PRE-BUDGET SCRUTINY 2027–28: THE AFFORDABILITY AND SUSTAINABILITY OF SCOTLAND'S TAX AND SPENDING PLANS

A BEFS Response to a Scottish Parliament Finance and Public Administration Committee Inquiry

About This Paper

On 29 June 2026, the Scottish Parliament's Finance and Public Administration Committee launched a call for views into the affordability and sustainability of Scotland's tax and spending plans, to inform its role in scrutinising plans for future Scottish Government budgets.

This paper presents a response to three of the key questions set by the Committee from Built Environment Forum Scotland (BEFS). BEFS is grateful to the Committee for the opportunity to contribute to this pre-budget scrutiny.

BEFS is an umbrella body for organisations working in the built environment in Scotland. Drawing on extensive expertise in a membership-led forum, BEFS informs, debates and advocates on the strategic issues, opportunities and challenges facing Scotland's historic and contemporary built environment. Further information about BEFS is available on the BEFS website.

Other relevant consultation responses from BEFS can be seen below, as many issues overlap and demand associative consideration:

- Draft Infrastructure Strategy 2027-37 (May 2026)
- Pre-budget Scrutiny 2026/27: Funding for Culture (Aug 2025)
- Industrial Transition for Scotland (March 2025)
- Protecting Built Heritage (Feb 2025)

BEFS Response to Call for Views

Q2: What are the biggest risks to the spending plans outlined in the 2026 Scottish Spending Review?

BEFS consulted its Members and stakeholders towards the production of a 2026 Manifesto: Building Foundations for a Better Scotland. The Manifesto is designed to inform and influence actions by the Scottish Government in the 2026-31 term of Parliament.

The BEFS Manifesto shares concerns set out in the 2026 Spending Review about gloomy economic forecasts and restricted public finances. BEFS Members, including professional bodies, national charities, funding agencies, community groups, heritage trusts and public bodies, recognise that in this context, the best value for public investment can be achieved through a focus on preventative measures and in a more joined-up approach to policy-making.

The Spending Review acknowledges in the opening Strategic Context section that "a different approach" and a "systematic change" must be taken to "focus on prevention, joined up services and efficiency". BEFS Members will welcome, in principle, a changed approach towards public spending that is geared towards preventative spend and enhanced public sector collaboration. There is an agreement that such an approach can maximise the impact achieved from limited resources.

The natural risk here is that good intentions towards systemic change will not follow into action. BEFS is keenly aware of the statutory pressures and rising demands national and local governments face on their present budgets. Allocating greater levels of expenditure from immediate needs towards future prevention will require, as noted, "strong commitment to this agenda".

Previous Scottish Government administrations have committed towards prioritising preventative spend, but progress has been slow. A March 2026 Spotlight commentary published by the Scottish Parliament Information Centre noted that while prevention has been "the urgent topic of the last decade... there remains a lot of work to do to untangle the rhetoric around prevention and transform it into powerful, meaningful action."

Central to BEFS interest is the built and historic environment, which contributes vastly to the quality and character of Scotland's places and the wellbeing of its population. This is a diverse field that influences, and is influenced by, many of the public policy areas under the Scottish Government's control. With public finances under such heavy pressure, the need for preventative spend in these areas – including environment, housing, tourism, education, heritage, communities, places and more - is greater than ever.

Preventative spend and systems thinking reduces the need for more expensive and complex interventions and 'fixes' later. A simplified comparison can be made to a house with a weathered roof. Taking the time to address future risks by assessing needs, cleaning out the gutters and replacing eroded slates now, can avoid major repair bills later.

The risk of *not* taking a new, preventative approach to policy and investment decision-making in this context is perhaps the greatest risk.

Q5: What actions should the Scottish Government take to grow the tax base and increase labour market participation, productivity, and Scotland's economic growth?

Five recurring BEFS Member suggestions to sustainably improve local economies across Scotland are:

- Invest in Scotland's historic environment;
- Address skills shortages;
- Speed up retrofitting older properties for energy efficiency;
- Improve active reuse of vacant and derelict built assets;
- Implement Community Wealth Building.

To elaborate on these in turn:

Invest in Scotland's historic environment: Some national heritage-related funding programmes saw successful application rates drop below 20% in 2025, demonstrating an extreme discrepancy between demand and supply. Supporting a greater number of proposed cross-sector heritage led initiatives would deliver strong and mutually beneficial outcomes for improving town centres and high streets, the historic and existing built environment sector, and wider society.

A 2025 funding data review by Historic Environment Scotland (HES) demonstrated that for every £1 pound invested in the historic environment via grants and funding from HES, a further £5.24 has been leveraged back into Scotland's historic environment. Local visitor levies are a potential vital source of additional investment in reusing, protecting and enhancing the built and historic environment in town centres.

One of HES central functions is the distribution of around £12-13m per annum in grants to external bodies. This supports the care and repair of historic buildings and monuments, archaeological activity, and area-based regeneration and heritage improvement schemes. It also directly funds a number of national, regional and local initiatives. A provision for funds for smaller maintenance works also greatly reduces decay, dereliction and the much greater expense of feasibility studies and massive refurbishment projects that can follow.

