Agenda Item	**5.b**
Report No	**RES/44/26**

THE HIGHLAND COUNCIL

Committee: **Corporate Resources Committee**

Date: **19th November 2026**

Report Title: **Corporate Capital Monitoring Report for Quarter 2 2026/27**

Report By: **Chief Officer – Corporate Finance**

1. Purpose/Executive Summary

1.1 This report provides Members with the Corporate Capital Monitoring statement for the second quarter of the 2026/27 financial year to 31 August 2026, which presents a summary of the actual spend together with the forecast 2026/27 year-end outturn position.

1.2 Net spend on capital projects to the end of Q2 2026/27 totalled £48.536m for the Highland Investment Plan against a net updated annual budget figure of £156.819m. Net spend on capital projects for the Housing Revenue Account (HRA) totalled £14.312m against a net updated annual budget figure of £83.936m.

1.3 The forecast net outturn for the Highland Investment Plan for 2026/27 totals £127.288m and this would give rise to a forecast net underspend of £29.531m, all underspend is planned to be reprofiled to the next financial year. The forecast net outturn for the HRA for 2026/27 totals £70.093m and this would give rise to a forecast net underspend of £13.843m, all underspend is planned to be reprofiled to the next financial year.

1.4 The report also highlights how the planned capital expenditure for 2026/27 will be funded, with borrowing being a major source across both the Highland Investment Plan and HRA.

2. Recommendations

2.1 Members are asked to:

i. **Scrutinise and consider** the net spend for Q2 2026/27, the forecast year end outturn and the funding profile.

3. Implications

3.1 **Resource**: The Capital Monitoring reports, and the financial information contained therein, represent detailed information relating to the Council's financial activity. The reports present the current and forecast financial positions with no specific resource implications arising. Detailed reporting on the outturn figures and specific projects is considered through the relevant Strategic Committees as is normal practice.

3.2 **Legal:** The contents of this report and the annual accounts aim to satisfy the requirement of Sections 6 and 7 of the CIPFA Financial Management Code - 'Monitoring financial performance' and 'External financial reporting'.

3.3 **Risk**: Risk implications to the budget position, and budget assumptions, will be kept under regular review and any significant project-specific risks identified will be reported to future Strategic Committees. The affordability of the Highland Investment Plan and HRA Capital Programme as a whole is subject to variations in construction industry inflation, changes in interest rates, emerging essential works and other factors.

During 2026 the cost of borrowing has increased, and it will be necessary to closely monitor any further developments and the forecast cost of borrowing as we move forward with the Highland Investment Plan and HRA Capital Programme. Given the quantums of the HIP and HRA programmes are both significant and largely funded by borrowing increases in the cost of that borrowing, and its impact on the associated loan charges revenue budget and the related HIP and prudential indicators, will need to be monitored closely to ensure the continued affordability and sustainability of the proposed capital expenditure.

3.4 **Health and Safety (risks arising from changes to plant, equipment, process, or people):** An important aspect of continued capital investment relates to managing health and safety risk. The requirement to safely maintain and enhance Council assets, which are essential to the delivery of frontline services, remains an increasing challenge to the Council as a number of assets reach the end of their useful economic life.

3.5 **Gaelic:** There are no specific Gaelic implications arising as a direct result of 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 that decision-making process. When taking any decision, Members must give due regard to the findings of any assessment.

4.3 This is a monitoring and update report and therefore an impact assessment is not required.

5. General Fund Capital Monitoring Q1 2026/27

5.1 **Appendix 1** shows the Highland Investment Plan, actual spend and income for Q2 of financial year 2026/27, along with the forecast outturn position to the end of the financial year.

The actual figures provided reflect the net project expenditure, i.e. project costs incurred less project-specific income received. The net updated budget for 2026/27 is £156.819m.

The forecast net expenditure is £127.288m resulting in a forecast underspend of £29.531m. The estimated outturn will continue to be monitored closely, and any updates reported to future Committees.

5.2 Overall, there has been a net expenditure of £48.536m for Q2, which reflects 31.0% of the annual budget.

5.3 In September 2026 the officer Capital Programme Board approved a reprofile of the capital budgets associated with Broadford Primary School and Inshes Roundabout. The rationale for these reprofiling's has been reported to the relevant Strategic Committees, and followed the principles set out in the Council's Financial Regulations. The strategic intent was to align the planned budget spend to the expected spend profile and thus enable more accurate planning and reporting.

For Broadford Primary School £11.941m was reprofiled from 26/27, with £11.700m being added to 27/28 and £241k to 28/29. This is in line with the project's expected spend profile.

For Inshes Roundabout £4.444m has been reprofiled from 26/27, and £2.903m from 27/28, with £7.147m being added to 28/29 and £200k to 29/30. This is in line with the project's expected spend profile.

