Economy, Tourism and Energy Committee
Tuesday 27 October 2026
8th Meeting, 2026 (Session 7)

Pre-budget scrutiny on the 2027/28 draft Scottish budget

Background

1. The Scottish Government has announced that the draft 2027/28 Scottish budget will be published on Thursday 3 December 2026. The Economy, Tourism and Energy Committee agreed its approach to its scrutiny of the 2027/28 annual budget at its meeting on 8 September 2026.

2. The Committee agreed to focus on the year-on-year budget allocation to those agencies funded from the portfolios of the Cabinet Secretary for Economy, Tourism and Transport ('the Cabinet Secretary') and the Minister for Europe, External Affairs and Energy ('the Minister').

3. The Committee also launched a public call for views from stakeholders which can inform its scrutiny of the draft budget, as well as its evidence taking from and the Cabinet Secretary and the Minister on the draft Budget. The call for views runs until 23 October and submissions will be made available online in the coming days.

4. The Committee has agreed to take oral evidence from the Cabinet Secretary and the Minister in January 2027, following the publication of the draft Budget.

Evidence session

5. At its meeting on 6 October, the Committee took evidence from witnesses representing Highlands and Islands Enterprise, Scottish Enterprise, South of Scotland Enterprise and the Scottish National Investment Bank.

6. At this meeting, the Committee will hear from a further two panels of witnesses:

- Panel 1 - **Mike Thornton OBE**, Chief Executive of the Energy Saving Trust, **Cassandra Dove**, Member of the Scottish Government's Heat in Buildings Strategic Advisory Group and Policy Lead at the Scottish Federation of Housing Associations, and **Ross Armstrong,** Chief Executive of Warmworks

- Panel 2 - **Vicki Miller**, Chief Executive and **Jamie Manson**, Director of Corporate Services at Visit Scotland.

7. The Annexe to this paper contains written submissions from each of the four organisations giving evidence.

Clerks to the Committee
October 2026

Annexe – Submissions from witnesses

1. Energy Saving Trust

About Energy Saving Trust
Energy Saving Trust is the leading partner that enables governments and businesses to deliver inclusive home and community energy efficiency and low carbon advice and solutions.

A trusted, independent voice, we have over 30 years' sector experience. We provide leadership and expertise to deliver the benefits of achieving carbon reduction targets: warmer homes, cleaner air, healthier populations, a resilient economy and a stable climate.

We empower householders to make better choices, deliver transformative programmes and support businesses and community groups with strategy, research and assurance – enabling everyone to play their part in building a sustainable future.

Our response

Thank you for the opportunity to provide a written submission to the Economy, Tourism and Energy Committee as part of its pre-budget scrutiny of the Scottish Budget 2027-28, ahead of our forthcoming oral evidence session. Energy Saving Trust welcomes the Committee's interest in our work and the opportunity to contribute to this process.

This submission addresses each of the questions set out by the Committee, covering our current funding arrangements, how we measure our performance and impact, and our views on future funding and policy priorities.

1. Public funding provision to Energy Saving Trust in Scotland in the 2026/27 Scottish budget

Energy Saving Trust is an independent, profit-for-purpose organisation and does not receive a single core budget allocation through the Scottish Budget. Funding is provided by the Scottish Government and Transport Scotland through a combination of grant funding and competitively procured contracts to deliver agreed programmes and activities.

Scottish Government funding provided through these arrangements in 2026-27 is currently estimated and can be broadly divided into two categories:

- Funding retained by Energy Saving Trust to deliver agreed programmes and services: approximately **£30.27 million.**
- Funding administered by Energy Saving Trust and passed through to households, communities and businesses as grants and loans: approximately **£121.23 million.**

These figures represent Energy Saving Trust's current best estimate of funding from the Scottish Government and Transport Scotland for 2026-27, reflecting planned programme delivery and anticipated grant and loan payments during the year.

All funding received by Energy Saving Trust is linked to agreed objectives, targets and performance measures, with regular reporting provided to the Scottish Government. Energy Saving Trust also undertakes robust monitoring and evaluation to assess programme outcomes and impacts and support continuous improvement.

The services delivered through this funding are highly valued by customers. For example, in the 2025-26 financial year Home Energy Scotland, Business Energy Scotland, and Home Energy Scotland Grants and Loans programme achieved Net Promoter Scores[1] of 67 (excellent), 64 (excellent) and 74 (world class) respectively, and customer satisfaction levels of 89%, 90% and 89%. Performance remains strong in 2026-27 to date, with Net Promoter Scores of 66 (excellent) for Home Energy Scotland, 81 (world class) for Home Energy Scotland Grants and Loans and 75 (world class) for Business Energy Scotland with customer satisfaction levels of 86%, 94% and 96% respectively.

For completeness, Energy Saving Trust also holds a one-third ownership stake in Warmworks, a joint venture partnership which delivers the Scottish Government's Warmer Home Scotland programme under a competitively procured contract.

2. How do you measure your achievements against the targets and outcomes set for the organisation?

Energy Saving Trust measures performance against a range of outcomes, targets and key performance indicators agreed with the Scottish Government as part of the governance arrangements for individual programmes. These measures are designed to assess not only the volume of activity delivered, but also the quality of delivery and the outcomes achieved.

Performance is monitored throughout the year and reported regularly to the Scottish Government through formal reporting arrangements. These include quarterly performance reports, alongside additional monthly and programme-specific reporting where required. Reporting covers delivery against agreed targets and KPIs, alongside programme specific measures and outcomes. Examples include customer outcomes, service quality, customer satisfaction, carbon savings, fuel bill savings and progress against programme specific objectives.

This reporting enables both Energy Saving Trust and the Scottish Government to assess performance, monitor delivery against agreed outcomes, identify areas for improvement and ensure that public funding is delivering the intended benefits.