HES is a successor organisation to Historic Scotland (HS), which was founded pre-devolution in 1991 as an executive agency of the Scottish Office. In 1994/95, the value of Historic Scotland's annual external grant programme was £11.3m. It has remained broadly stable over time, and was worth £12.4m in 2024/25.

If the HS/HES grant programme had kept pace with inflation since then, it should have grown to £23.4m for 2025/26. This £10m real terms budget decline, based on figures from annual HS/HES reports, is representative of an underinvestment in the sector that restricts its potential. In 2024/25, two thirds more was asked from HES than they could award, further indicating a resource shortfall in policy implementation.

Address skills shortages: We have a widely recognised problem finding workers with the traditional building skills needed to maintain Scotland's historic properties across cities, towns, villages, rural areas, and islands. Specialist contractors like stonemasons or thatchers are often booked up months in advance and unavailable in some parts of the country.

This makes it difficult for building owners to get the quotes or repairs they need, sometimes causing entire projects to fail. As these skilled experts become harder to find, buildings in our towns, cities and rural localities will become at greater risk of dereliction and vacancy. The benefits repair and maintenance contractors bring to communities, like supporting local economies and improving resilience to downturns, are put at risk alongside their potential to increase productive economic activity.

Traditional construction training is an essential service needed for the health of buildings and for preventative maintenance in high streets and tourism sites. Action to support Colleges and training centres to deliver these courses is vital. In addition, in a fast-changing sector driven by Net Zero goals and emerging technology, skilled workers need ongoing opportunities to learn and to share their knowledge with the next generation.

BEFS Members have pointed to skills gaps and capacity issues in other areas of the built environment sector, including retrofit coordinators, conservation engineers, planning officers and many specialisations in the wider construction industry.

Ongoing training courses for staff aligned with a pipeline of new workers can help ensure that skilled traditional building workers and other built environment experts are made available in the right places at the right time to maintain and enhance the built environment. This is crucial if Scotland is to meet national targets for energy efficiency and net zero. Effective action on this front will increase the supply of jobs, sustainably grow the tax base and improve the long-term outlook for local economies across Scotland.

Speed up retrofitting older properties for energy efficiency: A 2020 Building Research Establishment report notes 52.9% of Scottish housing was built pre-1946. The comparator figure for the UK is 38%, and 22% in the EU. This demonstrates the scale of socio-economic outcomes that could be derived from expanding maintenance, appropriate retrofit and circular construction practices in Scotland.

Retrofitting of older properties to increase residents' comfort, reduce fuel poverty, improve energy efficiency, boost local economic activity and reduce carbon emissions is not happening quickly enough, and at the quality and scale required. A practical response to this situation is under active consideration by the Retrofit Roundtable, a group of key built environment sector stakeholders including BEFS.

Through regular meetings and Parliamentary gatherings, the Retrofit Roundtable, which is facilitated by the Chartered Institute of Building, investigate and promote solutions Retrofitting Older Properties to the retrofit challenge emerging from the sector. Its 2024 Meeting Scotland's Retrofit Challenge report highlighted the urgent need for stepping up action on retrofit to meet fuel poverty, building maintenance and Net Zero commitments and targets.

While being realistic on the cross-policy complexity of retrofit and the varied effectiveness and costs of new technologies and processes, the report identifies a need for improved joined-up policymaking to overcome barriers and capitalise on opportunities to make serious progress. To break down policy silos, the Retrofit Roundtable call on the Scottish Government to create a Ministerial Oversight Group on Retrofit, which will be responsible for devising and implement a Retrofit Delivery Plan, to set a robust framework for appropriate and effective solutions.

It is not difficult to find examples of inappropriate or poor-quality retrofit works, which may lead to severe problems such as poor air quality, damp and mould emerging years after installation, and which may also have negative implications for building deterioration. A changed approach would greatly lessen the demands on public budgets to rectify these problems later.

The Retrofit Roundtable's policy recommendations align strongly with the Spending Review's call for a new focus on prevention and on holistic policy-making. A coordinated and swifter approach to action on retrofitting older buildings across Scotland will provide substantial economic benefits to the residents in the form of lower heating bills, to the trades and firms that undertake the work in our towns, cities and rural areas, and to the public purse in the form of improving the general health and wellbeing of the population.

Improve active reuse of vacant and derelict built assets: More could be done to protect and make full use of historic buildings, which need to be managed appropriately. They have massive importance nationally, contributing much to the visitor economy, and are invaluable to the communities who live, work, and spend their leisure time within and around them.

Historic buildings, including but not limited to those with listed status and/or located in conservation areas, regularly become at risk of demolition through redundancy, deteriorating condition, and other factors. To highlight the scale of the challenge, of the 47,639 listed buildings in Scotland, there are 2214 buildings on the currently paused Buildings at Risk Register (BARR). Historically, 22% of buildings that have been listed on BARR have been demolished, which statistically suggests that around 500 buildings are at risk of demolition in Scotland today.

