

**Local Government, Housing and Planning Committee  
Tuesday 14 January 2025  
1st Meeting, 2025 (Session 6)**

## **Housing Inquiry and Budget 2025-26**

### **Introduction**

1. The purpose of this paper is to provide background information to inform the Committee's oral evidence session with the Minister for Housing and his officials. The session will cover both its Housing Inquiry and relevant aspects of the Budget 2025-26.
2. Further background by SPICe is provided at Annexe A.
3. The Committee will take evidence from:
  - Paul McLennan MSP, Minister for Housing
  - Will Tyler-Greig, Deputy Director, More Homes Division
  - Lauren McNamara, Interim Deputy Director, Housing Emergency
  - Kirsty Henderson, AHSP Programme Manager, More Homes Division

### **Background**

4. The Committee has gathered written evidence and held oral evidence sessions with witnesses regarding the ongoing housing emergency. Members also visited Argyll & Bute Council, the first local authority to declare a housing emergency.
5. Key issues emerging from stakeholders' evidence include:
  - The importance of housing to people's wellbeing and their life chances. Housing provision is essential to tackling inequalities in society.
  - The varying circumstances across local authorities which have led to them declaring local housing emergencies, including rising levels of homelessness in urban areas, and the challenges faced by rural communities in housing provision which can directly impact local economies.
  - Local authorities face particular challenges, including increasing levels of homelessness and meeting demand for short-term accommodation, tackling void properties, improving the quality of housing stock and meeting net-zero requirements. Thirteen authorities have declared housing emergencies but there may be others at risk.
  - The wide range of factors that have led over a number of years to the housing emergency, including long-term pressures on the private rental sector, reduced affordability of homes, capacity of the social rented sector, decline in

construction, and challenges in the planning system. Brexit and the Covid-19 pandemic further impacted the housing system.

- The complexities of the housing system mean that it cannot be viewed in isolation, and re-balancing it requires long-term action across the whole system.
  - Whilst the end-point of the emergency has not been defined it will be important to track progress; a significant reduction in the levels of homelessness will be key, and property and rental prices stabilised.
6. The Committee has also asked stakeholders about how a future housing emergency could be prevented, and suggestions have included:
- The existing Housing to 2040 strategy provides a blueprint for the housing system.
  - Addressing challenges in the planning system.
  - Widening sources of finance for housing, and improving the availability of land.
  - Restoration of Local Housing Allowance rates.
  - Reinstatement of grant funding for affordable housing.
  - Providing councils with more powers, for example in taking on empty private properties.
  - Tackling underlying issues such as low incomes and increase in house prices.

## **Focus of the session**

7. In its session on 14 January the Committee will explore the following themes with the Minister for Housing:
- The national and local response to the housing emergency and its impact.
  - The systemic failure of some homelessness services.
  - The Affordable Housing Supply Programme and budget.
  - Work on the planning system.
  - Longer-term measures needed to address the emergency.

## **Conclusion**

8. The Committee is invited to consider the information above in its evidence session.

## **Next steps**

9. The Committee will consider the evidence and any next steps later in the meeting.

**Committee clerks,  
January 2025**

## Annexe A



## Introduction

1. This paper provides background for the Committee's evidence session with the Minister for Housing on the Committee's housing inquiry and the Budget.

## Background

2. The Committee has [considered housing issues throughout the session](#). It took evidence from a range of stakeholders on the Scottish Government's Housing to 2040 strategy at its meetings of [20 February 2024](#) and [27 February 2024](#) and on rural housing issues on [30 April 2024](#). In addition, the Committee wrote to the Scottish Government on [4 June 2024](#) following up on issues arising in the sessions.
3. On 15 May 2024 the Scottish Parliament agreed to a [Scottish Labour motion \(S6M-13197\)](#) supporting the declaration of a national housing emergency.
4. [Thirteen councils have also declared a local housing emergency](#) in their areas, beginning with Argyll and Bute Council in June 2023, and most recently East Lothian Council on 12 November 2024. The SPICe blog [Scotland's Housing Emergency](#) provides more details on the background to the housing emergency.
5. The Committee sought views in writing on the housing emergency from a number of organisations. In particular, the Committee asked about voids, acquisitions, and responses to the housing emergency. [Responses to this request can be viewed on the Committee's webpage](#).
6. The Committee agreed to focus on these questions:
  - How effective are the actions of local authorities and the Scottish Government in responding to the immediate housing emergency including homelessness?
  - How can social landlords make best use of existing stock to respond to the housing emergency?
  - What do we need the housing system to look like in Scotland to prevent future housing emergencies and homelessness?
  - What should the role be of the social and private rented sector in providing affordable housing choices in Scotland?