[1] Net Promoter Score (NPS) is a widely used measure of how likely customers are to recommend a product, service or organisation to others, providing an indicator of customer loyalty and overall experience. Scores can range from -100 to +100 on the scale.

3. What views to you have on the allocation you should receive in the forthcoming Scottish budget for 2027/28?

Through grant-funded programmes and competitively procured contracts, Energy Saving Trust delivers substantial programmes on behalf of the Scottish Government and these provide strong value for money.

These programmes also provide a strong return on public investment. For example, every £1 invested in Home Energy Scotland advice delivers nearly £15 in estimated lifetime savings for households. Since its inception, Home Energy Scotland has generated well over £1 billion in estimated lifetime energy bill savings.

Demand for advice, support and financial assistance programmes remains high. Energy costs continue to place pressure on household budgets and based on previous experience, we expect demand to increase further over the winter period and beyond as households face higher energy bills. In this context, continued support for programmes that help households and businesses reduce energy costs will remain important.

Energy Saving Trust continues to focus on delivering services as efficiently and effectively as possible. Budgets for some programmes have remained broadly flat or reduced in recent years, while delivery costs have increased as a result of inflation. While current funding is sufficient to deliver agreed programmes and targets, sustained increases in demand for advice, support and financial assistance programmes could result in more households and businesses seeking support than can be accommodated within existing budgets.

While investment in energy efficiency and clean heat plays an important role in reducing energy bills and tackling fuel poverty, it is also critical to delivering Scotland's climate ambitions. Alongside measures to decarbonise transport, Improving the energy performance of homes and businesses, and accelerating the transition to low-carbon heating will be essential if statutory emissions reduction targets are to be met. Continued investment therefore supports energy affordability and climate goals.
We recognise that budget decisions involve difficult choices across a range of competing priorities. The appropriate level of future investment is ultimately a matter for the Scottish Government, but continued support for programmes that support households, communities and businesses to reduce energy costs and emissions will be important in helping to tackle the climate emergency, reduce fuel poverty and improve energy affordability across Scotland.

4. What views do you have on the implications of the Scottish Spending Review 2026

Energy Saving Trust welcomes the Scottish Spending Review 2026's continued support for energy efficiency, clean heat and sustainable transport programmes, with substantial funding committed across the review period. These programmes can help households and businesses reduce energy costs and tackle fuel poverty while also reducing emissions and supporting Scotland's climate change ambitions.

While the planned funding profile provides a strong basis for continued delivery, allocations for energy efficiency and decarbonisation remain broadly flat across the

Spending Review period. As noted in our response to question 3 above, demand for advice, support and financial assistance programmes remains high and is likely to increase further as high energy costs continue to place pressure on household budgets. At the same time, achieving Scotland's climate change ambitions will require a significant increase in the uptake of energy efficiency improvements, clean heating and low-carbon technologies. While the Spending Review provides a strong foundation for continued delivery, the extent to which current funding levels can support the scale of activity required to meet Scotland's climate and fuel poverty ambitions will be an important consideration over the coming years.

We also note that the substantial funding committed across the review period provides greater certainty for the supply chain. As Energy Saving Trust has highlighted elsewhere, long-term funding certainty can help businesses plan, recruit and invest in the skills and capacity needed to support Scotland's climate change ambitions.

5. Do you have any views on the longer-term outlook for the Scottish economy from your organisational remit point of view?

Energy Saving Trust supports the overall direction of Scottish Government policy on energy efficiency, heat decarbonisation and sustainable transport. As well as being essential for meeting climate change and fuel poverty targets, these policies can help strengthen Scotland's economy by reducing dependence on imported fossil fuels, lowering energy costs, supporting skilled employment and stimulating investment in local supply chains. Realising these benefits depends on households and businesses being able to take action, with trusted advice, support and financial assistance helping them make informed decisions, identify the most appropriate measures for their circumstances and access available support.

These programmes can help people reduce energy costs and emissions while providing a strong return on public investment. Evaluation of programmes delivered on behalf of the Scottish Government shows that every £1 invested in expert, tailored advice generates significant returns through lower energy bills. For example, every £1 invested in Home Energy Scotland advice delivers nearly £15 in lifetime savings for households, while every £1 invested in Business Energy Scotland advice delivered £26 in lifetime savings for businesses in 2023-24. Analysis also shows that 62% of the total savings achieved by Home Energy Scotland customers can be directly attributed to the advice provided, with customers receiving verbal advice achieving average lifetime financial savings of around £2,250. Since its inception, Home Energy Scotland has generated well over £1 billion in estimated lifetime energy bill savings. These outcomes highlight how investment in energy efficiency and heat decarbonisation can reduce energy costs for households and businesses. By reducing energy demand and associated costs, these programmes can increase the amount of money available for households and businesses to spend elsewhere in the economy, generating wider economic benefits while also improving resilience to future energy price volatility and supporting progress towards fuel poverty and climate objectives.

The benefits delivered through these programmes highlight the value of Scotland’s existing delivery infrastructure. The Scottish Government has already established much of the delivery infrastructure needed to help households and businesses reduce energy costs, improve energy efficiency and transition to cleaner heating systems,

including the Home Energy Scotland and Business Energy Scotland advice services, grant and loan programmes, and initiatives to support supply chain development. This provides a strong foundation for Scotland to remain at the forefront of the UK's transition to energy-efficient homes and businesses, helping to maximise the associated economic opportunities and benefits for households and businesses, strengthen resilience to energy price volatility and support the growth of skilled jobs and supply chains across Scotland.

