Agenda Item	7
Report No	HP/36/26

The Highland Council

Committee: **Housing and Property**

Date: **4 November 2026**

Report Title: **Housing Revenue Account (HRA) and Non-HRA Budget Monitoring: Quarter 2 Reporting to 31 August 2026**

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

1 Purpose/Executive Summary

1.1 This report sets out the revenue budget monitoring for the Housing Revenue Account (HRA) and non-HRA budgets Quarter 2 monitoring report for 2026/27 up to 31 August 2026.

1.2 The purpose of this report is to support the Council's overall financial management and budgetary control arrangements. This report also supports the Committee and its Members in fulfilling the Scheme of Delegation in relation to financial management and remit of Strategic Committees which includes: *"to scrutinise the management of the Revenue and Capital Budgets for the Services included in the Committee's remit and monitor and control these budgets, including dealing with over-expenditure."*

1.3 This report provides Members with commentary on any material variances within the estimated outturns, and actions taken or proposed in relation to the variances.

1.4 The report confirms the budget pressures associated with delivering services to over 15,000 Council houses in Highland. Applying an appropriate rent level - which reflects the various priorities of the HRA Financial Strategy – is essential, and proposals will be presented to January 2027 Committee ahead of the 2027/28 financial year.

2 Recommendations

2.1 Members are asked to:-

i. **Consider** and **note** the forecast financial position for 2026/27 as set out in this report and appendices; and
ii. **Consider** and **note** the explanations provided for any material variances and actions taken or proposed.

3 Implications

3.1 **Resource** – This report provides key financial information regarding the Service budget and forecast financial performance against that budget, including progress with Service delivery.

3.2 **Legal** - There is a legal requirement to ensure that the Housing Revenue Account has a balanced budget at year-end.

3.3 **Risk** – Given the inflationary and cost increases being experienced across spend areas, it is critical to closely monitor budgets and adjust spend to ensure a balanced budget is delivered. As detailed within the report, work continues to closely monitor the building maintenance budget to ensure the overspends at year end 2025/26 are not repeated.

3.4 **Health and Safety** (risks arising from changes to plant, equipment, process, or people) – The HRA budget specifically includes key spend to deliver on the HRA duties in relation to health and safety; expenditure against health and safety compliance has become a greater feature of the HRA repairs budgets in recent years as legislation has been enhanced to improve health and safety in social housing.

3.5 **Gaelic** – There are no implications arising from the 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 report and therefore an impact assessment is not required.

5 Overview

5.1 In January 2026, the Housing and Property Committee agreed a long-term Financial Strategy for the HRA. The aim of the HRA Financial Strategy is:-

- To achieve a strong and financially sustainable HRA which delivers for current and future tenants; and
- To support medium to long term planning, including investment opportunities.

The Strategy includes 5 key principles to guide spending and HRA budget setting in order to deliver against the aims of the Strategy.

5.2 A summary of the elements of the HRA budget can be found in **Appendix 1**. As part of the annual rent setting, it is essential that the rent charged is set at a level which ensures sufficient budget to deliver key housing services, while keeping rents as affordable as possible for tenants and delivering against the principles of the Financial Strategy.

5.3 This report provides details on the revenue monitoring to 31 August 2026 for:-

- The HRA budget, which is used to account for income and expenditure associated with the Council's front-line housing services to Council house tenants and the costs associated with Council housing and related assets; and
- In addition, there is a Non-Housing Revenue Account (Non-HRA) budget, which is part of the Council's overall General Fund and relates to housing services that are not directly provided to Council tenants.

6 Section 1 – HRA Monitoring Quarter 2 to 31 August, 2026

6.1 The HRA monitoring for the second quarter of 2026/27 to 31 August can be found at **Appendix 2** with the detailed statement in **Appendix 3**; this outlines both income and expenditure over this period.

6.2 Expenditure to date is largely in line with budget with an anticipated year-end spend of £81.903m against a budget of £82.020m. On the income side, income from house rental income is projected to be £0.232m lower than anticipated. This is as a result of some house completions being delayed into 2027/28.

6.3 Taking all these factors into account, the Housing Revenue Account is currently projected to have a deficit of £0.034m at year-end. The action referred to at section 6.4 of this report will return a balanced budget by year end.

6.4 **Actions Taken or Proposed**

As a result of the current projections, there is a requirement to continue to provide additional monitoring of the repairs and maintenance budget which is currently projecting a year-end overspend of £0.397m. This is a reduced projection from the estimated year-end overspend of £0.571m reported to August Committee.

Whilst performance against the repair indicators continues to be excellent, this, along with the increase costs in goods and services has had a direct impact on the repairs budget.

