Agenda Item	**12**
Report No	**HP/25/26**

The Highland Council

Committee:	**Housing and Property**
Date:	**12 August 2026**
Report Title:	**Housing Revenue Account (HRA) Capital Plan 2027-2032**
Report By:	**Assistant Chief Executive – Place**

1 Purpose/Executive Summary

1.1 Highland's Local Housing Strategy (2023-2028) sets out the vision for housing across all tenures in Highland and the core actions required to both grow and improve the quality of housing across the area. The Strategy sits alongside the Strategic Housing Investment Plan (2025-2030), which outlines the proposals for affordable housing investment in Highland, the Financial Strategy for the HRA and the HRA Capital Plan. Together, these set out the proposals for how we will both grow Council social housing and crucially improve the existing Council housing stock.

1.2 The HRA Capital Plan sets out the programme of activity over a five-year period for improving existing Council stock. This includes improvements to the fabric of buildings, kitchens and bathrooms, heating and communal areas, which consistently tenants consistent rate as their greatest priority. The Highland Poverty and Equality Commission Report (June 2026), included *accelerating home energy efficiency* as one of their core *Calls to Action* and improving the energy efficiency of Highland housing was also identified as a potential key action of the Member-led Fuel Poverty Working Group at its inaugural meeting on 19 June 2026.

It is important for a strong Capital Plan to be in place in order to respond to tenant and Member priorities but also emerging Scottish Government policy including:-

- anticipated reforms to energy efficiency standards and the development of the Scottish Government's Social Housing Net Zero Standard;
- the introduction of Awaab's Law in Scotland relating to structural repairs to address damp and mould; and
- the outcomes of Single Building Assessments, a new comprehensive evaluation process for communal flat blocks.

1.3 This paper introduces a new HRA Capital Plan for 2027-2032. It builds on the existing 5-year plan which is due to conclude on 31 March 2027.

1.4 The proposed programme totals £116.151 million of investment over the next 5 years, an increase of £28m compared to the previous approved programme. This reflects the increase in regulatory requirements, the increased costs of delivering works across the construction industry, the importance of upgrading properties in terms of insulation and heating to improve efficiency and reduce costs and of course tenant priorities.

1.5 As in previous years, the intention is to approve the next 5-year Capital Plan in advance to enable an investment programme to be scheduled between 1 April 2027 and 31 March 2032. Details of these area-based projects will be shared with local Members ahead of works commencing on site from 1 April 2027.

2 Recommendations

2.1 Members are asked to:-

i. **Approve** the overall HRA Mainstream Capital Plan 2027-2032 budget of £116.151m, an increase of £28m from the previous 5-year capital plan;
ii. **Approve** the proposed investment priorities for the Mainstream Capital Plan, as set out in Section 5 of this report;
iii. **Note** that this is a 5-year plan and, as with all long-term programmes, there will be a level of reprofiling reported to Committee during the course of the 2027-2032 Plan. This will manage delivery risk, price fluctuations, funding variances and unavoidable pressure arising from urgent or compliance-driven works;
iv. **Approve** the continued bi-annual reporting of the programme to Area Committees to ensure ward Members are fully informed of progress of projects in their communities; and
v. **Note** that future revenue budget agreements and rent setting decisions will continue to be on an annual basis, and any resulting implications for / amendments to, the capital plan, would be managed as part of that annual process.

3 Implications

3.1 **Resource** – As per the existing Plan, the new Capital Plan will be funded primarily through prudential borrowing for investment in existing Council housing, alongside capital from revenue and external funding opportunities where available. The level of capital investment proposed is considered manageable within projected HRA revenue resources, as set out in the HRA Rent Strategy part of the HRA Financial Strategy principles approved by this Committee; however, the quantum available for capital investment will require ongoing monitoring and will be dependent on future rent decisions and the presumption that the Council continues to operate within the agreed loan charge ratio cap of 43%.

3.2 **Legal** – The investment set out in this report will ensure that the Council meets all regulatory standards and will be able to adapt to changing standards in regard to energy efficiency and health and safety.

The introduction of Awaab’s Law in Scotland is a new legal duty from October 2026. Early indications suggest that under 10% of suspected damp and mould cases are diagnosed as relating to structural/element issues in our housing stock. However, the implementation of the legislation makes it imperative that Highland ensures there is sufficient capital funding available to deal with these issues if capital works are required.