Finally, the Committee may also be interested to note that as President of the European Energy Network (EnR), Energy Saving Trust is working with partner organisations across Europe to examine responses to recent energy price crises and the lessons that can be learned from different national approaches. This work highlights the important role that energy efficiency, advice services and targeted support can play in reducing exposure to volatile energy prices and improving economic resilience. We would be happy to provide the Committee with further information about this work if it would find this useful.

---

2. Scottish Government Heat in Buildings Strategic Advisory Group Member [Scottish Federation of Housing Associations – SFHA]

Introduction

SFHA is the membership body for, and collective voice of, housing associations and co-operatives in Scotland. We exist to represent, support and connect our members. Together, we work to ensure that everyone has a safe, warm and affordable home.

They provide homes for life which are warm, dry and secure, at rents people can afford. Our sector relies on good governance, competent and professional planning and service delivery along with sound financing, both for existing and new housing developments.

Summary

- Retrofit can tackle fuel poverty, reduce energy use and emissions, and improve health. The social housing sector is uniquely placed to deliver these benefits, but a just transition requires investment that protects affordability: tenants must not foot the bill through higher rents.
- Demand for the Social Housing Net Zero Heat Fund will continue into 2027/28 as fuel poverty challenges for tenants persist. Current application levels do not reflect the sector's underlying demand, which can be unlocked by addressing policy uncertainty and structural barriers to accessing the fund.
- Over the longer term, enhanced, multi-year capital programmes would enable a shift from opportunistic projects to strategic retrofit at the scale needed to protect tenants and secure the wider economic, health and emissions benefits of warm, efficient homes.

Role of our members

SFHA's members provide more than 300,000 homes to over half a million people. Alongside building affordable, energy-efficient homes, they invest in energy efficiency and clean heating upgrades across Scotland's existing stock. Despite ongoing uncertainty around standards, sustained investment increased the proportion of housing association homes achieving EPC Band C or above from 68% in 2019 to 79% in 2024, compared with 51% of private sector households (owner-occupied and private rented) and 64% of local authority housing in 2024.[2]

However, the latest figures demonstrate that social tenants still experience the highest fuel poverty rates, with nearly half defined as fuel poor [2]. Consumer Scotland's Energy Affordability Tracker[3] suggests they are more likely than other tenures to face energy debt or arrears and be unable to heat their homes comfortably because of financial concerns. Some 79% have cut spending to afford energy bills, while 52% say keeping

[2] Scottish House Condition Survey: 2024 Key Findings - gov.scot
[3] Consumer Scotland (2026), Insights from the 2026 Energy Affordability Tracker. Unpublished analysis produced from the Energy Affordability Tracker survey dataset for respondents in social rented housing (council, housing association or registered social landlord tenure category; n=402). Analysis provided directly by Consumer Scotland.

up with bills harms their mental health. Rural households and those using electric heating face particularly high costs, with research showing rural areas remain disproportionately affected by fuel poverty and extreme fuel poverty.[4]

Housing associations are doing what they can to address the wider drivers of fuel poverty including through energy advice and wider income maximisation programmes. Access to a social tenancy already keeps between 40,000 and 60,000 people in Scotland above the poverty line due to lower rents relative to the private sector[5]. Yet persistently high fuel poverty, despite these measures and improved energy performance, shows that high energy prices are a consistent barrier. Energy efficiency upgrades therefore remain the principal lever within landlords' and the Scottish Government's control, providing lasting protection against price shocks and supporting statutory fuel poverty targets.

Investment in energy efficiency and clean heat also supports Scottish Government's wider objectives on child poverty, climate change and health. Well-designed retrofit delivers warmer, healthier homes, lower bills, reduced pressure on public services and investment in local jobs and supply chains, and while these benefits are well understood, they are not routinely captured. For example, on health, recent economic analysis[6] estimates that poor housing across all tenures in Scotland costs the NHS £530 million annually, with cold indoor temperatures and the presence of damp and mould as key drivers. It subsequently recommends that interventions should focus on expanding retrofit programmes, particularly where this can be targeted to those most at risk.

Retrofit can tackle fuel poverty, reduce energy use and emissions, and improve health. The social housing sector is uniquely placed to deliver these benefits, but a just transition requires investment that protects affordability: tenants must not foot the bill through higher rents.

Experiences of the Social Housing Net Zero Heat Fund

The Social Housing Net Zero Heat Fund is open to both housing associations and local authorities and provides grants covering 50-60% of eligible costs for energy efficiency and clean heating upgrades, enabling projects that would otherwise be financially unviable. Pre-capital support was also made available as part of two round of 'Development' funding. Previously, most energy efficiency investment came from landlords' own resources and therefore tenants' rents. To date around 50 of our members have received grants covering 79% of the total funding awarded.

The scheme was introduced in 2021 with an initial commitment of £200 m over five years. To put this figure in context, Scottish Government estimates from 2023 put total costs of around £6 bn (£4.6 bn for clean heating and £1.28 bn for energy efficiency[7]), while Scottish Housing Regulator modelling suggests £4.8 bn–£9.6 bn[8]. These figures have limitations and will need updated in line with revised standards and inflation.

[4] A Perfect Storm: 2026 Update on Fuel Poverty in Rural Scotland
[5] Tipping the scales: The social and economic harm of poverty in Scotland | IPPR
[6] Housing Quality and Health - an Economic Analysis - UK Collaborative Centre For Housing Evidence
[7] Social housing net zero standard: consultation - gov.scot
[8] Summary of Registered Social Landlord Financial Projections 2025/26 - 2029/30 | Scottish Housing Regulator

However, they suggest the current funding covers only 2-5% of the estimated costs to the sector. Real world data also suggest higher costs and where combinations of fabric improvements, heat pumps and solar PV are being implemented, some recent funded projects had seen costs of around £50,000 per property. This compares with previous Scottish Government estimates of £9,000 for heating and £4,500 for energy efficiency upgrades.

