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A Drain on the Nation

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Examining the impact of inadequate wastewater infrastructure on housing delivery and investment across the country

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Executive summary

In recent months, a growing number of housing developments have been delayed owing to concerns over inadequate wastewater infrastructure. This is despite sewerage undertakers having received almost £2.3 billion in funding from developers in the form of infrastructure charges and adopted assets over the past five years - funds specifically intended to support upgrades to the wastewater network.

As a result, thousands of desperately-needed new homes, including thousands of Affordable Homes, are held up. HBF's survey of home builders found that almost 30,000 homes are currently blocked, including 7,000 Affordable Homes, aggravating the country's already chronic housing crisis. Left unaddressed, this number is likely to rise, blocking thousands more much-needed homes and throwing the government's housing ambitions and economic growth plans off kilter.

HBF is calling on the Government to:

- Reassert paragraph 201 of the NPPF and the supporting planning practice guidance to urgently remind local planning authorities that questions relating to wastewater should not intrude into development management decisions. These are strategic planning matters that can only be addressed properly by sewerage undertakers when preparing their strategic Water Resource Management Plans and Wastewater Infrastructure Plans.
- Remind local authorities that water companies operate under a statutory duty to meet the requirements of the land-use planning system and home builders pay them charges to ensure that they do so. At the very least, questions relating to wastewater capacity should be considered when the strategic or local plan is being prepared, and if there are doubts about the ability of the sewerage undertaker to support the delivery of the homes required, then the problem should be identified and resolved then, before the strategic or local plan is adopted.
- Insist that water companies, working with Ofwat and the Environment Agency, make provision for the Government's home building targets by ensuring that its housing targets under the new standard method are reflected fully in Water



Resource Management Plans and the Wastewater Infrastructure Plans prepared by water and sewerage undertakers.

Delayed homes

A significant shift is occurring in the way Local Planning Authorities (LPAs) are interpreting and applying planning policy, particularly in relation to foul water drainage and wastewater infrastructure. 80% of respondents to an HBF member survey report facing issues relating to wastewater connections, hydraulic modelling requirements, infrastructure capacity or wastewater treatment works and environmental improvement over the last three years.

This shift is leading increasingly to unnecessary delays in the progression of housing schemes across England. In many cases, LPAs, sometimes supported by decisions from the Planning Inspectorate, are refusing to discharge planning conditions or grant planning permission where there is perceived uncertainty about the capacity of local wastewater infrastructure, even when statutory water and sewerage undertakers have confirmed that capacity exists or that no issue is anticipated. This is happening even in cases where the relevant water company has not cited any concerns over infrastructure capacity.

This approach marks a departure from the established legal framework. Under current legislation and case law, the adequacy of wastewater infrastructure is a matter for the water companies to address through their statutory duties, rather than for LPAs to resolve as part of the planning application process. This principle has been affirmed by the Supreme Court and is explicitly referenced in paragraph 201 of the National Planning Policy Framework (NPPF), which advises that planning authorities should assume that relevant infrastructure providers will meet their statutory obligations.