3.3 **Risk** – The HRA Capital Plan is critical to ensuring there is a programme in place to deliver improvements to Council housing across Highland. If the programme is not agreed, then there is a risk there will be no programme in place for the start of 1 April 2027, and this could lead to the service being unable to deliver capital works.

Capital costs, inflationary pressures, compliance requirements and national policy changes will be kept under review and reported to Committee through future monitoring reports.

The proposed Capital Plan balances the needs and requests of Members and tenants to provide a strong but affordable capital programme that can be delivered through the HRA budget. This will not preclude Members from deciding to vary the capital budget, as for example what was agreed for 2026/27 where an additional £1.692m was included for accelerating capital works. However, the level of capital and any variation to capital sums, including additional sums, will ultimately be dependent on annual rent setting.

3.4 **Health and Safety (risks arising from changes to plant, equipment, process, or people)** – The investment priorities set out in this report will ensure that there is sufficient investment in Council housing to retrofit and repair elements to mitigate any potential future health and safety issues or regulatory 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 An Integrated Impact Assessment screening has been undertaken on 30 April 2026. The conclusions have been subject to the relevant Manager Review and Approval. The Screening process has concluded that there are positive impacts for Equalities, Poverty and Human Rights, Children's rights and wellbeing and Climate Change. Members are asked to consider the summary in **Appendix 1** to support the decision-making process.

4.4 **Impact Assessment Area**

Impact Assessment Area	Conclusion of Screening/Full Assessment
Equalities	Positive Impact
Socio-economic	Positive Impact
Human rights	Positive Impact
Children’s rights & well-being	Positive Impact
Island and mainland rural	No Impact–minor differences in delivery challenges
Climate change	Positive impact
Data rights	No impact

5 Background

5.1 The HRA sets a Capital Plan on a 5-year basis. The Plan sets out a programme of activity over a five-year period for improving existing Council stock. This includes improvements to the fabric of buildings, kitchens and bathrooms, heating and communal areas.

5.2 Delivering investment within the housing stock was a key feature of the HRA Financial Strategy agreed at Committee in January, and the proposed Capital Plan represents an increase of approximately £28 million compared to the approved programme for 2022–2027. It reflects:-

- increasing regulatory requirements;
- emerging investment pressures identified across the housing stock;
- increased costs of delivering works across the construction industry;
- the need to continue to invest in housing in every community across Highland;
- the importance of upgrading properties in terms of insulation and heating to improve efficiency and reduce costs; and
- expectation levels of our tenants who have consistently identified investment in their homes as a tenant priority.

5.3 In addition to ensuring our housing stock is in good repair, ongoing capital investment is required to ensure continued compliance with Scottish Housing Quality Standard to replace building elements and to improve the asset condition of houses. It is also important to respond to new duties and requirements introduced by the Housing Regulator and Scottish Government including:-

- anticipated reforms to energy efficiency standards and the development of the Scottish Government’s Social Housing Net Zero Standard;
- the introduction of Awaab’s Law in Scotland relating to structural repairs to address damp and mould; and
- the outcomes of Single Building Assessments, a new comprehensive evaluation process for communal flat blocks.

5.4 The Council achieved compliance with the Scottish Housing Quality Standard (SHQS) in 2016. The original SHQS specified energy efficiency levels for social landlords to meet energy ratings based on property and heating type. These targets have been significantly extended by the introduction of the Energy Efficiency Standard for Social Housing (EESSH). EESSH and EESSH2 reporting has been placed on hold by the

Scottish Government since October 2022, primarily in order to realign these energy standards with the proposed Scottish Housing Net Zero Standard.

Guidance to social landlords has, however, clearly indicated that social landlords are expected to continue to prioritise investment in energy efficiency measures to improve the heating and fabric of houses and to mitigate against the impact of fuel bill increases.

5.5 An amendment to the 2022-2027 capital programme has been the introduction of enhanced standards relating to electrical condition inspection reports. Social landlords were notified by the Scottish Housing Regulator in July 2022 that any property which has not had a 5-yearly electrical installation condition report (previously 10-yearly) should now be considered as not complying fully with the Scottish Housing Quality Standard.

Progress against this regulatory duty is noted in the Annual Assurance Statement presented separately to this Committee. Although the programme of works has a significant impact on revenue costs, there is an ongoing requirement to carry out capital investment recommendations noted on the inspection reports and this has resulted in a higher than anticipated number of rewiring works in the 2022-2027 programme.