Access also remains challenging, with only £90m spent as of June 2026. Uncertainty over the Social Housing Net Zero Standard, consulted on in 2023, is a key barrier. The Scottish Housing Regulator[7] has reported that most landlords have excluded net zero costs from their latest five-year projections pending the final standard. Confirming the compliance requirements would unlock financial planning and the ability to commit to investment in both retrofit and new homes.

The competitive fund has historically offered sporadic, short application windows that do not align with landlords' budget cycles. Applications are resource-intensive, especially for smaller organisations, with no guarantee of success: only 26 of 62 applications at Checkpoint 10 were taken forward[9]. Recent improvements have however introduced additional support and guidance helping to increase the number of successful applications which is positive.

The annual delivery timescales also remain challenging and conflict with strategic investment and asset management plans. This means landlords miss opportunities to coordinate upgrades with other planned works or carry them out while properties are vacant, when more invasive works or whole-house improvements are most practical. Despite recent changes, applications open in spring, awards are confirmed in autumn, and the grant element must be drawn down by March. This leaves little to mobilise projects including tenant engagement, pre-installation monitoring, procurement and obtaining permissions, often pushing external works and heating replacements into winter. Smaller projects may be achievable, but larger or complex schemes face greater risks from unforeseen delays.

Energy prices also constrain eligibility given projects must demonstrate the ability to deliver fuel cost savings for tenants. High electricity prices relative to gas risk leaving households worse off after switching to clean heating, particularly where fuel-poor households already underheat their homes. Although around 83% of social homes have gas central heating[10], few funded projects have replaced gas with clean alternatives to date. While many projects include solar PV, often with battery storage, to offset electricity costs, these add capital and ongoing maintenance costs borne by landlords and ultimately tenants through rents.

Even in cases where financial savings can be demonstrated, energy bill savings accrue to tenants and unlike new housing developments, offers no additional income stream to the landlord. Combined with policy uncertainty, risks around new technologies and wider economic pressures this can make it difficult to develop robust business cases for retrofit projects[11]. Application numbers and values therefore reflect barriers to delivery, not underlying demand.

[9] Heat in Buildings Progress Report 2026
[10] Scottish House Condition Survey: 2024 Key Findings - gov.scot
[11] Making the business case for social housing retrofit: monitoring, evaluation and data availability | CXC

Some of the challenges with the Social Housing Net Zero Heat Fund also apply to the other programmes as due to be outlined in a forthcoming report of the Existing Homes Alliance. Difficulties in co-ordinating the different funding schemes in mixed tenure blocks, combined with the broader legislative challenges and backlog of repairs, risks leaving those living in flats behind. Aligning funding schemes and bringing forward the legislation and funding mechanisms proposed by the Tenement Maintenance Working Group[12] would help unlock opportunities for improvements.

Implications for the 2027-28 budget

The Scottish Government has confirmed that the new Social Housing Net Zero Standard will be finalised by spring 2027. This should provide much-needed clarity on the outcomes landlords must deliver and is likely to drive further demand for grant funding. Future budget decisions must therefore anticipate a substantial increase in applications rather than treating historic levels of fund take-up as evidence of limited sector demand.

The case for increased investment is reinforced by the removal of the UK Government's Energy Company Obligation funding, which was an important source of support for housing associations. The Social Housing Net Zero Heat Fund is now the principal retrofit programme available to social landlords, at a time when their financial capacity is already under pressure from building safety requirements, maintenance costs, inflation and the need to keep rents affordable.

Demand for the Social Housing Net Zero Heat Fund will persist into 2027/28 as fuel poverty pressures on tenants continue. Current take-up must not be mistaken for limited need: addressing policy uncertainty and access barriers is essential to unlock the sector's underlying demand.

Implications for future budgets

The current fund supports valuable pilots and smaller schemes, with the latest round expecting to support around 3,000 homes[13]. However, if around 500,000 social homes need clean-heating upgrades by 2045, delivery must rise to more than 25,000 homes a year. Sustained public investment must increase accordingly to provide a credible pathway to statutory climate and fuel poverty ambitions. For context, IPPR research, based on previous Scottish Government cost estimates, indicates government investment requirements of £150 million – £200 million per year.

Underinvestment defers and potentially increases costs through inefficient sequencing, higher future construction costs, continued exposure to unaffordable energy bills and greater pressure on health, housing and wider public services. Meeting the shortfall through rental income would shift transition costs onto tenants already facing fuel poverty and affordability pressures. Multi-year funding would also enable investable pipelines, efficient procurement, stronger supply chains,

[12] TMWG-Letter-to-Cab-Sec-for-Housing-18-June-2026.pdf
[13] Heat in Buildings Budget Allocations | Scottish Parliament Website

coordination with planned maintenance, meaningful tenant engagement and improved evaluation of outcomes.

The Scottish Futures Trust[14] report that enhanced fund could combine sustained public investment with multidisciplinary project-development and financing support. They also highlight scope to leverage private investment through public capital at a lower overall cost. Together with multi-year certainty, this would support the shift from small pilot schemes to a more strategic approach which can maximise economies of scale and give private investors confidence, ensuring private finance complements rather than replaces essential public grant.

We also welcome the recent introduction of an 'Efficiency Funding' stream within Scotland's Heat Network Fund[15] to identify improvements in existing heat networks. However, unlike the Heat Network Efficiency Scheme in England and Wales, this one-year pilot does not fund capital works. With the new GB wide regulation and technical standards being introduced to heat network, including social landlords with communal heating systems, there should be further support for existing heat networks which serve social tenants, informed the pilot's outcomes.

