**BUILDING SAFETY LEVY (SCOTLAND) BILL - INFORMATION NOTE**

**Cladding Remediation Programme costs**

During the Stage 1 debate for the Building Safety Levy (Scotland) Bill, there was a focus on how £97.1 million of consequentials had been used by the Scottish Government. These consequentials formed part of the Scottish budget for 2021-22. However, at that stage, the Scottish Government's Cladding Remediation Programme was still in its pilot phase, during which a range of issues specific to Scotland (including assessment and consent) were identified and required to be addressed before appropriate action could be taken. Because of a different pre-existing assessment regime and the different system of property ownership in England (that is, the leasehold system), these issues did not need to be addressed in the same way in England.

It would not have been an appropriate use of resources, therefore, to spend those consequentials on cladding remediation at that time. As is entirely normal in such a situation, those consequentials instead formed part of the broader Scottish Budget for 2021-22, approved by Parliament. However, Scottish Ministers committed that *at least* that amount of resource would be used to address cladding issues in due course, once it was appropriate to do so.

Now that the appropriate legal and regulatory frameworks are in place - namely the Housing (Cladding Remediation)(Scotland) Act 2024 and the Scottish Building Assessment Standards - the Scottish Government is taking forward rapid action to support assessment of affected properties, and has committed to supporting mitigation and remediation measures identified as necessary by those assessments. As of the end of 2025, initial grant offers had been issued to the owners of 473 identified buildings to enable them to commission statutory Single Building Assessments.

Spending on the Cladding Remediation Programme is now expected to increase exponentially as Government-funded assessments are taken forward and then as Government-funded mitigation and remediation works are designed and implemented. The Spending Review, therefore, allocates £375 million of capital funding to Cladding Remediation over the three-year period (2026-27 to 2028-29). Looking across an expected 15-year lifespan of the Programme, the Scottish Government estimates a £1.7 billion to £3.1 billion total public sector funding requirement.[1]

It is clear that these costs will require a far greater level of funding than the £97.1m consequentials previously received, and that a substantial proportion of this spend will be incurred before revenues from the Levy start to materialise (likely in around July 2028). Even after total revenues for the Levy have been included, a sizeable contribution will be required from the public purse, and the Scottish Government believes that the Levy is a fair way to ensure that contribution is kept proportionate.

[1] Scottish Government (June 2025) Cladding remediation: capital spend forecasting - gov.scot

**Legal recourse for developers**

During the Stage 1 debate, the issue was raised of the ability of developers to recover money from responsible parties elsewhere in the supply chain, and how the legal basis (including prescription periods) for this differed between Scotland and England.

The Scottish Government supports developers in their efforts to recover money from other responsible parties. We have, however, yet to be provided with specific examples of where any developer has been precluded from doing so in Scotland. We remain very interested to hear of any such cases.

Any change to the general regime (e.g. such as on prescription periods) would require a change to the relevant primary legislation. While we do not consider that this Bill is the appropriate vehicle for any such change, we would be willing to consider any relevant evidence which developers wished to highlight to us.

**Value of the new-build housing market**

Homes for Scotland wrote to the Scottish Government and the Convenor of the Finance and Public Administration Committee in advance of Stage 1 to highlight what they consider to be an inaccuracy in the way the Scottish Government calculated the value of the new-build housing market in the Business and Regulatory Impact Assessment which was published alongside the Bill at introduction.[2]

The Scottish Government's estimate (£4.6 billion) was based on the number of new-build completions which would be subject to the Levy under the Bill as introduced. Using completions rather than sales better reflects the tax base for the Levy, which includes buildings not subject to onward sale e.g. build to rent. The number of completions was also averaged over a six-year period as completions can fluctuate significantly from year to year.

