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Affordable Housing Supply Programme

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This briefing provides information on the Scottish Government's Affordable Housing Supply Programme. It includes information on the budget, and how the programme is managed. It also considers progress towards the Scottish Government's target to deliver 110,000 affordable homes by 2032.



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Summary

The Scottish Government plans to spend £3.5 billion this parliamentary session (May 2021 to April 2026) on its affordable housing supply programme (AHSP) to help meet its long-term target to deliver 110,000 affordable homes by 2032.

Type of housing funded under the AHSP

Homes provided through the AHSP include:

- social rent provided by registered social landlords (RSLs) and councils
- mid-market rent (housing with higher rents than social rented housing, but lower than the equivalent market rent)
- affordable home ownership.

The majority of these homes will be newly built by councils and RSLs although Scottish Government funding also supports acquisitions of existing homes and, more recently, work to bring void social rented homes back into use.

Delivery of the AHSP

Most of the AHSP is delivered through local programmes planned by local authorities in conjunction with their local partners.

The Scottish Government also manages some national programmes through the AHSP. These schemes include:

- the Open Market Shared Equity scheme which helps first time buyers and others on low incomes to buy new homes
- the Rural and Islands Housing Fund and the Rural Affordable Homes for Key Workers Fund
- the Charitable Bonds Programme.

AHSP budget

The revised 2024-25 budget was almost £600 million, a fall of 25% in real terms from the previous year. Stakeholders had argued for an increase in funding, particularly given the national housing emergency that was declared by the Scottish Parliament in May 2024.

The budget for 2025-26 has increased to £768 million, representing a real terms increase of 32% from 2024-25.

The majority of the budget is grant funding which councils and RSLs use in addition to their own borrowing and other funding contributions that may be available. Part of the budget is financed via Financial Transactions (FT) funding. This provides loans that can be used beyond the public sector and funds, for example, the Open Market Shared Equity Scheme, some mid-market rented homes and the Charitable Bonds programme.

The costs of building new homes has been increasing over the years. To reflect this, the

Scottish Government has increased the amount of grant that can potentially be obtained for each home.

Affordable housing supply targets

The Scottish Government's commitment is to deliver 110,000 affordable homes by 2032, , working with partners. Of this total, the target is that 70% (77,000) will be available for social rent and 10% will be in remote, rural and island communities.

Between 23 March 2022 and 30 December 2024 (the latest data available), around 24,400 homes had been delivered (24% of the target). The majority of these (77%) are for social rent.

With just over seven years of the target to go, just over an average of 11,000 homes need to be completed each year for the target to be met. Although there can be 'peaks and troughs' in the funding and delivery of new homes over a long-term programme, at current levels of approvals and site starts the target looks challenging to meet.

Some groups representing housing bodies have also been sceptical that the target will be met. The Scottish Government remains committed to its long-term target but is reviewing its deliverability.

Challenges of delivering affordable homes

The challenges of delivering new affordable homes include increasing costs of building and a lack of labour and materials, particularly in rural areas.

Social landlords also face a range of competing demands, including investing in their own stock to improve its energy efficiency. As a result, some social landlords are reducing their plans for building new homes.

Stakeholders have argued for certainty around long-term funding commitments to enable them to plan. The Scottish Government is also investigating new ways to fund affordable housing delivery and has set up a Housing Improvement Taskforce.

Affordable Housing Supply Programme overview

The AHSP funds a variety of schemes to help the supply of “affordable housing.” There is no overall definition of what “affordable” housing means but for the purposes of the AHSP it includes housing for:

- social rent provided by registered social landlords (RSLs) and councils
- mid-market rent (housing with higher rents than social rented housing, but lower than the equivalent market rent)
- affordable home ownership.

The AHSP is composed of a mix of grant and loan funding.

Grant funding: Social landlords and other affordable housing providers use the Scottish Government grant funding, in addition to their own borrowing and any other funding contributions that may be available, to deliver new homes through the AHSP. [A later section of the briefing covers the grant subsidy system in more detail.](#)

Financial Transaction (FT) funding: FT funding is allocated to the Scottish Government by the UK Government. The Scottish Government has discretion over how it allocates FT monies to projects. FT funding has mainly been used for some affordable home ownership shared equity schemes, and some mid-market rent developments and the Charitable Bond programmes. FT funding is paid back to the Scottish Government and then to HM Treasury.

