

Local Government, Housing and Planning Committee
Tuesday 20 January 2026
3rd Meeting, 2026 (Session 6)

Budget Scrutiny 2026-27

Introduction

1. At its meeting on [11 November 2025](#), the Local Government, Housing and Planning Committee agreed to take evidence from the Cabinet Secretary for Housing and the Cabinet Secretary for Finance and Local Government upon the publication of the Scottish Government's Budget for 2026-27.
2. This paper is provided to support the evidence session with the Cabinet Secretary for Housing.

Local Government, Housing and Planning Committee pre-budget scrutiny

3. The [Verity House Agreement](#), signed in 2023, sets out the Scottish Government and Local Government's ambition to "work together strategically to advance public service reform".
4. At its meeting on the [24 June 2025](#), the Committee agreed to explore how the Scottish Budget supports this as the focus of its pre-budget scrutiny.
5. The Committee [wrote to the Scottish Government on 14 November](#) with its views on how the budget should respond to its pre-budget scrutiny. A response has not yet been received.

Scottish Government Budget 2026-27

6. The Cabinet Secretary for Finance and Local Government announced the [Scottish Government's Budget for 2026-27](#) on the 13 January 2026.
7. A SPICe briefing on the sections of the Budget relevant to the portfolio of the Cabinet Secretary for Housing is available at Annexe A.

Next steps

8. The Committee will take evidence on the Budget 2026-27 from:
 - 20 January – Cabinet Secretary for Housing; and
 - 27 January – Cabinet Secretary for Finance and Local Government.

Clerks to the Committee
January 2026

Annexe A – Scottish Government Draft Housing Budget 2026-27 – SPICe briefing



Background

Information on the housing budget is contained in [chapter 10 of the Scottish Budget 2026-2027](#). The housing budget funds:

- Housing and Building Standards (which includes the Affordable Housing Supply Programme and energy efficiency and heat decarbonisation)
- Cladding Remediation
- Scottish Housing Regulator

The Affordable Housing Supply Programme (£926m in 2026-27) and energy efficiency standards and heat decarbonisation (£325m) account for the majority of the budget.

Affordable Housing Supply Programme

The Scottish Government's Affordable Housing Supply Programme (AHSP) budget provides funding for:

- housing for social rent provided by registered social landlords (RSLs) and councils;
- housing for affordable home ownership; and
- mid-market rented housing (i.e. housing above social rent levels but below market rent levels).

Funding through this programme supports the Scottish Government's [long term commitment to deliver 110,000 affordable homes by 2032](#) (of which 70% will be available for social rent and 10% will be in remote, rural and island communities).

The Scottish Government points to the contribution of the programme, particularly homes for social rent, to tackling child poverty, ending homelessness and supporting economic growth.

The Committee has considered the AHSP budget as part of its ongoing budget scrutiny process and as part of its housing inquiry which [reported on 15 May 2025](#), a year after the housing emergency was declared by several local authorities.

The Committee has heard about progress in delivering affordable homes and some of the challenges to delivery including:

- Rising construction costs. [In 2023-24, the average cost of a new Registered Social Landlord \(RSL\)](#) home funded through the AHSP was £198,000 (of which the Scottish Government funded £122,000 (62% of costs). This compares to a cost of £167,000 in 2021-22 with the Scottish Government funding £95,000 (57% of costs).
- Availability of labour particularly in rural areas.
- The need for social landlords to balance investment in existing homes against investing in new homes.

On 2 September the Scottish Government published its [Housing Emergency Action Plan](#). The main action relevant to the budget was a new commitment to invest up to £4.9 billion over the next four years, delivering around 36,000 affordable homes by 2029-30. The plan also announced an additional £40 million (on top of the existing £40m) in the [AHSP for targeted acquisitions and voids](#) in 2025-26 to help take children out of temporary accommodation.

The majority of the AHSP is for expenditure on local programmes which are prioritised by local authorities. The Scottish Government provides each local authority with a Resource Planning Assumption (RPA), which is a funding assumption. This enables each local authority to set out local priorities for affordable housing developments in their Strategic Housing Investment Plans, informed by the strategic priorities in their local housing strategy. Local authorities are normally given their RPAs following budget approval.

A central budget is retained by the Scottish Government for other parts of the AHSP, including funding for the Low-cost Initiative for First Time buyers, the Home Owners' Support Fund and the Rural and Islands Housing Fund.

AHSP budget 2026-27 and Spending Review

In 2026-27, the AHSP budget is £926m (see Table 1). Note that this £926m is included in the text of the budget document but is not included in any of the tables in the budget document due to how the information is presented. The total also includes funding for the City of Edinburgh and Glasgow City councils where funding is allocated directly to them as part of the local government settlement under the Transfer of Development Funding (TMDF) arrangements.