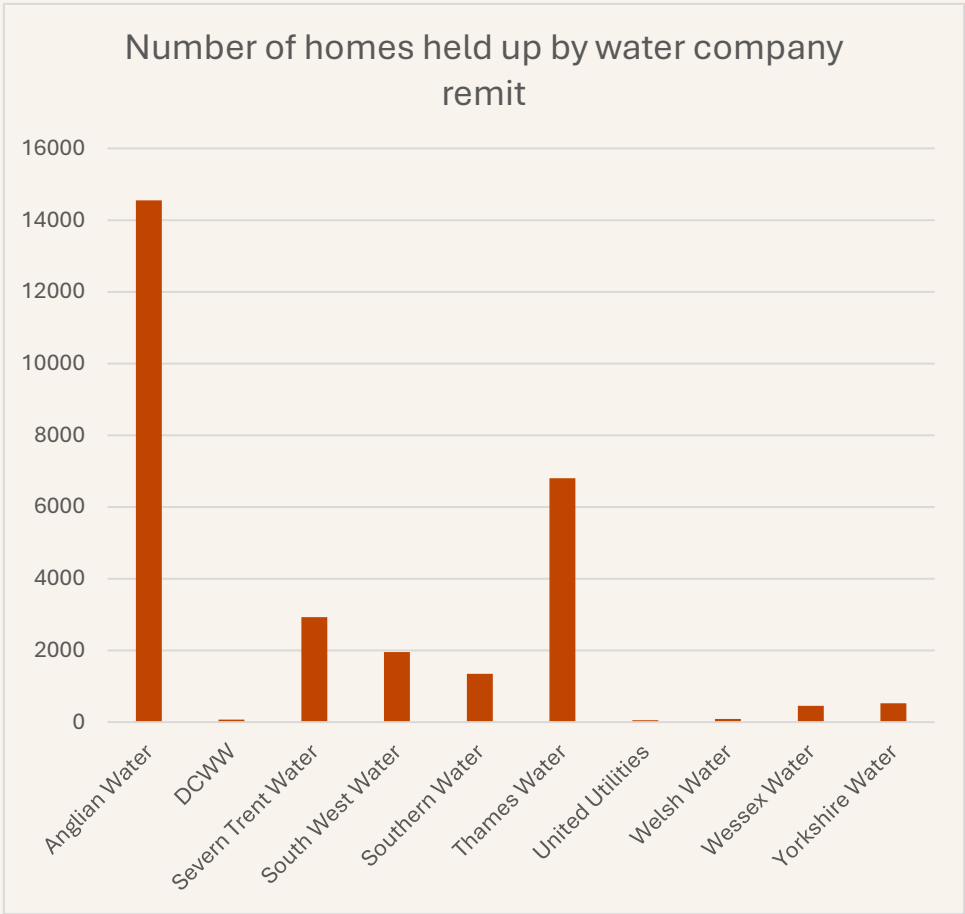
If executed properly, there should be no need for questions relating to sewerage capacity to be considered at the level of individual planning applications. This principle is articulated in paragraph 201 of the Government's National Planning Practice Framework and in its supporting Planning Practice Guidance, in the chapter



entitled: ‘Water supply, wastewater and water quality’, for example paragraph 002 Reference ID: 34-002-20140306 and paragraph 016 Reference ID: 34-016-20140306.

The consequences of this misapplication are far-reaching. A survey of HBF member organisations found that at least 80 development schemes are currently being delayed due to these issues. These schemes represent nearly 30,000 homes that are being held up in the planning process. Of these, approximately 7,000 are designated Affordable Homes, highlighting the social as well as economic cost of the current impasse.

The problem is particularly acute in certain regions. Around half of the delayed homes (14,500) are within areas served by Anglian Water. A further 7,000 homes are stalled in areas covered by Thames Water.



Urgent action is needed to address this emerging disconnect between planning practice and legal policy frameworks. Without clearer national guidance or intervention to realign LPAs with established responsibilities, this trend risks becoming entrenched – exacerbating the housing crisis further and undermining confidence in the planning system.

Water company infrastructure charges

When the water industry was privatised more than 30 years ago, the Water Industry Act 1991 established a statutory duty for water companies to manage wastewater infrastructure and control pollution. Under this legislation, home builders are required to pay infrastructure charges for each new dwelling connected to the wastewater network. In return, water companies are obligated to ensure that the existing systems have the capacity to accommodate the new development and population.

Historically, developer contributions toward water infrastructure were governed by a combination of inconsistent local practices, legacy agreements, and limited regulatory oversight. This created a fragmented system where the level and basis of charges varied considerably between water companies and regions, often leading to unpredictability and disputes for developers.

In response to these concerns, in recent years, Ofwat has taken a more active role in shaping and standardising the charging regime over the past decade. One of the key turning points came in 2017, when Ofwat introduced new charging rules for new connections and requisitions under the Water Industry Act 1991, with the intention of the charging rules becoming more transparent and predictable.

These reforms marked a major step toward consistency and removed some of the historical uncertainty that developers faced. While initially considered to be positive, since the introduction of these reforms, the amount that developers are required to pay to water companies has increased significantly over the last few years.

Since the 2017 changes, Ofwat has consulted on further enhancements, including how to better align infrastructure charges with long-term planning frameworks such as the



Water Resource Management Plans (WRMPs) and the Drainage and Wastewater Management Plans. There has also been an increasing emphasis on encouraging sustainable drainage systems (SuDS) and water neutrality in new developments.