Affordable Housing Supply Programme budget

The revised AHSP budget for 2024-25 was almost £600 million, a real terms fall of 25% from the 2023-24 budget.

Given the Scottish Parliament's declaration of a [national housing emergency in May 2024](#), and [additional resources allocated for Scotland as a result of the UK Government's Budget](#), [pressure had mounted on the Scottish Government to increase the affordable housing budget for 2025-26](#).

The AHSP budget for 2025-26 is £768 million, a real terms increase of 32% from the revised 2024-25 budget.

Table 1: Scottish Government Affordable Housing Supply Programme Budget 2021-22 to 2025-26, £ million (cash terms)

	2021-22 £m	2022-23 £m	2023-24 £m	2024-25 £m	2025-26 £m
Grant	773	718	596	549	688
Financial Transactions	64	134	171	49	80
Total	837	852	767	598	768

Note that these figures reflect original budget figures plus in year transfers. Source: Scottish Government officials

Table 2: Scottish Government Affordable Housing Supply Programme Budget 2021-22 to 2025-26, £ million, real terms 2024-25 prices

	2021-22 £m	2022-23 £m	2023-24 £m	2024-25 £m	2025-26 £m
Grant	909	789	619	549	706
Financial Transactions	75	83	177	49	82
Total	985	937	796	598	788

Note: Real terms calculated using the [SPICe real terms calculator](#), at 17 April 2025

AHSP Expenditure

Table 3 shows expenditure on the AHSP compared to the budget. The latest expenditure data available is for 2022-23.

Table 3: Affordable Housing Supply Programme Expenditure 2021-22 to 2022-23 (cash terms)

	Budget	Outturn	Variance
2021-22, £ million	837	671	-166
2022-23, £ million	852	749	-103

Source: Scottish Government, 2025¹ Scottish Government, 2023²

The underspends in the budgets for 2021-22 and 2022-23 are related to the issues

discussed in the [‘Challenges of delivering new affordable homes’](#) section.

Management of the Affordable Housing Supply Programme

The AHSP is managed by the Scottish Government through a network of area teams supported by central investment co-ordination and policy teams.

Under the Transfer of the Management of Development Funding (TMDF) arrangements, Glasgow City Council and the City of Edinburgh Council manage the development programme in their areas on behalf of the Scottish Government.

Local Authorities' Role

Most of the AHSP is comprised of grant funding which is delivered through local programmes planned by local authorities.

Local authorities have strategic responsibility for housing in their areas. They are required by law to prepare a local housing strategy for their area supported by housing need and demand assessments (HNDAs).¹

Given their strategic housing role, local authorities are responsible, in collaboration with local housing delivery partners, for preparing Strategic Housing Investment Plans (SHIPs) for their areas. This is the key document for identifying priority affordable housing and Gypsy/Traveller accommodation proposals.

[Scottish Government guidance states that](#) the SHIP is an operational rather than policy document and:

- "reflects and aligns with the housing policies and outcomes set out in each local authority's Local Housing Strategy (LHS) and LHS Outcome Action Plan
- reinforces the role of the local authority as the strategic housing authority
- informs Scottish Government investment decisions and
- informs the preparation of a Strategic Local Programme Agreement that sets out the planned programme across the local authority and, where required, informs the preparation of Programme Agreements to individual providers setting out their planned programme."³

SHIPs are submitted to the Scottish Government on an annual basis. The Scottish Government then conducts a review of each SHIP to satisfy itself that the proposals reflect national and local priorities; are deliverable; and have been informed by appropriate engagement and consultation. Each [council is expected to publish its SHIP on its website](#).

Resource Planning Assumptions

A resource planning approach has been agreed with the Convention of Scottish Local Authorities (COSLA). The Scottish Government provides each local authority with a Resource Planning Assumption (RPA), which is a funding assumption. This enables each

¹ Section 89 of the Housing (Scotland) Act 2001

local authority to set out local priorities for affordable housing developments in their Strategic Housing Investment Plans, informed by the strategic priorities in their LHS.