Over the longer term, enhanced, multi-year capital programmes would enable a shift from opportunistic projects to strategic retrofit at the scale needed to protect tenants and secure the wider economic, health and emissions benefits of warm, efficient homes.

---

[14] New report highlights investment models to support decarbonisation of Scotland's social housing - SFT

[15] Scotland's Heat Network Fund: optimisation study grant funding - how to apply - gov.scot

3. Warmworks

Background

Warmworks was founded in 2015 as a joint venture between Energy Saving Trust, Changeworks and Sureserve, set up primarily to deliver the Scottish Government's Warmer Homes Scotland flagship national fuel poverty scheme, Warmer Homes Scotland, which Warmworks still delivers today. Warmworks is now a £100m business with almost 200 team members working across five offices throughout the UK. Warmworks' founding mission remains at its core, which has always centred on the provision energy efficiency upgrades to homes and families that are in or at risk of fuel poverty, with the aim being to reduce energy bills in a sustainable way.

Since 2015, Warmworks has upgraded almost 60,000 properties across the UK, delivering more than £0.5bn of Government-funded investment; making homes warmer and more affordable to heat.

The majority of grant-funded programmes delivered by Warmworks are focused on owner occupied and private rented homes; however, the organisation has also worked with Registered Social Landlords across the UK to deliver more than £20m of energy efficiency upgrades in this sector over the last three years.

The average energy bill saving delivered by Warmworks-managed programmes is c.£400 per year, although savings vary according to property type, household make up and the specific mix of measures installed.

Warmworks' role is to manage the end-to-end customer journey throughout the retrofit process, working with a supply chain of more than 30 local SME companies that it utilises to complete works that are required. Since we began in 2015, we have worked with our local supply chain to help 175 people into modern apprenticeships, create more than 900 new jobs, support over 250 work placements.

Responses to specific questions

1. Current funding provision to Warmworks in the 2026/27 Scottish budget

Warmworks manages the Warmer Homes Scotland scheme, which is working to a provisional £85m budget in the 2026/27 year. Warmworks also manages Energy Efficient Scotland: Area Based Schemes in Orkney, Shetland, Inverclyde and Comhairle nan Eilean Siar, which (in total) are due to receive a further c.£7.5m of Scottish Government funding in the 2026/27 year.

2. How Warmworks measures achievements against the targets and outcomes set

In respect of service quality, Warmer Homes Scotland has a range of contractual Key Performance Indicators (KPIs) and Service Level Agreements (SLAs) that are intended to drive high quality performance from Warmworks and its supply chain of local SME installers.

The three central KPIs in the contract are focused on the percentage of applications that are fully completed within 65 working days (Referral to Completion KPI), the percentage of applications where the work carried out passes an independent inspection at the first time of asking (Right First Time KPI) and the percentage of customers confirming that they are happy with the end-to-end service they received during the course of their application (Customer Satisfaction KPI). All three headline KPIs were on or ahead of target as at the end of September 2026.

Alongside service quality, the Scottish Government also monitors other key policy outcomes in the contract relating to the decarbonisation of heat and the uptake of renewable technologies (tracked via a monthly scorecard), the number of jobs, skills and training opportunities created (tracked through a bespoke Employment and Skills Plan) and the payment of SMEs within 30 days (also tracked via a monthly scorecard). All of the metrics tracking these outcomes are currently in line with expectations.

3. Views on the allocation there should be for 2027/28

Warmer Homes Scotland experienced high levels of demand in the last financial year (2025/26), and measures had to be taken to manage the rate of spend to prevent the scheme from exceeding the available budget. In the current financial year, demand is continuing to run at a high level and the Scottish Government has taken further steps to control spend by managing the rate of referrals coming into the scheme.

Demand has been driven by the scheme's success, and by the fact that other UK-wide energy efficiency support schemes were withdrawn by the UK Government last year. A further key factor influencing demand is the continued and sustained rises in energy prices, with two increases to the energy price cap already announced this year and another rise already on the horizon for January 2027. It is clear that people and families in fuel poverty are turning to whatever source of help they can find to try and better manage energy bills.

It is therefore not unreasonable to conclude that pressure on the Warmer Homes Scotland budget for 2027/28 is more likely to increase rather than decrease, and the scheme could help more homes and strengthen the Scottish Government's response to the energy price crisis if its budget were uplifted.

4. Implications of the Scottish Spending Review 2026

The Scottish Spending Review did not fundamentally alter the short to medium-term context for Warmer Homes Scotland or other Warmworks-managed programmes, which remain successful policy instruments but are heavily subscribed. With this in mind, there is nothing further to add to the response to question 3 above, which sets out these demand drivers in more detail.

5. Views on the longer-term outlook for the Scottish economy

It is clear that investment in tackling fuel poverty is not just about retrofitting homes with energy efficiency upgrades. As a recent report carried out by Social Value Lab (Creating Value and Warming Homes) demonstrated, investment in retrofit

programmes that reduce fuel poverty has a diverse and statistically significant range of benefits to both the national economy and local communities.

The report estimated that a return on investment of almost 250% can be generated from funding committed to fuel poverty programmes and the range of resultant wider policy outcomes. In particular, the research highlighted that:

- 73% of the 1,000+ respondents said energy efficiency upgrades improved their health and/or wellbeing, including through a reduction in stress and mental health pressures, and better sleep
- 56% said the amount they spend on heating their homes had decreased
- 59% reported an increase to their confidence and self-esteem
- 47% of respondents with children found the work contributed to improvements in their educational experience, often through better sleep and concentration
- 32% identified improved social activity, including through better finances and having more confidence to invite friends and family to their home
- 72% said their homes felt safer, largely due to installation of new smoke and carbon monoxide alarms
- 56% said they felt more pride in their home, while 28% felt less ‘embarrassed’
- 79% reported reduced barriers to accessing other support, including through greater confidence.