- How can we create a sustainable and affordable housing market?
- How effective are local authorities' and the Scottish Government's current actions in working towards achieving the housing system we need in the longer term?

7. On 5 November 2024, the Committee took oral evidence from:

- Joseph Rowntree Foundation
- Professor Ken Gibb
- Professor Christian Hilber
- Scottish Borders Council
- North Lanarkshire Council
- City of Edinburgh Council
- East Ayrshire Council
- Moray Council

8. On 12 November 2024, the Committee took oral evidence from:

- Professor Duncan MacLennan
- Chartered Institute of Housing Scotland
- Association of Local Authority Chief Housing Officers (ALACHO)
- Living Rent
- Homes for Scotland
- Scottish Federation of Housing Associations (SFHA)
- Shelter Scotland

9. Members of the Committee also visited Argyll and Bute Council on Monday 25 November 2024. A [note of that visit](#) is available online.

## Key issues

### Homelessness and the Scottish Housing Regulator

10. A key factor in the declaration of a housing emergency has been pressures in the homelessness system and particularly high numbers of people living in temporary accommodation in some areas.
11. The [Scottish Housing Regulator has reported](#) that systemic failure is now impacting the delivery of homelessness services in some areas of Scotland with others at heightened risk from systemic failure. As the [Regulator's Annual Report and Account 2023-24](#) stated:

“Put simply, for some councils the demands in the homelessness system – the number of people who are homeless, and the level of need they have – exceed the capacity in the system to respond, particularly the availability of suitable temporary and permanent accommodation. The

increase in capacity that is needed goes beyond that which the impacted councils can deliver alone. That is what we mean by systemic failure.”

12. George Walker, Chair of the Scottish Housing Regulator recently told the Local Government, Planning and Housing Committee that, in “the short to medium term, there must be a focus on providing more and better-quality temporary accommodation” ([Col 3, 17 December 2024](#)), and that:

“At the moment, systemic failure is occurring in a big sense, because many people, including some of the 10,000 children I referred to, are in unsuitable temporary accommodation, which breaches the unsuitable accommodation order, as you know. In even worse cases, as I highlighted, local authorities do not have any temporary accommodation available, so they cannot house people. We therefore contend that attention needs to be paid to temporary accommodation, more of which needs to be made available. Perhaps moneys need to be spent on that, alongside developing new homes, if we accept the premise that temporary accommodation will be needed for some time.” ([Col 25, 17 December 2024](#)).”

## Scottish Government response to the Housing Emergency

13. The Minister for Housing made a [parliamentary statement on 20 June 2024](#), outlining the Scottish Government’s initial response to the tackling the housing emergency. The plan set out a range of actions organised under three strategic pillars:
- More high quality, permanent homes
  - The right homes in the right places
  - A permanent home for everyone
14. The Minister also stated that tackling the housing emergency will rely on a joint approach between UK, Scottish and local government and confirmed that [Housing to 2040](#) remains the key overarching strategy.
15. In the Programme for Government set out in September 2024, the [Scottish Government announced it was providing £2 million in additional support to local authorities](#) facing the most significant and sustained temporary accommodation pressures to maximise the use of existing housing stock and minimise turnaround times for vacant social homes. [A longer-term commitment to invest £100m in mid-market rented homes was also made](#).
16. On the 1 October 2024, [the Minister for Housing delivered a parliamentary statement on ‘Delivering Homes that Scotland Needs’](#). The statement referred to the previously announced allocation of additional resources to help councils purchase existing property.

17. The Scottish Government referred to the previous UK Government's capital budget cuts, and also [called on the UK government to commit to abolish the bedroom tax and permanently upgrade Local Housing Allowance rates.](#)
18. The [Housing Minister's letter to the Committee of 6 December 2024](#) provided further details of the work the Scottish Government has been taking forward to address the housing emergency and plans for next steps. Work was categorised under six themes, to summarise:

- **Prioritised work with Local Authorities:** The Scottish Government is "working at pace with local authorities to identify and take forward the most impactful actions in order to increase the supply of warm, safe, affordable housing." In particular, work is focussed on the five councils with the highest sustained levels of homelessness and use of temporary accommodation, namely Edinburgh, Glasgow, West Lothian, South Lanarkshire and Fife.

