



What you need to know: Infrastructure Investment Plan 2021/22 - 2025/26

Background

Following the announcement of a one-year Scottish Budget in late January, the Scottish Government has set out indicative spend on infrastructure for the five-year period up to 2026. The [Infrastructure Investment Plan](#) (IIP) sets out spending plans on new affordable housing supply and retrofitting energy efficiency measures in existing homes.

Affordable housing

The Scottish Budget published on 28 January announced a budget of £711.6 million for affordable housing for 2021-22. This was comprised of £575.4 million for the Affordable Housing Supply Programme (AHSP), £92.2 million Transfer of Management of Development Funding (TMDF) money and £44 million AHSP funding through Financial Transactions (FTs).

The IIP has announced a total budget for the AHSP of £3.3 billion over five years. This is less in cash terms and real terms than the existing AHSP programme.

Affordable Housing Supply Programme Budget £m	2021-22	2022-23	2023-24	2024-25	2025-26	Total
AHSP	575.370	565.150	559.350	555.300	563.300	2818.470
TMDF	92.245	92.245	92.245	92.245	92.245	461.225
AHSP – FTs	44.000	0	0	0	0	44.000
TOTAL AHSP	711.615	657.395	651.595	647.545	655.545	3323.695

TMDF relates to the arrangements which apply to Glasgow and the City of Edinburgh Councils. These councils receive grant funding to manage the housing supply programme in their areas.

FT funding is received when the UK Government invests in equity and finance schemes in areas that are devolved to the Scottish Parliament e.g. Help to

Buy. The Scottish Government then receives a proportional share of the UK Government's investment. The Scottish Government can only use FT funds to support equity or loan schemes beyond the public sector. These funds must ultimately be repaid to HM Treasury.

Due to UK Government's Spending Review decisions, only £44 million is allocated from FTs, compared with the current five year allocation of £649 million – a cut of 93 percent to affordable housing FTs. It is hoped the March 2021 UK budget will increase FT funding coming to Scotland beyond 2021-22, restoring funding to the levels required to deliver housing commitments.

Decarbonising Homes

The plan commits to an investment of £1.6 billion for homes and other buildings to reduce demand for heat through improved energy efficiency measures and eliminate emissions from space and water heating in buildings by 2045.

This is to be achieved through higher standards for new buildings and replacing existing fossil-fuel systems with renewable and zero-emission heat.

This includes £465 million for domestic energy efficiency, Warmer Homes Scotland and the Area Based Schemes to support decarbonisation of existing homes and support progress towards eliminating poor energy efficiency as a driver of fuel poverty.

Adaptations

The plan commits to invest £58 million in a programme to help Registered Social Landlords deliver adaptations. This is a marginal cash terms increase over the existing programme, which was held at £10m per year between 2016 and 2021, but still constitutes a below inflation increase.



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As part of Programme for Government 2020-21 the Scottish Government has committed to review the current housing adaptations system on how best to improve and streamline the system and maximise the impact of investment.

The CIH view

While we welcome the Scottish Government decision to increase the overall capital grant for affordable housing by 16 percent from the current programme, the inability to have this matched with significant FT funds from the UK Government means the AHSP programme will be facing a cash terms cut during the next Parliament. The confirmation of a reduction in the funding available for a new build programme comes as the Scottish Government has made a commitment to work with the sector to consider an appropriate level of affordable home subsidy.

Given the commitment to higher standards on energy efficiency, indoor and outdoor space standards and digital connectivity, it is clear that costs of building affordable homes will increase. However unless there is flexibility from the Scottish Government on the overall capital grant or from the UK Government on the FT funding allocated to Scotland in the March budget, the deliberation of the subsidy working group will be a choice between appropriate grant rates or building the number of affordable homes Scotland needs.