The most significant recent development came in 2025, when Ofwat implemented major structural changes to the way infrastructure charges are levied, introduced as part of Price Review 2024 (PR24). Water companies can now apply differentiated charges based on a range of factors, including the actual cost of network reinforcement, the level of local infrastructure constraint, and environmental pressures such as water stress.

This change means that developments in areas requiring substantial infrastructure upgrades or in regions already experiencing water scarcity may face considerably higher charges.

As a result of these reforms, developers have seen a sharp increase in infrastructure charges since 1 March 2025, with fees rising by at least 52% compared to the average charges over the previous seven years. This has added significant cost pressures to the housing sector at a time when affordability and delivery targets are already under strain.

Water companies now receive hundreds of millions of pounds annually through a combination of infrastructure charges and the adoption of developer-built assets.

Between 2020/21 and 2024/25, the sector received just over £2.3 billion, comprising:

- £600 million in infrastructure charges, directly collected from developers
- Over £1.72 billion in adopted assets, such as sewers, pumping stations, and water mains initially constructed by developers but subsequently transferred to water companies for long-term ownership and maintenance.

However, these significant inflows of funding have not always translated into greater support for new development. Coincidentally, some of the water companies that have received the highest levels of developer contributions are the same companies flagging concerns about network capacity and placing restrictions on housing growth.



For example, Thames Water, which has received over £440 million in combined contributions and adopted assets in the last four years, has placed infrastructure-related objections on many planning applications across London and the South East. Similarly, Anglian Water, which has received around £330 million over the same period, has regularly cited wastewater capacity constraints as a barrier to new development.

Wider implications & context

It is not just homes that are being held up as a result of this issue.

The 30,000 homes would account for almost £900 million in S106 contributions if they could be brought forward. Some of the larger schemes currently held up are also delaying a significant amount of investment in much-needed local facilities. In the case of one large development in East Anglia, the scheme would also be providing two primary schools, a secondary school, two leisure centres, and over 100 acres of green infrastructure, among many other amenities, and in addition to almost 4,000 new homes. Another blocked development in the same region has seen financial contributions to early years and childcare services, primary and secondary schools, public transport, a village hall, a library, and sports facilities also withheld.

The delays to home building are also risking over 100,000 jobs and almost £7 billion in economic activity for local areas.

These delays to housing come in addition to a long list of other barriers to housing supply:

- Uncontracted S106 units: HBF's research finds that at least 17,400 Affordable Housing units with detailed planning permission that are currently uncontracted, and a further 100,000 private homes are blocked or delayed as a result of this issue.
- Water neutrality: The delivery of nearly 20,000 dwellings is delayed due to water neutrality.



- Market support: Around 100,000 homes could be unlocked over the next five years if a first-time buyer support scheme were introduced. For the first time in almost 60 years, there is no effective government support for home ownership.

Conclusions and recommendations

Some water companies and local authorities have managed to find resolutions to this issue. For example, in Oxford the Environment Agency, following government intervention, has agreed to withdraw demands for planning conditions tied to wastewater capacity, which has unlocked 18,000 homes. It is critical that the Government expands this approach across other affected authorities.

To ensure that essential housing can be delivered, the Government must:

- Reassert paragraph 201 of the NPPF and the supporting planning practice guidance to remind local planning authorities urgently that questions relating to wastewater should not intrude into development management decisions. These are strategic planning matters that can only be addressed properly by sewerage undertakers when preparing their strategic Water Resource Management Plans and Wastewater Infrastructure Plans.
- Remind local authorities that water companies operate under a statutory duty to meet the requirements of the land-use planning system, and home builders pay them charges to ensure that they do so. At the very least, questions relating to wastewater capacity should be considered when the strategic or local plan is being prepared, and if there are doubts about the ability of the sewerage undertaker to support the delivery of the homes required, then the problem should be identified and resolved then, before the strategic or local plan is adopted.
- Insist that water companies, working with Ofwat and the Environment Agency, make provision for the Government's home building targets by ensuring that its housing targets under the new standard method are reflected fully in Water



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Without urgent clarification, housing delivery will remain at significant risk, and confidence in the planning system will continue to erode, threatening future investment in land and subsequent housing supply.



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