A Strategic Housing Investment Framework was agreed with COSLA to determine the allocation of funding to 30 of the 32 local authority areas (funding for Glasgow City Council and the City of Edinburgh Council is agreed separately and includes funding from the Local Government Settlement). The Strategic Housing Investment Framework formula takes into account four indicators: affordability, deprivation, rurality and homelessness.

Each local authority has flexibility to apply the available Scottish Government funding to strategic priorities it identifies within its geographic area. If any funding is not spent within the financial year it has been allocated, those funds may be reallocated to other local authority areas across Scotland. Where monies are reallocated, the Scottish Government cannot guarantee that local authority allocations will be readjusted in future years to compensate for any previous reallocations.

[Details on the RPAs for 2024-25 for each council are available on the Scottish Government website.](#) ⁴

Scottish Government grant subsidy

The Scottish Government provides grants to social landlords to help deliver new homes, with social landlords funding the remainder of the costs. While the majority of the extra cost is funded through borrowing, for example prudential borrowing by local authorities or private finance raised by RSLs, any other funding contributions that may be available are also taken into account.

Other sources of funding include:

- money raised by councils from charging additional council tax on second homes
- developer contributions from affordable housing planning policies
- charitable bond funding instead of AHSP resources
- contributions from local authority housing revenue accounts
- any other public sector contributions
- sales income.

When applying for grant assistance at tender stage to deliver homes for social rent and mid-market rent, local authorities and RSLs are required to self-certify that the amount of funding that they are requesting is the minimum required for a project to be financially viable for their organisation whilst ensuring rent affordability.

For new build, refurbishment and conversion projects, the amount of grant requested is then compared with the applicable affordable housing investment benchmark to determine how the funding application will be assessed.

Projects that can be delivered with grant funding at or below the relevant benchmark follow a streamlined assessment process, with projects which are seeking grant funding above

the relevant benchmark following a more detailed value for money assessment. The benchmark system is therefore a flexible administrative tool which is used for grant assessment purposes only – rather than being a grant rate or grant ceiling.

A review of affordable housing investment benchmarks was undertaken between March and June 2021. One of the [outcomes of that review was a commitment to adjust the benchmarks on an annual basis](#). Table 4 outlines the current set of affordable housing investment benchmarks, which came into effect in October 2024.

Higher baseline benchmarks are available for social rented projects and mid-market rented projects in (a) West Highland, Island authorities and remote/ rural Argyll and (b) other rural areas.

Additional benchmarks are available for certain quality features such as the provision of balconies in flatted developments, homes delivered to Section 7, Silver Level, of the 2019 Building Regulations in respect of energy for space heating, and the installation of zero direct emissions heating systems (see Table 5).

Table 4: Affordable housing investment benchmarks (3 person equivalents)

Project type	West Highland, Island authorities and remote / rural Argyll	Other rural	City and urban
RSL social rent	£117,222	£101,878	£95,741
Council social rent	£101,878	£92,673	£87,763
RSL mid-market rent	£71,806	£69,351	£65,669
Council mid-market rent	£65,055	£63,214	£60,145

Source: Scottish Government, 2024⁵

Table 5: Affordable housing investment benchmarks - additional quality measures benchmarks (3 person equivalent)

Delivering homes to Section 7, Silver Level, of the 2019 Building Regulations in respect of Energy for Space Heating (that is, full Bronze Level plus Aspect 2 of Silver Level)	£2,455 per home
Homes delivered to the updated provisions for energy performance, ventilation and assessment of overheating risk introduced through building regulations in February 2023	£4,560 per home
Provision of balconies within flatted developments	£4,910 per home
Provision of space for home working or study	£4,297 per home
Digitally-enabling	£369 per home
Ducting infrastructure for electric vehicle charge point connectors	£614 per connector
Electric vehicle charge points	£614 per charge point
Automatic fire suppression systems	£3,682 per home
Zero direct emissions heating systems	£4,910 per home

Source: Scottish Government, 2024⁵

The average cost to deliver an affordable home and the proportion funded by Scottish Government grant have been increasing. [In 2019-20, the average cost of an RSL social rented home funded through the AHSP was £158,000](#), with Scottish Government grant

funding 56% of costs. [In 2022-23, the average cost per home was £195,000, with a Scottish Government funding rate of 60%.¹](#)

New build and acquisitions

The majority of homes developed under the AHSP are new build homes.