BEFS actively campaigns for the productive reuse of vacant buildings – constraints around enforcement given the private ownership of many of these properties has been long identified as a barrier to good outcomes, and a missed opportunity. Wider incentives and mechanisms for investment in the built environment sector are needed to prevent our most important buildings from becoming dangerous and at risk of demolition.

Nationally, not enough is done to maintain our buildings - as the 2024 Scottish House Condition Survey makes clear. The survey reported that 48% of dwellings have disrepair to critical elements, such as roof coverings or the structure of external walls, which mean they are not weather-proof, compromising structural stability, and failing to prevent deterioration of the property.

Historic buildings should be retained and re-used wherever possible, given the value accrued in doing so to many public policy areas, from culture, heritage and economic development to health, climate change, and place-making. Ensuring that the appropriate specialist skills are available to inform public sector decisions will help prevent unnecessary demolition and degradation, saving more of our invaluable historic buildings for the benefit of our current population and future generations.

Effective implementation of Community Wealth Building: The built environment is a focal point of regeneration strategies enabling pride of place, sustainable economies, good quality of life, and adaptive buildings suited to new futures. There are further gains to be made in aligning the spheres of tourism and heritage through improved collaboration and holistic, cross-policy strategy.

Well-maintained, active and accessible heritage buildings enhance a place's distinctive identity and tourist offer. This includes the creation of jobs at visitor attractions, and other economic benefits to the many local high street businesses, including hospitality and retail, that benefit from tourism.

There is a clear line of influence between Community Wealth Building, heritage, tourism and economic resilience. The local procurement of maintenance contracts for historic buildings can reduce costs while upskilling contractors and supporting local economies.

There are, however, significant barriers to progress with regard to vacant, derelict, vulnerable or under-utilised historic buildings, including access to funding for purchase, refurbishment and maintenance. There is a reality that many local and community-led organisations do not have the capacity or governance to effectively manage all of the capital and operational needs of a long-standing empty building that is often in pressing need of repair.

The Community Wealth Building (Scotland) Bill includes an obligation for local authorities and other public bodies to produce and implement Community Wealth Building action plans. Leading public sector stakeholders responsible for developing these action plans should work closely and collaboratively with prospective projects and partners in the sphere of heritage tourism and community ownership, to help ensure the highest chance of long-term success.

The ability of local authorities to lead, support and deliver Community Wealth Building action plans, requires an improved level of resourcing across multiple local authority departments that are currently stretched.

Q8: Preventative spend has been a goal for several years, but the intended outcomes have not been fully achieved. Why do you think this is the case and how might a Preventative Budgeting Tool help track progress with achieving outcomes?

In BEFS Member discussions on the prospects for moving public spending 'upstream', the major challenge identified is that of taking public spending away from a direct current need. For example, noting the considerable health benefits that will result from improving the nation's built environment, it has been suggested that a small part of the Scottish Government's £22.5 billion annual health and social care budget could be redirected into built environment repair and maintenance to help address the prevalence of damp, mould and freezing winter temperatures in many Scottish homes.

The discussion highlighted that following this through from a general idea into practical implementation, comes into contact with the challenge of what area of health to stop funding. Would this involve, for example, a hospital department with rising demands having its plans to hire more nursing staff and purchase additional cancer treatment equipment stopped?

This highlights the extremely difficult challenge of allocating budgets across so many current and future challenges, and also the different types of prevention, and interpretation of what is being prevented by a particular spending choice.

The previously referenced SPICe Spotlight on prevention notes the additional challenges of prevention not fitting into the systems and procedures of public service budgeting and spending; and of a lack of information on what proportion of existing Scottish Government portfolio allocations are intended for, or ultimately used for, prevention.

The development of a Preventative Budgeting Tool has some potential merit in breaking down some of these issues, by clarifying in a consistent way across departments the proportion of a budget allocated to a preventative measure. If nothing else, widespread adoption and publication of the Tool will provide a useful basis for analysing whether any progress is being made.

The linking of preventative spend areas to outcomes may also, as the Tool notes, “help coordinate and join up work across the public sector to more effectively tackle key outcomes.” This would be welcomed by BEFS Members. A consistent message in the 2026 BEFS Manifesto is an ask for a more holistic, cross-portfolio approach towards heritage, climate change, training and skills, repair, maintenance and retrofit, and planning and place-making.

As with many public sector reporting mechanisms, there is an open question as to whether this Tool will be used to simply generate reports on what is already happening with regard to public sector activity, or whether it will help contribute towards a genuinely different preventative approach in line with the Spending Review’s calls for systematic change.

End of BEFS submission for the Finance and Public Administration Committee.

BEFS responses to a number of consultations in relation to the Built Environment can be found at: https://www.befs.org.uk/resources/consultations/

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BEFS gives consent to the Finance and Public Administration Committee to publish the consultation with name, to share the response internally with other Scottish Parliament representatives and with Scottish Government policy teams, and to contact BEFS in future in relation to this consultation exercise.