5.6 As referred to above, the 2022–2027 capital programme has delivered significant investment in energy efficiency and compliance-related works. While this has improved asset performance, it has also highlighted increasing pressure on major components and fabric, particularly kitchens, bathrooms and roofs, where planned investment has reduced in recent cycles.

Tables 1 and 2 show planned and reactive capital works completed through the 2022-2027 capital programme up to 30 June 2026.

5.7 **Table 1 – Capital Programme 2022-2027 Planned Works**

Programme	Projects Completed	Properties Completed	Projects Live	Properties on Site
Compliance	8	2,506	3	80
Energy Efficiency (including solar panels/external wall insulation)	44	2,416	16	831
Fabric	4	29	5	115
Major Component	1	24	0	0
Grand Total	**57**	**4,957**	**19**	**957**

*Figures shown are volume of properties

5.8 **Table 2 – Capital Programme 2022-2027 Reactive Works**

Measure	**Completions**	**Average Cost Per Measure**
Back Door	387	£1,500
Bathroom	1,031	£8,328
Front Door	576	£2,558
Kitchen	1,091	£8,328
Rewire	36	£11,566
Roof	15	£16,043
Windows	189	£7,527
Heating replacement	1,286	Gas heating £13,000; electric storage £13,000; air source heat pumps £20,000
External wall insulation		£20,000
Solar panels		£6,500
Grand Total	**4,611**	

*Figures shown are individual measures

5.9 Building on the existing 5-year Capital Plan, this report seeks Committee approval for the proposed Housing Revenue Account (HRA) Capital Plan for 2027–2032, which sets out a revised, evidence-led approach to investing in the Council's housing stock over the next five years.

The proposed programme totals **£116.151 million**, comprising of:

- £111.151 million for Mainstream Capital Investment to improve existing Council houses and communal areas of Council house estates; and
- £5 million for Equipment and Adaptations to assist tenants with independent living in their Council houses.

5.10 The programme introduces a shift from a Major Repairs Allowance (MRA)-led model to a Requirement-based investment framework, allowing resources to be targeted more accurately by property condition, risk, statutory drivers and tenant need. This approach is particularly important given the geographic spread, varied house types, and challenging environmental conditions affecting the Highland housing stock. The **additional £28m** over the course of the 5-year programme will ensure that there will continue to be investment in council house capital works in every community in Highland.

5.11 The proposed 2027–2032 Capital Plan responds to these priorities, regulations and requirement by introducing a more balanced and asset-led investment approach, informed by life cycle information and validated through targeted stock condition surveys.

5.12 Although this report primarily focuses on the mainstream investment part of the HRA Capital Plan, activities to invest in and improve our existing housing stock are interconnected with the Council's new build programme. Section 9 of this report refers to this part of the programme.

6 Investment Required 2027–2032

6.1 **Mainstream HRA Capital Investment**
The starting point for developing the proposed capital plan has been an assessment of anticipated asset investment requirement across the Highland housing stock.

6.2 Historic asset planning relied heavily on national guidance relating to **Major Repairs Allowance** (MRA) calculations. That approach primarily identified funding according to estimated element costs based on stock numbers and stock types and sizes - rather than primarily on condition, risk or statutory drivers. While this approach has undoubtedly delivered capital works across every community in Highland, an even more targeted approach is required given the varied age, construction type, exposure and energy performance of Highland housing stock.

6.3 The proposed programme therefore adopts a **Requirement-Based** model, whereby investment is prioritised according to:-

- Verified lifecycle and condition risk;
- Statutory and compliance requirements;
- Energy performance and future compliance exposure;
- Whole-life maintenance liability; and
- Opportunities for efficient, large-scale or Highland-wide delivery.

6.4 It should be noted that the move to a requirement-based model of investment will still mean a significant level of investment across every area and that Council housing will be targeted for improvement works across each community in Highland.

6.5 Life cycle data held within housing systems provides an initial indicator of likely need. This will be validated and refined through stock condition surveys as programmes are developed.

6.6 **Investment Priorities**
The 2027–2032 HRA Capital Programme adopts a single, integrated investment framework, targeting capital where it will most effectively reduce risk, protect asset value and improve long-term sustainability.

6.7 Investment priorities are guided by life cycle and asset data and will be validated through stock condition surveys as programmes are developed. This ensures funding is directed by condition, compliance risk and whole-life cost.

