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Heat in Buildings Budget Allocations

6 October 2026

Dear Duncan,

I am writing to provide further information on the investment for the Heat in Buildings Programme as agreed on 29th September.

The Scottish Government's Budget for 2026-27 allocates over £330 million to the Heat in Buildings Programme. Comprising, £302.5 million CDEL and £32.2 RDEL. Of this, £194 million CDEL is allocated to supporting those most in, or at risk of fuel poverty through Warmer Homes Scotland, the Social Housing Net Zero Fund and the Area Based Schemes. Annex A to this letter outlines the scheme by scheme allocations.

The RDEL allocation supports the delivery of advice services through Home Energy Scotland and Business Energy Scotland, pre-capital development and support, contract administration, due diligence and programme policy and regulation development activities.

Our work to improve energy efficiency and transition to clean heat supports our wider objectives on fuel poverty, energy resilience and climate change, while ensuring a fair and affordable transition for Scotland's households and communities.

I hope you find this information useful.

Yours sincerely

STEPHEN GETHINS

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ANNEX A: HEAT IN BUILDINGS DELIVERY SCHEME CAPITAL ALLOCATIONS

Delivery Scheme	2026-2027 Allocation (£m)	Summary
Warmer Homes Scotland	90	Supports households in or at risk of fuel poverty with heating and energy efficiency. Accessed via Home Energy Scotland. Full uptake of spend could support an estimated 5,600 households
Area Based Schemes	70	Primarily energy efficiency targeted at owner occupied households most likely to be in fuel poverty, facilitating retrofit in multi-occupancy buildings including social housing. Delivered by Local Authorities. Full uptake of spend could support an estimated 7,000 households
Social Housing Decarbonisation	34	Supports clean heat & energy efficiency projects in social housing. Delivered by Registered Social Landlords and Local Authorities. It is anticipated that this allocation could support up to 40 projects and 3,000 homes
Home Energy Scotland Grant & Loan	49.5	HES Grant and Loan entails a universal offer for all owner-occupied households for energy efficiency and clean heat, includes interest free loan. Full uptake of spend could support estimated an 3,800 households
SME Loan and Cashback	10	Loan and Cashback Grant support for eligible SMEs toward energy saving, energy efficiency and clean heating measures. Spend will support the installation of an estimated 580 measures
Public Sector Decarbonisation	21	Grant and loan support for public sector buildings for energy efficiency End clean heat retrofit. Will support up to 21 projects
Heat Network Funding	28	Grant support for infrastructure investment for heat networks. Supports third-party investment at a minimum of 50% of eligible costs, estimated at £28 million across 7 projects.

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