As reported to the August Committee, there are a series of actions being taken to respond to, and prevent a repeat of, the overspend in the repairs budget at the end of 2025/26. This includes:-

- A review of decision making over who approves expenditure and/or what levels of approval are in place - complete;
- Enhanced levels of Finance team oversight of key budget areas and spending approvals - ongoing;
- Enhanced monitoring meetings including fortnightly review meetings with the Strategic Lead for Housing and Customer Service and monthly meetings with the Chief Officer for Housing and Communities and Strategic Lead Finance (Place) - ongoing;

- Review of all budget lines and realignment of budgets to reflect spend – near complete;
- Review of spending controls and processes in place across the service - complete; and
- Review of risk, contingency and budget prioritisation and allocation assumptions for key budgets and programmes of activity - ongoing.

The actions detailed above have been designed to ensure that the repairs and maintenance expenditure will be in line with budget provision by year-end. The reduction in projected overspend between quarters 1 and 2 is an early indication that progress is being made. Any related issues relating to the potential impact of this on repairs delivery will be presented to this Committee. Repair teams will continue to prioritise emergency, re-let and statutory repairs, while continuing to respond to tenant requests for non-essential repairs to their homes.

7 Section 2 – Non HRA Monitoring Quarter 1 to 31 August 2026/27

7.1 The Non-HRA budget is part of the Council's overall General Fund and relates to housing services that are not directly provided to Council tenants; this covers the costs of providing homelessness services and accommodation through external accommodation providers as well as housing support services. The Council's four Gypsy/Traveller sites are also funded through the Non-HRA Income from rents on temporary accommodation and for gypsy/traveller site pitches partly offsets costs.

7.2 The budget was re-profiled for 2026/27 to ensure there is sufficient resource to deliver homelessness services, which continue to place pressures on all services.

It should be noted that this action is in line with other strategic principles around homelessness prevention and tenancy sustainment. The need to support tenancies was also highlighted in the Poverty and Equality Commission report to September Council.

7.3 **Appendix 4** provides details of the Non-HRA income and expenditure to 31 August 2026, with the detailed statement at **Appendix 5**.

7.4 Year to date expenditure on the Non-HRA is currently forecasted to £3.244m against a budget of £3.242m. The greatest variation is on the homelessness budget which is currently projecting a year-end outturn of £2.396m against a budget of £2.285m. This reflects the costs of delivering homelessness services at a time of sustained demand, particularly costs relating to repairs and management of temporary accommodation.

7.5 **Actions Taken or Proposed**
No remedial actions are required at this time but there remains a requirement to continue to carefully monitor expenditure in 2026/27 as the pressures of delivering homelessness services remains high.

Designation: Assistant Chief Executive – Place

Date: 30 September 2026

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Appendices: Appendix 1 – Housing Revenue Account Summary
Appendix 2 – HRA Monitoring Statement to 31 August 2026/27
Appendix 3 – HRA Detailed Monitoring Statement to 31 August 2026/27
Appendix 4 – Non-HRA Monitoring Statement to 31 August 2026/27
Appendix 5 – Non-HRA Detailed Monitoring Statement 31 August 2026/27

Appendix 1

Housing Revenue Account – Summary

Supervision and Management
This budget covers the staffing and other running costs for the management and repair of Council housing.

Bad Debt Provision
Bad debt provision is a budget line within its Housing Revenue Account to provide anticipated cover for uncollected rent and tenant arrears.

Tenant Participation and Sheltered Housing
These form part of the overall category of Supervision and Management costs but are reported as separate lines on the monitoring statement to provide Members and tenants with information on the separate costs of these service areas. These budgets cover the staff and running costs of the services, including the costs of support to tenant groups and tenant and customer engagement activities.

Homelessness
Some Council housing is used as temporary accommodation to meet our statutory homelessness functions. This budget covers the management costs associated with this accommodation. In line with an existing Council commitment and with revised national guidance on temporary accommodation standards we have been increasing the use of our own housing stock as temporary accommodation.

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.

House Rent Voids
At any time, the Council will have some properties empty as part of its normal letting operations and will therefore have no rent income for those properties. The budget for house rent voids is based on actual rents for vacant council houses.

Other rent void loss
This budget covers rent loss on other HRA properties, mainly garages and garage sites and houses used for temporary accommodation.

Central Administration
This budget covers the costs of corporate charges to the HRA for legal, financial, IT and other corporate services in relation to the Council's landlord role.

Loan charges
This budget covers the revenue costs of repaying debt held on the Housing Revenue Account. Borrowing takes place to fund capital investment in improvements to Council housing and other assets held on the Housing Revenue Account, as well as to fund the council house building programme.