6.8 Key priorities are:-

Fabric and Structural Works - including targeted investment in roofs, chimneys and external envelope works

Major Component replacements - with increased planned replacement of kitchens and bathrooms

Equipment and Adaptations - to support tenants to live independently in their homes

Energy Efficiency – including heating upgrades, insulation, windows & doors & targeted fabric improvements to improve the energy efficiency of homes and help tenants with the cost of heating

Environmental Improvements - to ensure that the wider Council house estates are targeted for localised improvement works as agreed with local Members;

6.9 As referred to elsewhere in this report, there is a requirement for the programme to respond flexibly to evolving regulatory standards and national policy, while still focusing on the objective of improving the condition of our tenants' homes.

The investment allocations at section 7 of this report, take into account anticipated spend against the capital costs associated with the introduction of Awaab's Law[1] in Scotland from October 2026 and also the estimated investment identified through the introduction of Single Building Assessments[2] in communal blocks from 2027/28.

6.10 It should be noted that there are also likely to be programme changes based on the potential funding opportunities associated with the requirements listed at section 6.2.4. There is ongoing discussion with the Scottish Government, construction firms and utility companies, around the possible funding that may emerge to support emerging standards. This is in particular regard to energy efficiency standards and in particular to the proposed Scottish Housing Net Zero Standard which was first formally consulted on in November 2023.

6.11 Future funding achieved will be reported to this Committee as part of the quarterly monitoring process during the course of the programme. A key objective of officers will be to maximise external funding opportunities and thereby to offset the impact of capital borrowing through loan charges to Highland tenants.

6.12 Taken together, this approach provides a balanced, evidence-led capital programme that supports compliance, improves asset performance and delivers value for money. It also promotes the flexibility required to respond to emerging standards and asset risk across the housing stock, allowing for significant investment across Highland communities where the need is greatest.

7 Funding Proposals

7.1 The proposed programme of investment includes 3 main funding allocations:-

- A programme of **planned investment** which will allow for larger scale projects delivering strategically planned improvements and capital upgrades across Highland;
- An allocation of **reactive capital funds** will allow for flexible and responsive investment and to cover emergent needs for example, urgent heating upgrades or replacement bathroom/kitchens at re-let; and
- A **ringfenced adaptations** budget to ensure delivery of capital improvements to assist tenants to live independently in their homes.

7.2 The reactive capital and the adaptations funding will continue to be based on existing stock numbers per area with flexibility to allocate covering emergent needs.

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[1] Awaab's Law in Scotland, formally introduced through the **Investigation and Commencement of Repair (Scotland) Regulations 2026**, requires both social and private landlords to investigate reported cases of suspected damp and mould and to commence necessary inspections, repairs and tenant correspondence within strict mandatory timescales. It commences in October 2026.

[2] Single Building Assessments (SBA) are a comprehensive, Scottish Government-initiated safety evaluation used to identify and mitigate risks associated with fire safety, cladding systems and structural integrity of domestic flat blocks.

7.3 Section 6 of this report above outlines the rationale for a change in methodology for setting capital budgets, moving away from a primarily Major Repairs Allowance (MRA)-led approach to a more nuanced requirement-based, data-driven investment model.

7.4 Following Member and tenant engagement sessions held in April 2026, it is recommended that the capital programme adopts a requirement-based delivery approach, enabling a more equitable and targeted method of managing ongoing capital investment across the wider housing stock. This approach better reflects the varied condition, risk profile and compliance pressures present across Highland properties and allows resources to be directed to areas of greatest asset need.

7.5 Under this model, the planned investment programme will be delivered through a Highland-wide delivery framework, allowing for flexibility ahead of allocation of funds to area-based projects. Works will be programmed and prioritised based on lifecycle position, verified condition, asset risk and statutory compliance requirements, ensuring consistency and value for money while maintaining flexibility to respond to emerging pressures.

7.6 Table 3 below sets out the proposed annual level of planned investment to be delivered over the five-year capital programme period.