In contrast, the estimate put forward by Homes for Scotland (£3.2 billion) is based on the Registers of Scotland Property Market Report assessment of the number of new-build sales in 2024-2025 only.[3]

**Rural areas and small businesses**

The Scottish Government acknowledges that the impact of the Levy could be felt differently in different areas and recognises the importance of rural housebuilding and SME developers to Scotland's housing market.

The Bill as introduced includes an exemption for all units built on islands and, as set out in its response to the Committee's Stage 1 Report, the Scottish Government will bring forward secondary legislation to exempt the most remote areas of the mainland (Knoydart, Cape Wrath and Scoraig) and will continue to work with rural stakeholders throughout the passage of the Bill.

[2] Building Safety Levy (Scotland) Bill: business and regulatory impact assessment - gov.scot
[3] Property market report 2024-25 - Registers of Scotland

The Scottish Government also intends to set the Levy Free Allowance (LFA) at 19 units which will ensure that around four-fifths of those undertaking relevant activity (including self-builders and small businesses) will have no requirement to interact with the Levy - whether paying or filing a return. An allowance set at this level will have a greater effect in rural than in urban areas. For example, three-quarters of sales in the Scottish Borders are by developers building less than 20 units per annum who would be completely exempt from the Levy.

**Residual tax base**

The table below sets out the estimated market value and the £30 million revenue target as a percentage of that value for:

- all new build completions;
- following the application of the exemptions in the Bill as introduced; and
- following the application of the LFA of 19 units and the estimated impact of a potential further exemption for rural housebuilding.

| Activity | Number of units | % of tax base | Estimated market value (£bn) | £30m revenue target as % of market value |
|---|---|---|---|---|
| Total units in scope | 20,700 | 100% | 7.0 | 0.4% |
| **Exemptions in Bill as introduced** | | | | |
| Social housing | 5,600 | 27% | | |
| Affordable housing | 1,300 | 6% | | |
| Islands | 200 | 1% | | |
| **Total exempt** | **7,100** | **34%** | | |
| **Residual tax base** | **13,600** | **66%** | **4.6** | **0.6%** |
| **Further exemptions proposed in Stage 1 report response** | | | | |
| Rural exemption* | 200 | 1% | | |
| Levy Free Allowance | 2,400 | 12% | | |
| **Total exempt** | **9,700** | **47%** | | |
| **Residual tax base** | **11,000** | **53%** | **3.7** | **0.8%** |

* Preliminary estimate pending further work to establish parameters of a potential rural exemption

The Scottish Government estimates that the total number of taxable units will be around 11,000 per annum. This suggests an average per unit cost of around £2,700, which would represent an effective tax rate of 0.8% relative to the average new build sale price for those units which pay the levy. While exact rates will likely vary in accordance with different land types and differences in average property prices across regions, an effective tax rate of 0.8% is broadly consistent with UK Government's estimated average Levy rates (0.55% for units on brownfield and 1.1% for greenfield).

**Impact assessment**

The Finance and Public Administration Committee has called for a 'sensitivity analysis' of the Levy which considers the impacts on the housing market, rural sites and SME developers as well as the potential impact on private capital investment in Scotland and the delivery of affordable housing through section 75 agreements.

Numerous steps have been taken to ensure that impacts are appropriately assessed, understood and reported on at every stage of the development and delivery of this Bill. These include:

- A joint, ongoing commitment with the UK Government to monitor and evaluate the potential economic impacts of our respective building safety levies.
- The publication of a partial Business and Regulatory Impact Assessment (BRIA) alongside the consultation on the measure in September 2024
- The publication of a full BRIA on the measure alongside introduction of the Bill in June 2025

The Scottish Government has committed to setting out a further assessment which considers the costs, benefits and risks of the SBSL alongside the publication of rates in June 2026. This will give the industry 22 months before the introduction of the measure in April 2028 to prepare.

**Reporting Requirements**

The Scottish Government will consider how the reporting provisions in section 45 of the Bill can be strengthened to provide Parliament and industry with confidence over how revenues will be used to support cladding remediation efforts.