The AHSP also supports councils and RSLs to buy existing homes to meet housing need in their areas and many social landlords have well-established acquisition policies.

Some councils operate schemes under which they acquire properties in particular areas or specific house types (such as larger properties) that are in higher demand. [Falkirk Council](#), for example, has since 2013 focussed on buying back ex Right to Buy Council properties. The [City of Edinburgh Council](#) has, over a number of years, undertaken an open market purchase programme, primarily to increase affordable supply in the city but also allowing for homes in mixed tenure blocks to be acquired in order to consolidate ownership.

In light of the housing emergency and high numbers of homeless people living in temporary accommodation, the Scottish Government has targeted further resources specifically for acquisitions and voids. It has also allowed social landlords to purchase properties from private landlords who wish to sell with the tenant in situ where this meets a strategic need and where the tenant is at risk of homelessness.

Further information on the acquisitions of homes funded through the AHSP is [available on the Scottish Government website](#).⁶

Rural Key Workers Housing Fund

The Scottish Government has also established a demand led Rural Affordable Homes for Key Workers fund worth up to £25 million over a five year period (2023-24 to 2027-28). It is available to local authorities and RSLs to purchase existing suitable properties in rural and island areas to provide affordable homes for key workers where there is identified need. Local authorities are expected to engage with a range of organisations and business in their area to develop proposals for use.⁷

From the [start of 2024 to 18 November 2024](#), 14 homes had been approved through the fund. Of these, seven are in Highland, four are in Orkney, two in Moray and one in Arran, North Ayrshire.⁸

National Programmes

The Scottish Government also manages a number of national programmes through the Affordable Housing Supply Programme.

The national programmes include:

- **Open Market Shared Equity Scheme:** this supports first time buyers and those on low to medium incomes to purchase a home on the open market with the government taking an equity stake in the home. Priority access is given to applicants who live in social rented housing, disabled people, members of the armed forces and veterans. This is a demand-led scheme.
- **Rural and Islands Housing Fund :** The fund is open to a range of applicants including:
 - community organisations
 - development trusts
 - private landowners
 - private developers
 - traditional housing providers.

The Scottish Government has committed to making up to £30 million available this parliamentary term to support deliverable projects under the fund.

Examples of projects approved can be found on the [Scottish Government website](#).

- **Charitable Bonds:** the programme provides RSLs with unsecured loans for up to 15 years. Interest on the loans generates a charitable donation which the Scottish Government directs to support further social rented homes.

Affordable housing supply targets: progress

The Scottish Government's commitment is to deliver 110,000 affordable homes by 2032. Of this total, at least 70% (77,000) will be available for social rent and 10% will be in, rural and island communities.

The Scottish Government started delivering towards the target from 23 March 2022, as this was when the previous 50,000 affordable homes target was completed.

Data on completions under the AHSP are regularly updated on a quarterly basis in the [Scottish Government's Affordable Housing Supply Programme Summary Tables](#) available on the [Scottish Government website](#).

Between 23 March 2022 and 30 September 2024 (the latest data available), around 24,400 homes had been delivered (24% of the target) (see Table 6).

The majority of these, 77%, are for social rent. Based on available published data between 23 March 2022 and end March 2023, a total of 2,277 homes have been delivered in rural and island areas. Figures relating to 2023-24 will be published later in 2025-26.

Table 6: Affordable Housing Supply Completions 23 March 2022 to 30 September 2024

Type of Activity	Completions
Social Rent	19,945
Affordable Rent	3,644
Affordable home ownership	2,450
Total	26,039

Source: Scottish Government , 2024⁹

Further detail on the completions and spend under the AHSP are available in the Scottish Government outturn reports. These reports can be accessed on the [Scottish Government website](#) and tend to be published in January/February each year, around 10 months after the financial year end.