Meanwhile, a separate survey of SME supply chain businesses serving these contracts found that:

- 86% of companies reported increased staff recruitment opportunities
- 87% found improved financial security and sustainability
- 79% said they had greater opportunities to diversify their businesses
- 79% reported a positive effect on local economies.

4. Visit Scotland

Executive Summary

This submission sets out VisitScotland's role in growing Scotland's visitor economy, the impact we deliver and the opportunities and challenges for the sector.

Despite operating within a broadly flat cash settlement in recent years, VisitScotland has continued to deliver significant impact and develop as an organisation, focused on the activities that will most effectively drive economic growth.

Tourism and events are a major driver of Scotland's economy. We grow and support the visitor economy by attracting visitors, supporting businesses, developing destinations and strengthening Scotland's international profile.

Looking to the future, businesses are facing significant challenges. However, tourism has significant growth potential and the ability to generate greater immediate and long-term returns. Global travel demand is increasing, Scotland's international appeal remains strong and tourism continues to outperform many other sectors of the economy. Continued focus and investment will be required to realise the opportunities that lie ahead.

1. About VisitScotland

1.1. Overview

VisitScotland is Scotland's national tourism and events agency. Our purpose is to drive the visitor economy, growing its value to benefit communities across Scotland and throughout the year. Through our work we grow Scotland's profile, converting that into spend, jobs, investment, stronger places and more resilient businesses.

Tourism is Scotland's scalable shop window to the world: it takes our culture, creative industries, landscapes, food and drink, events and distinctive experiences to global audiences and strengthens Scotland's international profile. Visitors go on to become future investors, students, entrepreneurs, workers, and advocates for Scotland. The most successful destinations globally use tourism as a tool to attract talent, drive investment and strengthen air connectivity.

As a connector across businesses, sectors, local and national government, VisitScotland provides the unique marketing and trade platforms the country needs to both help businesses grow and to attract the visitors who come to enjoy all that Scotland has to offer.

Tourism generates **£11.4 billion of visitor spend** annually, supports **one in every 11 jobs** and events directly contribute **£6.1 billion**; together tourism and events reach

communities and supply chains across Scotland.[16] VisitScotland activity delivered a combined **£244 million net economic impact** in 2024/25.

1.2. Corporate Plan

Our Corporate Plan outlines how we fulfil our role through four connected strategic pillars—market development, place development, business and experience development and organisation development – informed by the industry strategies for tourism and events, *Scotland Outlook 2030* and *Scotland the Perfect Stage 2024-2035.*

Success is measured against four key outcomes of spread, spend, sustainability and satisfaction as summarised at *3. Measuring Performance,* later in this submission. Together, these outcomes ensure we balance visitor demand, business development and community needs so that growth is sustainable and benefits people across Scotland.

Market development—creating and converting demand for Scotland
We compete for Scotland's share of global travel by targeting priority markets and audiences with the strongest connectivity, likelihood to travel, potential to increase spend and support regional and seasonal spread. We attract leisure and business travel through a range of marketing and engagement activities in our key markets. These include developing relationships with travel trade, travel, lifestyle and trade media publications and delivering engagement activities including trade events, and business development missions. Our business events activity attracts high-value conferences, meetings and incentive travel to Scotland, generating year-round visitor spend while supporting inward investment, innovation and global profile.

Our digital-first approach goes well beyond a website. It is about ensuring we reach visitors through the channels they are using to gather inspiration and plan and book their travel. This means we can amplify Scotland's reach, influence travel decisions and generate greater economic return from our marketing investment. In the first half of 2026, our own social media channels organically reached 65 million consumers and had almost 5 million followers. We also work with key partners, airlines, airports and travel brands such as Expedia and Skyscanner, to translate demand into viable routes and seat sales. Flight arrivals from priority markets grew 12.4% year on year (2024 to 2025), supported by new services from Boston, Montreal and Philadelphia.[17]

Business and experience development—turning demand into exports and productivity
We help businesses create new experiences and products, diversify their customer base and sell through intermediary travel channels such as tour operators or travel agents. More than half of international visitors book Scotland through a travel

[16] International Passenger Survey 2024, Great Britain Tourism Survey 2024, UK Event Report 2025

intermediary. *VisitScotland Connect,* our global travel trade event hosted in Scotland every year, is a key platform for businesses to sell to these intermediaries. In 2026, 330 tour operators and travel agents from 20 countries came together with 289 Scottish businesses for more than 10,200 meetings, generating a forecast £10.0 million net economic impact (NEI) through new bookings or business.

Each year through our business support programme we support more businesses to become "trade ready", so they can then sell through these important intermediary channels. Other aspects of our business support programme include workshops and webinars covering a range of advice and topics unique to our sector, such as working with travel distribution partners, enhancing online discoverability, marketing opportunities and regulation for tourism and events. We avoid duplication and signpost to other resources where appropriate, including Business Gateway or Skills Development Scotland.

Place development—spreading the benefits of tourism
We work with destination and sector partners to build on their distinctive propositions, strengthening Scotland's regional and seasonal offer for visitors from Scotland, the rest of the UK and abroad. An example is the work we have undertaken with the sector body Scottish Agritourism to attract the Global Agritourism Conference to Scotland in 2026, establishing a sector growth tracker and providing a tailored advice programme to businesses. Agritourism in Scotland has grown significantly since 2020 with double the number of businesses in operation (now 888), increasing the sector's value from £60 million to £292.9 million.