Table 1 shows the cash terms comparison with the 2025-26 budget, after in-year additions were made. The 2026-27 budget is an overall 15% increase in cash terms from the previous year.

Table 1: Affordable Housing Supply Programme Budget

	2025-26	2026-27	Difference	Difference
	£m	£m	£m	%
AHSP Capital	635.500	670.225	34.725	5%
AHSP TMDF	92.245	92.245	-	-
Sub-total Capital	727.745	762.470	34.725	5%
AHSP Financial Transactions	80.000	163.400	83.400	115%
Total	807.745	925.870	118.125	15%

Source: Information supplied by Scottish Government officials, % calculations SPICe.

Capital and Financial Transaction Funding

The majority of the budget is capital funding. This is mainly spent by councils and Registered Social Landlords (RSLs) building new homes.

There is also 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, some mid-market rent developments and the Charitable Bond programmes. FT funding is paid back to the Scottish Government and then to HM Treasury.

Four- year plans

The draft budget restates the commitment to a £4.1bn investment in affordable homes in the in the next four years of the parliament (see Table 2).

This represents a cash terms increase of 40% from the planned £3.5bn investment over the current five-year parliamentary term.

The need for longer term certainty in investment plans was highlighted by witnesses during the Committee's housing inquiry.

The [Scottish Spending Review](#) document provides information on the four-year plans. The budget line for 'housing and building standards' rises towards the end of the four-year period.

The spending review document does not provide detail on the AHSP plans, but this has been provided by the Scottish Government, as set out in Table 2. This shows a large planned uplift in the budget in 2029-30

Table 2: AHSP Spending Review period

	4 -year total	2026-27 £m	2027-2028 £m	2028-29 £m	2029-30 £m
CDEL	2,944	670	709	740	825
T MDF	369	92	92	92	92
Total CDEL	3,313	762	801	832	917
Financial Transactions	787	163	152	204	267
Scottish Government Investment	4,100	926	953	1,036	1,185

Note: CDEL is capital departmental expenditure limit

Source: Scottish Government officials

Infrastructure plans

The Scottish Government views infrastructure investment as a key lever in securing economic growth, tackling the climate crisis, and delivering high-quality public infrastructure across Scotland.

The Scottish Government also published its [Infrastructure Delivery Pipeline](#) on the same day as the budget. This includes reference to investment in affordable housing and the leverage of private investment and the Scottish Government's plans to attract new entrants to the affordable homes sector:

“Scotland needs warm, affordable homes and we are supporting that with up to £4.9 billion of investment of which £4.1 billion will be public sector investment over the next four years. As part of this, we will work collaboratively with the Scottish National Investment Bank (SNIB) to accelerate housing investment, leverage additional private investment and boost overall housing supply.... We will attract new entrants to the affordable housing sector in Scotland, including through fund-based approaches that can utilise public capital efficiently. Working alongside SNIB, we will unlock large-scale strategic opportunities that provide both quality new homes and build new communities.”

Progress towards the Affordable Homes target

The Scottish Government monitors progress towards the target from 23 March 2022, as this was when the previous 50,000 target was completed.

[Between 23 March 2022 and 30 September 2025 \(the latest data available\), 31,064 \(around 28% of the target\) homes have been delivered.](#) With just over 5 years of the target period remaining 79,000 more completions are required for the target to be met.

The future number of affordable homes completed will depend on how many new homes have been approved and how many homes have started to be built.

[In the year to the end of September 2025](#), approvals, completions, and starts had all decreased from the previous year. For example, approvals decreased by 22% from the previous year.

The budget document states that the four-year housing budget will support the delivery of 36,000 homes. This would leave more than 40,000 homes to be completed in the final target year of the period (or slightly less depending on how many homes are completed between September 2025 and April 2026).

The [Cabinet Secretary for Housing Màiri McAllan MSP gave evidence to the Committee on 7 October 2025](#). She repeated the Scottish Government's commitment to the long-term target but acknowledged the challenges of meeting it:

“Everything that we are doing just now is about trying to go from where we are—despite significant headwinds, not the least of which is inflation—to where we need to be, which is to build 110,000 homes by 2032

Achieving that involves everything that I have mentioned: increasing the affordable supply programme; giving four years of funding certainty, to allow RSLs, councils and others to plan; setting the all-tenure target; and making sure that planning is a facilitator, not an inhibitor. It is all those things, as well as trying to build up the capacity to where we need it to be, because the curve is steep.”