Over the longer term, the Scottish Government has highlighted its record on affordable homes completions, citing it as higher per head compared to other UK nations. For example, it reports that:

“ Between 2007-08 and 2023-24, the annual average supply of affordable housing per head of population in Scotland has been 14.5 homes per 10,000 population, 73% higher than Wales (8.4 homes per 10,000 population), 47% higher than England (9.9 homes per 10,000 population and 16% higher than Northern Ireland (12.5 homes per 10,000 population – average across the years 2010-11 to 2021-22).”

Source: Scottish Government , 2024¹⁰

Can the target be achieved?

The future number of affordable homes completed will depend on how many homes have been approved and how many homes have started to be built on site. [Over the last three financial years, the number of approvals has averaged around 7,000 per year while site starts have averaged around 7,300 per year.](#)

With almost 7.5 years of the target period remaining, an average of around 11,000 homes need to be completed each year for the target to be met.

Although there can be 'peaks and troughs' in the funding and delivery of new homes over a long-term programme, at current levels of approvals and site starts the target looks challenging to meet.

Some groups representing housing bodies [have also been sceptical that the target will be met.](#)¹¹

However, the Scottish Government remains focused on the target and is currently reviewing its deliverability, recognising some of the challenges that social landlords face ([see further information in the next section](#)). It is not yet clear when this review will report.

Challenges of delivering new affordable homes

The Scottish Housing Regulator has highlighted the challenging environment that social landlords are working in. ¹² The challenges include:

- persistent cost of living challenges for households especially in food and drink prices, and energy costs
- pressure on landlords to ensure affordability whilst balancing spending commitments, including future net zero commitments, at a time of persistent inflation in their costs and higher interest rates
- new costs such as increases to employer's National Insurance Contributions
- cost inflation across all aspects of development, both financing the build and the build itself.
- delays due to labour and material shortages; although these have eased slightly in the last 12 months in some areas, particularly in rural or remote areas these shortages are persistent.

These challenges influence social landlords' business planning decisions to develop new homes. The Regulator reports that, based on the current projections, the rate at which landlords are building new social homes has fallen and is projected to remain at a lower level for the next five years. In the current context, it states that this is:

“ ... entirely understandable and reasonable business decision for a social landlord to halt or reduce its plans for growth. And social landlords have no statutory obligation to build new homes; but they do have duties to maintain existing homes to statutory standards. So, prioritisation of resources to invest in existing homes is likely to be reality for many social landlords in the coming years. ”

The Scottish Housing Regulator, 2024¹²

The challenging operating environment and high levels of homeless households in temporary accommodation, amongst other factors, has [led 13 local authorities to declare local housing emergencies in their areas](#). On 15 May 2024, the Scottish Parliament also agreed a motion declaring a nationwide “housing emergency.”

In response to local housing emergencies, local authorities have developed action plans with short and long-term actions and are working through those. The Scottish Government's response has included the increase in the AHSP budget for 2025-26 and [targeting additional resources at local authorities that face the most sustained homelessness pressures](#).

The [Scottish Parliament's Local Government, Housing and Planning Committee](#) has considered the AHSP as part of its wider considerations on Housing to 2040 (the Scottish Government's long-term housing strategy) and the housing emergency. Some stakeholders giving evidence to the Committee have talked about the need for long-term certainty over funding decisions to allow them to plan appropriately.

A recent report by the [University of Glasgow/UK Collaborative Centre for Housing Evidence and Newhaven Research](#) has also made some short, medium and long term recommendations for 'rebooting' the AHSP. For example, in the medium term, it suggests commissioning a number of inquiries and reviews that will lead to a stronger and more coherent system for allocating resources linked to local need priorities. Longer term proposals, which will take more time to develop and implement, include land reforms.

The Minister for Housing, Paul McLennan MSP, has also stressed the need to consider ways of funding new affordable homes. In April 2024, the Scottish Government created a [Housing Investment Taskforce](#), which is due to produce a final report by the end of March 2025, to identify actions that will unlock existing and new commitments to investment in housing.¹³

In terms of the future of the ASHP, what happens next parliamentary session will in a large part be dependent on the outcome of the next parliamentary election in May 2026.

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