We support the development and delivery of regional economic strategies, destination tourism strategies and event strategies. In this context, we are also often collaborating on a cross-local authority basis. For example, we are supporting a new collective project by Ayrshire and Arran partners to bring more international visitors to the region, with a focus on working with the travel trade – the Regional Economic Partnership's first coordinated approach to promote the region internationally. Our work with the events sector sees us delivering funding programmes for event organisers to support their growth plans, in turn enhancing regional economies and achieving a range of community benefits. We also deliver the Rural Tourism Infrastructure Fund (RTIF), to improve the visitor experience and support communities. Since 2017, across seven rounds of RTIF, £24.5 million of grant funding has been awarded to 86 projects, helping to leverage more than £20.6 million in additional funding for these rural areas.

Organisation development – the right roles, skills, data and digital capability
From 2023–25 we ran a strategic change programme, taking a strategic approach to review the organisation's work. It took account of the changing global environment, aligned with Government priorities and ensured we are focused on the activities that effectively grow the value of the visitor economy and maximise our use of public funds. As part of our change programme, we also reviewed our workforce and digital and data capabilities. From 2022/23 to 2026/27, our headcount reduced from 493 to 323 FTE, resulting in a leaner organisation with teams clearly set up to deliver our strategic pillars.

Organisation development is ongoing, to ensure we are maximising our impact and delivering our core purpose. This includes investing in new data sources and capability, to inform businesses, partners and our own market investment priorities.

2. Funding position and future budget

2.1. Funding position

Our total income has reduced from £53.6 million in 2022/23 to £45.9 million in 2026/27 (inclusive of ringfenced funds). Core budget has reduced from £41.4 million in 2022/23 to £38.8 million in 2026/27. The organisation has continued to operate within a broadly flat cash settlement in recent years, managing pressures and maintaining delivery across its core functions and strategic priorities.

Our strategic change programme has made us a more agile organisation and released budget to deliver more activity that drives the visitor economy. However, like many public bodies, we operate within a challenging fiscal environment. Rising costs, inflationary pressures and constrained public sector budgets continue to place significant pressure on our resources and our ability to invest in core activity.

Looking ahead, any reduction in our core budget settlement would make it challenging to deliver on our priorities for the next financial year.

Particularly given public sector budget pressures, we welcome the additional ring-fenced funds we have this year (2026/27) for RTIF, major events and route development which ensures we can continue important work in these areas.

Summary of budget allocations, 2022/23 – 2026/27 (£000)

					Current
	2022/23	**2023/24**	**2024/25**	**2025/26**	**2026/27**
Income					
Core RDEL	41,410	41,600	38,560	38,810	38,860
Other Income	3,620	3,630	2,390	1,542	1,715
Ringfenced RDEL	8,530	3,460	2,900	5,606	5,300
Total Income	**53,560**	**48,690**	**43,850**	**45,958**	**45,875**
Capital:					
Core CDEL	2,300	2,300	2,600	2,300	2,300
Ringfenced CDEL	3,000	3,000	-	4,000	4,000
Total CDEL	**5,300**	**5,300**	**2,600**	**6,300**	**6,300**
Headcount:					
FTE	492.7	482.3	399.2	329.3	322.5
Inflation % (CPI)	9.1%	7.4%	2.5%	3.4%	2.3%

Notes

Ring-fenced budget is to cover the delivery of specific Scottish Government initiatives and projects through direct funding via grants, beyond the core remit of the organisation. Ring-fenced budget in 2026/7 includes RTIF (capital), route development and major events.

Income has reduced over time, due to the closure of our iCentre (information centre) network, which had a retail element, and retiral of our Quality Assurance scheme, which businesses paid to join. This income contributed toward the cost of running these services, however the operational and staff costs to deliver them were significantly greater than income generated.

2.2. Future budget

For the 2027/28 Budget, we have identified key priorities, aligned to the Programme for Government (PfG), which would provide the strongest route to additional economic impact, international reach and regional benefit.

Global travel demand is growing and with continued focus and investment, Scotland has the appeal, assets and connectivity to capture a greater share.

International market activity: Additional investment in VisitScotland would ensure we could deepen our investment in core markets to drive greater in-year returns, while enabling us to invest in emerging markets that will be important in the medium to long term such as China and India. Competitor destinations are investing heavily to reach key markets; Ireland alone allocated €71.43 million in 2026 to overseas tourism marketing.[18]

Connectivity and route development: Continuing to invest in our connectivity is important to sustain key routes not just for visitors but for businesses, students and investors too. Improved connectivity also increases our ability to spread visitors throughout the year and across the country —directly supporting PfG ambitions on tourism and global connectivity.

Business growth and resilience: To ensure businesses can capitalise on growing demand, we want to prioritise support for international trade engagement, market-readiness programmes, digital capability and destination development. Together, these can strengthen the productivity and resilience of Scottish businesses while increasing the export earnings retained in Scotland.

Major events and international profile: Major and mega events create concentrated opportunities to generate spend, showcase Scotland globally and secure lasting benefits for places and sectors. We want Scotland to compete for, win and maximise a strong events pipeline through to 2030—turning profile into economic, reputational and legacy value. This directly supports PfG commitments to capitalise on opportunities arising from the events pipeline.

[18] Tourism Ireland

Regional growth: RTIF, identified as a priority in the PfG, improves the experience for both communities and visitors. In addition, in 2025/26, ringfenced funding for domestic marketing delivered activity specifically to motivate UK residents to travel to less-visited regions and out with the peak season. Such initiatives ensure growth reaches rural, island and regional economies.

3. Measuring performance

VisitScotland uses a results-based performance framework that links public investment and our activity to outputs, outcomes and economic impact. This allows us to assess not only the volume of work delivered, but whether it changes visitor behaviour, strengthens businesses and places and generates additional value for Scotland.