£42m of the Affordable Housing Supply Programme (AHSP) had been prioritised to support the acquisition of existing properties or, where appropriate, to bring long term voids back into use. The Government remains committed to the AHSP "...as our core activity to increase the supply of affordable housing, but we recognise that we must also step up short and medium term action concurrently to address the acute pressures created by the Housing Emergency."

- **Planning:** Reference was made to the [Minister for Public Finance's delivery plan announced on 12 November 2024](#) which sets out 23 actions in relation to the role of planning to unlock further progress on the Housing Emergency. These actions will be taken forward over the next 6 months with demonstrable progress expected within the year. Actions include a new planning hub and recruitment of more planners.
- **Governance:** The government is "utilising the Housing to 2040 Board in an emergency posture to consider our approach and to work with our external stakeholder members to develop and agree joint actions."
- **Investment:** The Scottish Government sees its [Housing Investment Taskforce](#), established earlier in 2024, as critical to its longer-term response to the housing emergency.
- **Housing (Scotland) Bill:** The [measures in the Housing Bill](#), including measures relating to rent, will be an essential part the Scottish Government's response to the Housing Emergency in the longer term.
- **Prioritisation of activity:** Work on a planned new tenure-neutral housing standard has deferred to ensure there is capacity to delivery on the housing emergency workplan.

The draft budget has proposed £768 million investment into the Affordable Housing Supply Programme for 2025-26 an increase of £171.9m from

2024-25 The Scottish Government will be engaging with local authorities and partners in the coming weeks on utilisation of the planned uplift.

## Affordable Housing Supply Programme (AHSP) budget

19. The AHSP budget funds homes to meet the Scottish Government’s long-term target of delivering 110,000 homes by 2032.
20. In 2024-25, the Scottish Government’s [Affordable Housing Supply programme \(AHSP\) budget](#) was almost £600m, a cut of 21% (in cash terms) from the previous year. Stakeholders giving evidence to Committee have been critical of this capital cut.
21. The [proposed AHSP budget in 2025-26](#) is **£768 million** (see Table 1). In real terms, **this is an increase of 26% from 2024-25, although a 3% drop compared to 2023-24** (see Table 2 for real terms figures).

**Table 1: Affordable Housing Supply Budget 2022-23 to 2025-26, cash terms.**

	2022-23 £m	2023-24 £m	2024-25 £m	2025-26 £m	Change 24-25 to 25-26 %
Grant	697	581	547	688	26%
Financial Transactions	134	171	49	80	39%
<b>Total</b>	<b>831</b>	<b>752</b>	<b>596</b>	<b>768</b>	<b>29%</b>

**Table 2: Affordable Housing Supply Budget 2022-23 to 2025-26, real terms, 2024-25 prices**

	2022-23 £m	2023-24, £m	2024-25, £m	2025-26, £m	Change 24-25 to 25-26 %
Grant	757	595	547	672	23%
Financial Transactions	146	175	49	78	59%
<b>Total</b>	<b>903</b>	<b>770</b>	<b>596</b>	<b>750</b>	<b>26%</b>

**Sources:** [2021-2022](#), [2022-23](#), [2023-24](#), [2024-25 Scottish Government level 4 budget data](#) and Scottish Government [news release April 2024](#). Real terms figures calculated using HM Treasuring GDP deflators October 2024. Note that for years prior to 25-26 the figures are final year budget figures, in year additions can be made.

22. The majority of the budget is grant funding. Financial Transaction (FT) funding is allocated to the Scottish Government by the UK Government. The Scottish

Government has discretion over FT allocation to projects. However, FTs can only be used as a loan to or equity investment in a capital project delivered by a private sector body. FTs have mainly been used to support equity loans for affordable home ownership schemes.

23. The [Cabinet Secretary also announced](#) that the Government would be “...working with Edinburgh City Council to unlock over 800 new, net zero homes at their Granton development site”. The Government hopes to announce further details on the deal to support this project early in the 2025-26 financial year.

### **Progress towards housing targets**

24. The Scottish Government’s long-term target is to deliver 110,000 affordable homes by 2032. Between 23 March 2022 (when the target is measured from) and the end of September 2024, [24,382 affordable homes have been delivered](#). With around eight years of the target left an average of around 10,700 homes would have to be completed each year.
25. Over the last two financial years of the AHSP approvals have averaged around 6,700 homes suggesting there may risk to achieving the target.
26. The Scottish Government remains committed to the target but has been reviewing with a focus on deliverability.

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Senior Researcher, SPICe, 7 January 2025

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