5.3 **Appendix 2** presents how the forecast Highland Investment Plan net capital expenditure for 2026/27 will be funded. Borrowing continues to be the largest source of funding with £93.829m forecast, amounting to 73.7% of forecast net capital expenditure. The General Capital Grant is expected to be £31.862m.

The approved capital programme includes some projects that are either wholly or partly self-funded, meaning that the borrowing costs associated with the capital expenditure will be repaid either from income generation or savings within the service revenue budget. It is forecast that £1.054m of capital expenditure in 2026/27 will be self-funded in this way.

5.4 Individual project spend forms the basis of the capital reports to Strategic Committees and links to those papers are provided below within the Background Papers section.

6. HRA Capital Monitoring Q1 2026/27

6.1 **Appendix 3** presents the net outturn figures for the HRA Capital Programme to the end of Q2 2026/27, along with the forecast net outturn to the end of the financial year. It reports a net expenditure figure of £14.312m which reflects 17.1% of the annual updated budget of £83.936m. The forecast annual net outturn to the end of 2026/27 is £70.093m which therefore projects an underspend of £13.843m against budget.

6.2 **Appendix 4** presents how the forecast HRA net capital expenditure for 2026/27 will be funded. Borrowing continues to be the largest source of funding with £41.676m forecast, amounting to 59.5% of forecast net capital expenditure. The other major sources of funding include Government Grants of £20.477m, Council's Landbank Fund of £2.672m, and capital funded from current revenue of £3.248m.

Designation: Chief Officer – Corporate Finance

Date: 28 October 2026

Authors:
Brian Porter - Chief Officer – Corporate Finance
Alistair Dempsey-Reid – Principal Accountant
Darryl Urquhart – Senior Accountant

Background Papers:

Housing & Property Committee, Property Capital Monitoring Report:
https://www.highland.gov.uk/download/meetings/id/87751/6%2520-%2520Property%2520Capital%2520Monitoring%2520Statement

Housing & Property Committee, Housing Revenue Account (HRA) Capital Monitoring:
https://www.highland.gov.uk/download/meetings/id/87753/8%2520-%2520HRA%2520Capital%2520Monitoring%2520Report%2520to%252031%2520August%25202026

Economy and Infrastructure Committee, IEE Capital Monitoring Report:
Link not yet available.

Communities and Place Committee, C&P Capital Monitoring Report:
https://www.highland.gov.uk/download/meetings/id/87740/6.%2520Capital%2520Monitoring%2520Report%2520%25E2%2580%2593%2520Q2%2520Monitoring%2520to%252031%2520August%25202026

Appendices: Appendix 1: Capital Expenditure Monitoring GF Q2 2026/27
Appendix 2: Capital Expenditure Funding GF Q2 2026/27
Appendix 3: Capital Expenditure Monitoring HRA Q2 2026/27
Appendix 4: Capital Expenditure Funding HRA Q2 2026/27

THE HIGHLAND COUNCIL

APPENDIX 1

MONITORING OF CAPITAL EXPENDITURE - 1ST APRIL 2026 TO 31ST AUGUST 2026 (Q2 2026/27)

SERVICE: GENERAL FUND

	BUDGET	ACTUAL			FORECASTS			VARIANCE		
Project Description	2026/27 Capital Budget	2026/27 Actual Expenditure	2026/27 Actual Income	2026/27 Actual Net Year to Date	2026/27 Forecast Expenditure	2026/27 Forecast Income	2026/27 Forecast Outturn	2026/27 Variance F'cast v Budget	2026/27 Reprofile to Next Financial Year	2026/27 Overspend / (Underspend)
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
LEARNING ESTATE	36,725	15,082	(480)	14,602	29,862	(480)	29,382	(7,343)	(7,343)	0
PROPERTY ESTATE ASSET MANAGEMENT	11,936	4,005	(295)	3,710	12,358	(494)	11,864	(72)	(72)	0
HEALTH & SOCIAL CARE PROGRAMME	2,444	81	0	81	1,100	0	1,100	(1,344)	(1,344)	0
COMMUNITY AND LEISURE FACILITIES	1,017	80	0	80	550	0	550	(467)	(467)	0
HIGHLAND INVESTMENT PLAN PROJECTS	17,953	4,568	0	4,568	14,325	(1,282)	13,043	(4,910)	(4,910)	0
NON-HRA HOUSING	5,624	1,325	(58)	1,267	7,362	(3,837)	3,525	(2,099)	(2,099)	0
ROADS AND BRIDGES	32,803	15,775	(1,088)	14,687	32,836	(2,987)	29,849	(2,954)	(3,056)	102
ACTIVE TRAVEL & TRANSPORT	5,744	1,622	(160)	1,462	14,914	(10,068)	4,846	(898)	(796)	(102)
PARKING & VISITOR MANAGEMENT	767	230	(225)	5	1,680	(1,062)	618	(149)	(149)	0
LIGHTING & COMMUNICATIONS	342	454	0	454	1,009	(273)	736	394	394	0
FLOOD PROTECTION	4,538	387	0	387	2,420	0	2,420	(2,118)	(2,118)	0
HARBOURS & FERRIES	17,084	9,401	613	10,014	29,844	(17,070)	12,774	(4,310)	(4,310)	0
PLANNING, DEVELOPMENT & REGENERATION	444	3,429	(9,914)	(6,485)	17,450	(15,799)	1,651	1,207	1,207	0
ENERGY EFFICIENCY	0	71	(1)	70	454	(454)	0	0	0	0
WASTE MANAGEMENT	4,176	229	0	229	1,091	(58)	1,033	(3,143)	(3,143)	0
BEREAVEMENT SERVICES	3,356	1,567	0	1,567	3,393	0	3,393	37	37	0
PLAY PARKS AND COMMUNITY SPACES	1,473	527	(296)	231	1,035	(331)	704	(769)	(769)	0
VEHICLES & PLANT	3,300	642	(207)	435	3,554	(250)	3,304	4	4	0
ICT	3,939	1,179	(7)	1,172	3,342	0	3,342	(597)	(597)	0
CONTINGENCY	3,154	0	0	0	3,154	0	3,154	0	0	0
OVERALL TOTAL	**156,819**	**60,654**	**(12,118)**	**48,536**	**181,733**	**(54,445)**	**127,288**	**(29,531)**	**(29,531)**	**0**