Income
Revenue expenditure on managing and maintaining the Council's housing stock needs be met from income. Housing Revenue Account income is generated mainly from Council house rents. Income is also received through other sources, mainly: garage and garage site rentals, service charges, rechargeable services.

HRA MONITORING STATEMENT 2026-27 **APPENDIX 2**

	£'000 Actual YTD	£'000 Annual Budget	£'000 Year End Estimate	£'000 Year End Variance
BY ACTIVITY				
Supervision & Management	5,778	9,147	9,181	34
Bad Debt Provision	109	1,716	1,200	(516)
Tenant Participation	131	350	345	(5)
Sheltered Housing	204	594	531	(64)
Homelessness	384	830	779	(52)
Repairs and Maintenance	8,997	25,079	25,476	397
House Rent Voids	493	1,159	1,184	25
Other Rent Voids	169	342	406	64
Central Support	0	4,753	4,753	0
Loan Charges	0	34,800	34,800	0
Capital Funded from Current Revenue	0	3,248	3,248	0
Gross Expenditure	**16,265**	**82,020**	**81,903**	**(117)**
House Rents	(32,314)	(77,842)	(77,610)	232
Other Rents	(1,576)	(3,737)	(3,813)	(76)
Other Income	(196)	(379)	(384)	(5)
Interest on Revenue Balances	0	(62)	(62)	0
Gross Income	**(34,087)**	**(82,020)**	**(81,869)**	**151**
Grand Total HRA	**(17,821)**	**0**	**34**	**34**
BY SUBJECTIVE				
Staff Costs	7,036	18,772	17,646	(1,126)
Other Expenditure	9,229	63,248	64,257	1,008
Gross Expenditure	**16,265**	**82,021**	**81,903**	**(117)**
Grant Income	(64)	(294)	(212)	81
Other Income	(34,023)	(81,726)	(81,656)	70
Total Income	**(34,087)**	**(82,020)**	**(81,869)**	**151**
NET TOTAL	**(17,821)**	**0**	**34**	**34**

HRA MONITORING STATEMENT 2026-27

Appendix 3

	STAFF COSTS				OTHER COSTS				GRANT INCOME				OTHER INCOME				NET TOTAL			
	£'000 Annual Budget	£'000 Actual YTD	£'000 Year End Estimate	£'000 Year End Variance	£'000 Annual Budget	£'000 Actual YTD	£'000 Year End Estimate	£'000 Year End Variance	£'000 Annual Budget	£'000 Actual YTD	£'000 Year End Estimate	£'000 Year End Variance	£'000 Annual Budget	£'000 Actual YTD	£'000 Year End Estimate	£'000 Year End Variance	£'000 Annual Budget	£'000 Actual YTD	£'000 Year End Estimate	£'000 Year End Variance
BY ACTIVITY																				
Supervision & Management	7,923	3,068	7,478	(445)	1,224	2,711	1,555	332	0	0	0	0	0	(1)	(2)	(2)	9,147	5,778	9,031	(116)
Bad Debt Provision	0	0	0	0	1,716	109	1,200	(516)	0	0	0	0	0	0	0	0	1,716	109	1,200	(516)
Tenant Participation	249	110	272	23	101	21	73	(28)	0	0	0	0	0	0	0	0	350	131	345	(5)
Sheltered Housing	454	154	406	(49)	140	50	125	(15)	0	0	0	0	0	0	0	0	594	204	531	(64)
Homelessness	308	44	132	(176)	523	342	651	129	0	(2)	(4)	(4)	0	0	0	0	830	384	779	(52)
Repairs and Maintenance	9,838	3,661	9,358	(479)	24,743	8,397	25,928	1,185	(2)	(11)	(27)	(25)	(9,499)	(3,049)	(9,633)	(133)	25,079	8,997	25,626	547
House Rent Voids	0	0	0	0	1,159	493	1,184	25	0	0	0	0	0	0	0	0	1,159	493	1,184	25
Other Rent Voids	0	0	0	0	342	169	406	64	0	0	0	0	0	0	0	0	342	169	406	64
Central Support	0	0	0	0	4,753	0	4,753	0	0	0	0	0	0	0	0	0	4,753	0	4,753	0
Loan Charges	0	0	0	0	34,800	0	34,800	0	0	0	0	0	0	0	0	0	34,800	0	34,800	0
Capital Funded from Current Revenue	0	0	0	0	3,248	0	3,248	0	0	0	0	0	0	0	0	0	3,248	0	3,248	0
Gross Expenditure	**18,772**	**7,036**	**17,646**	**(1,126)**	**72,750**	**12,292**	**73,924**	**1,174**	**(2)**	**(13)**	**(32)**	**(30)**	**(9,499)**	**(3,050)**	**(9,635)**	**(136)**	**82,021**	**16,265**	**81,903**	**(117)**
House Rents	0	0	0	0	0	0	0	0	0	0	0	0	(77,849)	(32,314)	(77,610)	238	(77,849)	(32,314)	(77,610)	238
Other Rents	0	0	0	0	0	0	0	0	0	0	0	0	(3,731)	(1,576)	(3,813)	(82)	(3,731)	(1,576)	(3,813)	(82)
Other Income	0	0	0	0	0	0	0	0	(231)	(64)	(151)	80	(149)	(132)	(233)	(85)	(379)	(196)	(384)	(5)
Interest on Revenue Balances	0	0	0	0	0	0	0	0	(62)	0	(62)	0	0	0	0	0	(62)	0	(62)	0
Gross Income	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**(292)**	**(64)**	**(212)**	**80**	**(81,728)**	**(10,300)**	**(81,602)**	**72**	**(82,020)**	**(34,087)**	**(81,869)**	**152**
Grand Total HRA	**18,772**	**7,036**	**17,646**	**(1,126)**	**72,750**	**12,292**	**73,924**	**1,174**	**(294)**	**(77)**	**(244)**	**50**	**(91,227)**	**(13,350)**	**(91,237)**	**(64)**	**0**	**(17,821)**	**35**	**34**
Reconciled to Appendix 1	0	0	0	0	9,501	968	968	(8,534)	0	(16)	(16)	(16)	(9,501)	(951)	(951)	8,550	0	0	(0)	(0)