Measures and targets are set against the four pillars and four outcomes in our Corporate Plan, reflecting the priorities in our Ministerial Letter of Strategic Guidance. We track a balanced set of indicators:

- **Activity** including campaigns, trade engagements and business support
- **Outputs** including audience reach, referrals, bookings, buyer connections and businesses supported
- **Outcomes** including changes in visitor spend, regional and seasonal spread, business capability and visitor experience
- **Impact** including additional economic value attributable to VisitScotland intervention
-

Our four outcomes capture what this means for Scotland:

- **Spread** measures how effectively demand and benefit are distributed across regions and seasons
- **Spend** measures the value generated for Scotland's economy, including additional visitor expenditure and net economic impact
- **Sustainability** measures progress towards resilient, responsible growth for businesses, places and communities
- **Satisfaction** measures the quality of the visitor and stakeholder experience

Applied across all four Corporate Plan pillars, these outcomes provide a consistent test of whether VisitScotland is delivering competitive growth and public value. We report regularly on these measures quarterly and annually.

Quarterly oversight: A priority dashboard is reported each quarter to the VisitScotland Board and Scottish Government, drawing from the wider performance framework. It shows progress against target and trend, explains material variance and identifies corrective action, enabling resources and delivery to be adjusted as market conditions or performance change.

Annual Report: Consolidates financial year-end performance against the Corporate Plan outcomes and reports economic impact through our economic measurement framework. This framework was agreed with Scottish Government economists and follows Green Book guidance. Our approach adjusts for effects such as deadweight,

displacement and leakage to estimate the additional impact generated by VisitScotland activity rather than gross sector performance alone.

4. Scotland's visitor economy

4.1. Current performance

A key growth sector
Scotland's visitor economy generated **£11.4 billion in visitor spend** from 92 million visits in 2024, comprising 76.8 million day visits and 15.2 million overnight visits. Its reach across more than 16,000 businesses and urban, rural and island communities make tourism both a national growth sector and an industry which directly generates regional and local benefit.

The industry supports 239,000 jobs and has delivered a net increase of 50,000 jobs since 2020—the strongest job creation of any sector. Since 2022, tourism GDP has grown by **10.4%**, more than double Scotland's overall GDP growth of 4.2% and ahead of manufacturing, construction, financial services and agriculture. This is evidence of resilience, scalability and an increasing contribution to national prosperity.[19]

Visitors to Scotland
Scotland's international recovery has outpaced the rest of Great Britain, supported by stronger connectivity and targeted marketing. International visitors account for 29% of visits but 54% of spend, making them central to value growth.

Domestic visitors account for 71% of visits and 46% of spend; they are particularly important to ensuring regional and seasonal spread of the benefits of tourism. The strategic opportunity is to grow international value while using domestic demand to sustain year-round activity, and to help destinations diversify their visitor base.

2026 signals
Visa card and aviation data for the first half of 2026 (versus the same period in 2025) show international visits rose 8%, spend increased 12% and passenger traffic grew 5%, with strong performance from France, Italy, Germany and the Netherlands. Average stay fell from 7.9 to 7.4 days, reinforcing the need to increase value per day and encourage longer stays. Domestic visits fell 3% and nominal spend rose only 1%, a real-terms decline. Performance is positive but uneven, strengthening the requirement for precise market targeting and value-led growth. [20]

4.2. Outlook

Demand and competition for Scotland
Scotland enters the period ahead with strong appeal and clear growth potential, but in a more contested and volatile global market. Globally, international travel is forecast to grow, with the World Bank indicating annual growth of 3% to 5% and Tourism Economics forecast inbound travel to Europe is set to grow 7.1% in 2026.

[19] Scottish Government Industry Statistics, 2025
[20] Air traffic to the UK, Amadeus, 2026 and Visa transaction data, 2026

International
Flight-search growth for Scotland in the first half of 2026 outperformed other UK nations, signalling strong intent from international markets. Our current market priorities reflect demand, connectivity and value potential: the UK, France and Germany as core markets, and the US as a principal growth market. Further opportunities lie in Australia, China, Canada, India, UAE, southern Europe, the Netherlands and the Nordics.[21]

Geopolitical and economic uncertainty, shorter booking windows and last-minute decisions are reshaping long-haul travel. Scotland must be able to respond quickly, shifting activity and working with carriers, trade partners and businesses to capture demand when and where it emerges.

Domestic
The domestic market will remain vital to overall visitor volume and regional and seasonal spread, but household pressures are set to continue to affect trip and accommodation choices. Among UK residents intending to take a domestic trip between July and December, 22% said they had been "hit hard" by the cost-of-living crisis and 45% were managing but being careful. Domestic visitors still want to travel but say they will find ways to cut spend on their trips. Marketing must therefore concentrate on audiences most likely to travel. We also need to demonstrate good value while encouraging spend and regional and seasonal spread.[22]

Businesses
Businesses in the sector continue to face significant operational pressures. Rising costs, persistent workforce shortages and ongoing challenges around profitability are affecting many tourism and hospitality operators. This creates constraints on investment and business growth.

Tourism businesses are disproportionately affected by turnover challenges, with the sector more acutely feeling the impact of financial costs, economic uncertainty and material costs. Many businesses have expressed significant concerns around business rates, taxation and energy costs going forward. The sector is also exposed to the impacts of climate change through extreme weather, disrupted transport and changing travel patterns. Our support for market diversification, adaptation and sustainable growth will be essential to ensuring Scotland's tourism and events industry can thrive and grow.

5. Conclusion

Scotland's visitor economy is a proven driver of economic growth, jobs and regional prosperity, with significant potential to deliver even greater value in the years ahead. Continued support for activities that drive demand, strengthen businesses and support places will help deliver PfG ambitions, ensure Scotland remains competitive and spread benefits to communities throughout the country.

---

[21] Flight searches to the UK, ForwardKeys
[22] Domestic Sentiment Tracker