THE HIGHLAND COUNCIL **APPENDIX 2**

FUNDING OF CAPITAL EXPENDITURE - 1ST APRIL 2026 TO 31ST AUGUST 2026 (Q2 2026/27)

SERVICE: GENERAL FUND

Funding	**2026/27 Capital Budget**	**2026/27 Actual Net Year to Date**	**2026/27 Forecast Outturn**	**2026/27 Variance F'cast Outturn v Budget**	**2026/27 Reprofile to Next Financial Year**	**2026/27 Overspend / (Underspend)**
	£000	£000	£000	£000	£000	£000
General Capital Grant	31,862	10,481	31,862	0	0	0
Capital Receipts	500	543	543	43	43	0
Self Funded Projects*	1,054	159	1,054	0	0	0
Borrowing	123,403	37,353	93,829	(29,574)	(29,574)	0
TOTAL FUNDING	**156,819**	**48,536**	**127,288**	**(29,531)**	**(29,531)**	**0**

*To reflect project budgets that are either wholly or partly self-funded (ie from income generated or savings).

THE HIGHLAND COUNCIL **APPENDIX 3**

MONITORING OF CAPITAL EXPENDITURE - 1ST APRIL 2026 TO 31ST AUGUST 2026 (Q2 2026/27)

SERVICE: HOUSING REVENUE ACCOUNT

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	1,285	478	1,071	(214)	(214)
Major Component Replacement	2,897	1,442	2,924	27	27
Heating/Energy Efficiency	20,954	3,252	16,585	(4,369)	(4,369)
External Fabric (Major Component Replacement)	513	195	591	78	78
External Fabric (Environmental Improvements)	2,794	286	1,493	(1,301)	(1,301)
Healthy, Safe and Secure	4,035	731	3,205	(830)	(830)
Contingencies/Retentions	2,008	65	301	(1,707)	(1,707)
Total 2026/27 Programme	**34,486**	**6,449**	**26,170**	**(8,316)**	**(8,316)**
Council House Building Capital Programme					
New Council House Buildings	46,450	6,868	40,923	(5,527)	(5,527)
Individual House Purchases	3,000	995	3,000	0	0
Total Council House Building Capital Programme	**49,450**	**7,863**	**43,923**	**(5,527)**	**(5,527)**
OVERALL TOTAL	**83,936**	**14,312**	**70,093**	**(13,843)**	**(13,843)**

THE HIGHLAND COUNCIL **APPENDIX 4**

FUNDING OF CAPITAL EXPENDITURE - 1ST APRIL 2026 TO 31ST AUGUST 2026 (Q2 2026/27)

SERVICE: HOUSING REVENUE ACCOUNT

Funding	Revised Net Budget	Actual Net Year to Date	Year End Estimated Net Outturn	Year End Net Variance
	£000	£000	£000	£000
Government Grant	20,477	3,664	20,477	0
Contribution to Energy Efficiency Works	1,300	0	1,300	0
Miscellaneous Income	465	835	720	255
Landbank	2,672	0	2,672	0
Capital from Current Revenue	3,248	0	3,248	0
Borrowing	55,774	9,813	41,676	(14,098)
GROSS FUNDING	**83,936**	**14,312**	**70,093**	**(13,843)**