NON-HOUSING REVENUE ACCOUNT MONITORING STATEMENT 2026-27 **APPENDIX 4**

Aug-26	£'000 Actual YTD	£'000 Annual Budget	£'000 Year End Estimate	£'000 Year End Variance
BY ACTIVITY				
Homelessness	883	2,285	2,396	112
Supporting People	327	978	949	(29)
Gypsy Traveller Sites	(15)	(20)	(38)	(18)
Resettlement funding	(6,702)	0	(63)	(63)
Grand Total Non-HRA	**(5,507)**	**3,242**	**3,244**	**2**
BY SUBJECTIVE				
Staff Costs	1,032	2,802	2,638	(164)
Other Expenditure	1,891	4,085	4,219	134
Gross Expenditure	**2,923**	**6,887**	**6,857**	**(30)**
Grant Income	(7,129)	(237)	(259)	(22)
Other Income	(1,300)	(3,408)	(3,354)	54
Total Income	**(8,428)**	**(3,645)**	**(3,613)**	**32**
NET TOTAL	**(5,506)**	**3,242**	**3,244**	**2**

Reconciled

NON-HOUSING REVENUE ACCOUNT MONITORING STATEMENT 2026-27

Appendix 5

Aug-26	STAFF COSTS				OTHER COSTS				GRANT INCOME				OTHER INCOME				NET TOTAL			
	£'000 Annual Budget	£'000 Actual YTD	£'000 Year End Estimate	£'000 Year End Variance	£'000 Annual Budget	£'000 Actual YTD	£'000 Year End Estimate	£'000 Year End Variance	£'000 Annual Budget	£'000 Actual YTD	£'000 Year End Estimate	£'000 Year End Variance	£'000 Annual Budget	£'000 Actual YTD	£'000 Year End Estimate	£'000 Year End Variance	£'000 Annual Budget	£'000 Actual YTD	£'000 Year End Estimate	£'000 Year End Variance
BY ACTIVITY																				
Homelessness	2,169	772	2,025	(144)	3,039	1,358	3,245	206	(25)	(3)	(7)	17	(3,251)	(1,244)	(3,219)	32	1,932	883	2,044	112
Bad Debt Provision				0	353		353	0				0				0	353	0	353	0
Supporting People	378	143	339	(39)	600	184	611	11	0	0	0	0	0	0	0	0	978	327	949	(29)
Gypsy Traveller Sites	43	6	27	(15)	93	35	70	(24)	0	0	0	0	(156)	(56)	(135)	21	(20)	(15)	(38)	(18)
Resettlement funding	213	111	247	34	0	313	(59)	(59)	(213)	(7,126)	(252)	(39)	0	0	0	0	0	(6,702)	(63)	(63)
Mid-Market Rent	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	1	0	0
Supplies & Services	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Grand Total Non-HRA	**2,802**	**1,032**	**2,638**	**(164)**	**4,085**	**1,891**	**4,219**	**134**	**(237)**	**(7,129)**	**(259)**	**(22)**	**(3,408)**	**(1,300)**	**(3,354)**	**54**	**3,242**	**(5,506)**	**3,244**	**2**
Reconciled to Appendix 1	0	0	0	0	0	(0)	0	(0)	0	0	0	0	0	0	0	0	0	(0)	0	0