Initial stakeholder reaction to the AHSP spending plans

The SFHA and CIH Scotland have welcomed the increase in the ASHP. Some concern was raised about the backloading of funding towards the end of the four-year period and the need for further increases in the programme to ensure the target is met.

[SFHA commented:](#)

“The Scottish Government's draft Budget confirms a continued commitment to affordable housing, with £4.1bn in public funding for the Affordable Housing Supply Programme over four years, and this progress is appreciated. “

“However, a closer look at the spending review shows that much of the increase is back-loaded towards the end of the period. Once construction costs, inflation, labour shortages and regulatory pressures are taken into account, funding in the early years of the programme appears broadly flat in real terms. This risks slowing delivery at precisely the point when we need to accelerate the building of affordable and social homes.”

“We need to see an £8.2bn commitment over the course of the next Scottish Parliament, alongside a radical overhaul of the housing system, if Scotland is to build the 15,693 affordable homes it needs to respond effectively to the housing emergency. We will continue to make the case for greater investment in

affordable housing in Scotland so that everyone can have a safe, warm affordable home.”

[CIH Scotland](#) commented:

“Today’s budget from the Scottish Government provided a much-needed increase for the Affordable Housing Supply Programme. The increase to £925.87 million, up from £807.75 million in 2025/26, provides a commitment to building capacity within the sector and continuing to deliver homes that will help to tackle homelessness, reduce poverty and create communities where people can thrive.

“However, it’s becoming increasingly clear that the Scottish Government is not on track to meet its own target of delivering 110,000 social and affordable homes by 2032. If this is to be realised, significant increases in future budgets will be required.”

[Homes for Scotland](#) focused on the lack of detail, particularly around support for first time buyers.

“It was extremely encouraging to hear the Cabinet Secretary for Finance talk of ‘new hope for young Scots looking for their first home’. The Budget document itself also emphasises ‘all-tenure’ ambition and details £66m in Financial Transactions for housing. However, the lack of detail on what this will mean in practice is extremely frustrating.

“With home building levels now at or near historic lows, the only feasible way out of the housing emergency is to build significantly more homes across private and social sectors. Key to this is confidence for both new and existing investors, on which we have been working closely with the Scottish Government but I am afraid today appears to be a missed opportunity to announce the bold initiatives that we believe would significantly stimulate construction. Support for first time buyers (previously provided by the First Home Fund) is absolutely fundamental. It remains to be seen whether this will be forthcoming to give young people the hope the Budget statement alluded to.”

AHSP Outturn report

Further detail on the completions and spend under the AHSP, including information by local authority area, 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.

Table 3 shows information on the actual expenditure of the programme compared to the budget.

Table 3: AHSP Budget and Outturn 2021-22 to 2023-24

Year	Budget	Outturn	Variance
2021-22, £M	837	671	-166
2022-23, £M	852	749	-103
2023-24, £M	767	708	-59

Source: SPICe briefing and the [23-24 outturn report](#)

Energy Efficiency and Decarbonisation

The budget states (at page 97):

“As well as ensuring new homes are fit for the future, with zero emissions heating systems, we will adapt and retrofit existing homes, including targeting support to those in, or at risk of fuel poverty, to reduce their energy bills. We will continue to invest in heat networks across Scotland, leveraging private investment, to deliver new heating infrastructure for both new and existing properties.”

[Table 10.01 in the budget](#) gives a budget for energy efficiency and decarbonisation of £325.6m. This represents an increase of 1.6% (cash terms) from 2025-26 (at the autumn budget revision position). In real terms this would be a decrease of 2.1%.

The spending review document provides a budget profile of:

- 2026-27: £325.6m
- 2027-28: £340.6m
- 2028-29: £325.36m

Cladding

The [Cladding Remediation Programme](#) aims to protect homeowners and residents by addressing the risks to life and other impacts associated with unsafe external wall cladding systems.

The Committee has considered cladding on various occasions. Most recently, the Committee received correspondence from the Cabinet Secretary for Housing in December 2026 including information on [the pilot programme](#) and an [update on the developer remediation contract](#).

[Monthly management information published in November 2025](#) showed that expenditure for 2025-26 (as at 30 November 2025) was £2.4m. The budget for 2025-26 is £52m.

The budget and spending review propose the following for cladding remediation:

- 2026-27: £60.6m

- 2027-28: £85.5m
- 2028-29: £115m

Kate Berry, Senior Researcher, SPICe

14 January 2026

Note: Committee briefing papers are provided by SPICe for the use of Scottish Parliament committees and clerking staff. They provide focused information or respond to specific questions or areas of interest to committees and are not intended to offer comprehensive coverage of a subject area.

The Scottish Parliament, Edinburgh, EH99 1SP www.parliament.scot