OVERALL TOTAL	**75,399**	**51,719**	**51,719**	**(23,680)**	**(23,680)**

Funding	Revised Net Budget	Actual Net Year to Date	Year End Estimated Net Outturn	Year End Net Variance
	£000	£000	£000	£000
Government Grant	14,795	15,053	15,053	258
Contribution to Energy Efficiency Works	7,132	7,132	7,132	0
Miscellaneous Income	258	258	258	0
Landbank	2,084	3,066	3,066	982
Capital from Current Revenue	167	167	167	0
Borrowing	50,963	26,044	26,044	(24,919)
GROSS FUNDING	**75,399**	**51,719**	**51,719**	**(23,680)**

Appendix 2

Housing Revenue Account Capital Monitoring Statement to 31 May 2026

Project Description	Revised Net Budget	Actual Net Year to Date	Year End Estimated Net Outturn	Year End Net Variance	(Reprofiling)/ Acceleration Net
	£000	£000	£000	£000	£000
Capital Programme 2026/27					
Equipment and Adaptations	1,156	162	1,025	(132)	(132)
Major Component Replacement	3,331	313	2,911	(420)	(420)
Heating/Energy Efficiency	20,437	698	18,771	(1,666)	(1,666)
External Fabric (Major Component Replacement)	552	35	401	(151)	(151)
External Fabric (Environmental Improvements)	2,784	84	1,619	(1,165)	(1,165)
Healthy, Safe and Secure	5,487	100	3,010	(2,477)	(2,477)
Contingencies/Retentions	407	60	301	(106)	(106)
Total 2026/27 Programme	**34,153**	**1,453**	**28,037**	**(6,116)**	**(6,116)**
Council House Building Capital Programme					
New Council House Buildings	46,450	1,844	46,450	0	0
Individual House Purchases	3,000	555	3,000	0	0
Total Council Building Programme	**49,450**	**2,399**	**49,450**	**0**	**0**
OVERALL TOTAL	**83,603**	**3,853**	**77,487**	**(6,116)**	**(6,116)**

Funding	Revised Net Budget	Actual Net Year to Date	Year End Estimated Net Outturn	Year End Net Variance
	£000	£000	£000	£000
Government Grant	20,144	1,967	20,144	0
Contribution to Energy Efficiency Works	1,300	0	1,300	0
Miscellaneous Income	465	0	465	0
Landbank	2,672	0	2,672	0
Capital from Current Revenue	3,248		3,248	0
Borrowing	55,774	1,886	49,658	(6,116)
GROSS FUNDING	**83,603**	**3,853**	**77,487**	**(6,116)**