Year	**Equipment and Adaptations (£)**	**Reactive (£)**	**Planned (£)**	**Total (£)**
2027-28	1,000,000	6,397,522	11,275,188	**18,672,710**
2028-29	1,000,000	6,397,522	16,222,149	**23,619,671**
2029-30	1,000,000	6,397,522	17,222,149	**24,619,671**
2030-31	1,000,000	6,397,522	17,222,150	**24,619,672**
2031-32	1,000,000	6,397,522	17,222,150	**24,619,672**
Total	**£5,000,000**	**£31,987,614**	**£79,163,786**	**£116,151,400**

7.7 The funding allocation for the 2027/28 programme is significantly lower than the following years, albeit it is still significantly higher than the annual allocations in the 2022-2027 Capital Plan. This reflects some of the workstreams identified elsewhere in the report, particularly where clarification is still required about the extent of work required as a result of surveys and regulatory changes and also where there may be future external funding opportunities.

The planned investment shown above operates within the financial parameters referenced in this report. There may be scope to vary the profile, including the acceleration and re-profiling of spend in certain years, subject to this remains affordable.

7.8 Financial monitoring and outputs of works will be reported quarterly to this Committee. Within the course of the 5-year Plan it may be appropriate to accelerate works and annual funding if there are tangible benefits to this approach. For example, the 2022-2027 programme has already achieved around £10.3 million increased funding as a result of external energy funding. As we await national changes to energy funding, there may be real benefits both financially and materially in being able to adapt projects to maximise this funding. This is also an approved principle within the HRA Net Zero Strategy as reported to Climate Change Committee and as part of the Climate Change, Energy and Community Resilience Report to Council on 26 March 2026.

8 New Build Council Housing

8.1 An update on the Highland Housing Challenge was reported to May Council, and it confirmed the delivery of 207 new Council houses in 2025/26. The 2026/27 new build programme has an overall recurring annual budget of £40m and progress against both the annual budget and the 5-year Strategic Housing Investment Programme 2026-2031 will continue to be reported to this Committee. The updated annual Programme will be presented to this Committee in November 2026 with finalised budget figures for 2025/26.

8.2 It should be noted that the overall delivery of affordable homes is in excess of this figure as it includes shared equity units and interim mid-market properties. The Scottish Government is reporting 229 completions as they work with final project completions, and the Council will take partial completions to facilitate earlier tenancies. This approach means projects frequently complete and are tenanted over two financial years. Such phased completions are not captured in the annual Scottish Government completion statistics.

8.3 As with the mainstream HRA Capital Plan, the new build programme is linked to the funding principles of the HRA Financial Strategy. This includes the principle of ensuring that the loan charge ratio is reduced over time to minimise the impact of borrowing on future revenue budgets which are primarily funded through rental income.

8.4 As with the mainstream HRA Capital Plan, it is essential that investment continues in the Council's new build programme. Any reduction in pace or scale will undermine the progress made against the actions of the Highland Housing Challenge.

9 Next steps

9.1 Following approval of the Capital Plan, officers will finalise project plans with a view to initiating projects to commence from 1 April 2027. Details of area-based projects will be communicated to local Members and tenants once available.

Designation:	Assistant Chief Executive - Place
Date:	6 July 2026
Author:	Graeme Ralph, Repairs Manager Asset Strategy Rory MacLeod, Service Lead Investment and Building Maintenance
Background Papers:	None
Appendices:	Appendix 1 – Integrated Impact Assessment

Appendix 1

Integrated Impact Assessment Screening Summary

Equalities, Poverty and Human Rights

The programme will deliver positive benefits against age and disability. The Liveable Homes for Varying Needs priority will provide for a responsive investment for home adaptations. There are no impacts against other protected characteristics.

The programme will deliver a positive socio-economic impact for prospects and opportunities as homes are improved. Many Council house estates are among the most deprived areas identified by the Scottish Index of Multiple Deprivation. The programme seeks to improve housing outcomes with energy efficiency measures expected to have positive impacts on household resources by reducing energy bills.

Delivering capital upgrades and improvements to council houses will assure rights under Article 8: Respect for private and family life, home and correspondence. Council tenants' rights under Protocol 1, Article 1: Right to peaceful enjoyment of property are protected through the operational delivery of the programme by resourcing tenant liaison.

Children's rights and wellbeing

There will be indirect positive impacts on children and young people, particularly in relation to Article 27 - Children have a standard of living that is good enough to meet their physical and social needs and support their development. Capital upgrades and improvements to council houses will include family homes which is expected to improve standards of living.

Climate Change

There will be positive impacts on greenhouse emissions as the programme delivers more energy efficient homes. The programme takes advantage of the encapsulated carbon by improving efficiency of existing homes. Improvements to thermal insulation and delivery of more efficient heating systems will improve resilience to weather and changing climate.