Agenda Item	**8**
Report No	**HP/37/26**

The Highland Council

Committee: **Housing and Property**

Date: **4 November 2026**

Report Title: **Housing Revenue Account (HRA) Capital Monitoring Report to 31 August 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 to 31 August 2026. The report provides details of expenditure against both the mainstream Housing Revenue Account (HRA) Capital Programme and the Council house building programme.

2 Recommendations

2.1 Members are asked to **scrutinise** and **approve** the expenditure to 31 August 2026 and the projected outturn for the HRA 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 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 Housing Asset Strategy Team is working up projects for the HRA Capital Plan 2027-2032 which was approved at Committee on 12 August 2026. This will include seeking authorisation at a future Committee to reprofile remaining budget from 2022-2027 into the new programme.

5.3 The new Council house build programme was approved at committee on 5 November 2025 as part of the Council's Strategic Housing Investment Programme (SHIP) 2026-2031. 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. The 2027-2032 SHIP is presented as part of a separate report to this Committee.

6 Mainstream Capital Outturn and Outputs 2026/27

6.1 **Appendix 1** details the figures for the HRA Capital Programme 2026/27 up to 31 August 2026. It reports a total spend of £14.310m against a budget of £83.936. The projected outturn for 2026/27 is £74.771m.

6.2 The projected £9.165m underspend is comprised of £8.316m from Mainstream Capital Programme and £0.849m from the newbuild programme. More detail on budget splits is available at 6.3 and 7.3 below.

6.3 **Mainstream HRA Capital Programme**
On the mainstream programme for investment in existing housing stock, the expenditure to 31 August 2026 was £6.448m against the budget of £34.487m. While the Asset Strategy Team is working to profile as much of the remaining budget as possible for completion by 31 March 2027, the projected outturn figure of £26.170m is expected to bring the 2022-2027 Programme underspend position to £8.316m.

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. Once final outturn figures are known, committee will be asked to authorise a carry forward of any finalised underspend into the 2027-2032 Programme.

6.4 The largest spend remains against Heating and Energy Efficiency projects accounting for 50% of the mainstream programme up to 31 August 2026. We remain responsive to premature component failures and end of lifecycle replacements including kitchens, bathrooms, one-off heating replacements and electrical installations.

6.5 Table 1 below shows capital investment outputs against focus areas for the 2026/27 financial year up to the end of August 2026. The table does not include outputs for works currently in progress.

6.6 **Table 1 – 2026/27 YTD Capital Programme Outputs**

Programme	Element	Count
Free From Serious Disrepair	New Roof	25
Energy Efficiency	Wall Insulation	0
	Front Door	131
	Back Door	63
	Windows	78
	Heating	255
	Solar Panels	21
Major Component Replacement	Bathroom	144
	Kitchen	119
	Full Re-wire	26

6.7 Energy Efficiency and mitigating fuel poverty 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 961 energy efficiency measures in 572 Council homes. The project will run until December 2026 when the current Energy Company Obligation (ECO) scheme ends.

To date it has successfully leveraged circa £7.928m 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.

Table 2 – D-C Programme Outputs

Measure	Feb 25 - Oct 25 No of measures	May 26 - Sep 26 No of measures	Total measures installed
Solar PV	417	152	569
Air source heat pump	143	14	157
Loft insulation	42	8	50
Room in roof insulation	7	0	7
Cavity wall insulation - extraction & refill	126	36	162
Cavity wall insulation - virgin fill	13	3	16
Total Measures	**748**	**213**	**961**
Number of properties completed	**419**	**153**	**572**
Energy Company Obligation (ECO) funding	**£7,138,450**	**£790,002**	**£7,928,452**

6.8 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.

6.9 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.

6.10 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.

6.11 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 was completed in late August 2026. SSEN will hand the units back to Highland Council after 5 years. The project costs of £1.555m to date have been fully covered by SSEN with a remaining project balance of £67k billed or retained.

7 2026/27 Programme Update - Housing Development

7.1 During 2026/27 the Council programme will deliver 105 housing units for social rent. Although this figure seems low as compared to our annual target of 180, a further 188 homes are currently on site due to complete beyond March 2027and we are working towards further contract commitments and site starts for 71 units (total 364 units).

7.2 The challenges of the programme are:-

- Project viability which has meant a hold has been put on various projects as they are reassessed by the RSL or Council or are going through Scottish Government's technical assessment;
- Failed Developer planning applications which have stalled projects; and
- Highland Council work within a maximum borrowing amount which means that the Scottish Government has to agree to increasing levels of subsidy per project to cover the difference between rising project costs and maximum borrowing.

7.3 **Budget**

The original budget for 2026/27 was set at £49m spend for the affordable housing programme. The reprofiling of projects has reduced this to a projected requirement of £46.4m. This is mainly due to the enabling works to the Torvean being deferred until 2027/28 to tie in with SSE works to increase grid capacity in the area.

Designation:	Assistant Chief Executive - Place
Date:	6 October 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 Monitoring 2026/2027 to 31 August 2026

Appendix 1

HRA Capital Monitoring 2026/2027 to 31 August 2026

Project Description	Budget 2026/27	Spend in current year to date	Estimated outturn 2026/27	Variance over / (under)	(Reprofiling)/ Acceleration
Capital programme 2026/27					
Equipment and Adaptations	1,285,402	477,517	1,071,154	-214,248	-214,248
Major Component Replacement	2,896,509	1,441,733	2,924,038	27,529	27,529
Heating/Energy Efficiency	20,954,469	3,251,884	16,584,924	-4,369,545	-4,369,545
External Fabric (Major Component Replacement)	513,460	194,695	591,020	77,560	77,560
External Fabric (Environmental Improvements)	2,793,621	285,647	1,493,057	-1,300,564	-1,300,564
Healthy, Safe & Secure	4,035,241	731,293	3,205,124	-830,117	-830,117
Contingencies/Retentions	2,007,867	65,079	301,021	-1,706,846	-1,706,846
TOTAL HRA Programme	**34,486,569**	**6,447,849**	**26,170,338**	**-8,316,231**	**-8,316,231**
New Builds	46,449,960	6,867,532	45,600,960	-849,000	-849,000
Individual house purchases	3,000,000	994,946	3,000,000	0	0
TOTAL	**83,936,529**	**14,310,327**	**74,771,298**	**-9,165,231**	**-9,165,231**

	Funding Budget £'000	Actual to 03/09/2026 £'000	Estimated Outturn £'000	Estimated Variance £'000
Mainstream Investment Programme				
Useable capital receipts				
RHI Income				
Government grant	20,477	3,664	20,477	0
Contribution to Individual Properties				
Contribution to Energy Efficiency Schemes	1,300	0	1,300	0
Miscellaneous Income	465	835	720	255
Landbank	2,672	0	2,672	0
Evergreen Infrastructure Loan Fund				
Capital from Current Revenue	3,248	0	3,248	0
Borrowing	55,774	9,811	46,354	-9,420
GROSS FUNDING	**83,937**	**14,310**	**74,771**	**-9,165**