

HBF response: Local Government and Housing Committee inquiry into social housing supply

The Home Builders Federation (HBF) is the principal trade association for the home building industry in England and Wales. HBF's membership of more than 400 companies builds most of the market sale homes completed in England and Wales, and encompasses both private developers and Registered Providers. The majority of HBF's members are small or medium-sized companies (SMEs). Of particular relevance to this consultation is that members deliver around 30% of the affordable homes in Wales.

- ***Progress towards meeting the target of 20,000 low carbon social homes for rent; and the extent to which current and projected levels of social housebuilding are likely to meet housing need.***

A requirement for a percentage of affordable housing delivery is contained within Local Authority Local Development Plan (LDP) policies. The percentage required varies between Local Authorities and different areas, with the percentage requirement agreed through the LDP system and calculated using a single model which is used across all of the Local Authorities in Wales (currently the Andrew Burrows model). The Welsh Government requires Local Planning Authorities (LPAs) to complete a Local Housing Market Assessment (LHMA) every five years, and this document is used to help calculate the affordable requirement contained within the LDP.

Section 106 agreements

Welsh Government statistics show that, overall, around 30% of the affordable homes delivered in Wales are delivered through Section 106 agreements.

Table 1: [*Additional affordable housing delivered through planning obligations*](#) (number delivered)

Planning obligations	2019-20	2020-21	2021-22	2022-23
All Wales	727	920	714	1,024
(%) of all additional affordable housing	24.7	25.5	26.7	30.4

As can be seen from the table above, the proportion of affordable housing delivered through S106 agreements has risen steadily over recent years, rising from around 25% in 2019-20 to 30% in 2022-23. HBF believes this figure will continue to rise as Local Development Plans (LDPs) are reviewed and adopted, with a move towards higher percentage requirements for affordable housing being encouraged by National Policy. For instance, Monmouth Council is currently progressing the LDP through review with a requirement for new housing allocations to provide 50% of affordable homes. Therefore, progress in delivering new affordable housing is in part being met due to Section 106 Agreements and the contribution of the private sector.

In most cases, the affordable homes delivered through S106 agreements are delivered on site and then the units are transferred to a Registered Social Landlord to manage. However, in some cases, on-site provision is not possible or appropriate and most LPA's LDP Policies allow for what is referred to as an



'off-site contribution' to be made in lieu of on-site provision. This is then available for LPA to use to provide affordable housing in another way or on a different site.

However, HBF would like to highlight the following Welsh Government figures which indicate that developer contributions not being fully utilised, with not all funds being spent:

Table 2: [*Financial contributions towards affordable housing via planning obligations by local authority and amount*](#)

<i>Held at start of year</i>	<i>Received during year</i>	<i>Spent during year</i>	<i>Year end total</i>
21,481,764	6,640,181	1,081,890	27,040,055

HBF research has also found that local authorities in Wales have, on average, £5.1 million in unspent Section 106 contributions. This is often unspent due to a lack of capacity within local authorities, with delays and administrative errors that affect the planning system also affecting the delivery of associated infrastructure and affordable housing.

The research is based on a sample of 14 Welsh councils who provided data following a Freedom of Information (FOI) survey exercise, and showed that Pembrokeshire County Council holds the most in unspent affordable housing contributions (£4.4m) as of July 2023. A total of £13,662,010.74 in Section 106 funds specifically allocated to affordable housing was still unspent across the 14 LPAs. This is higher than would be expected and suggests some delays in the delivery of affordable housing are due to a lack of capacity or willingness to spend Section 106 funds in a timely manner.

Housing need

With regards to whether current and projected levels of supply are likely to meet housing need, the recent Competition and Markets Authority (CMA) market study into the housebuilding sector noted that the affordable housing ambition in Wales "may still be insufficient to meet overall housing need". This finding reaffirms the need to drive up the overall supply of private sector housing in order to meet and exceed affordable housing targets. In other words, it must be recognised that a general rise in the overall supply of market housing would in turn lead to a rise in the supply of new affordable housing - as the opportunities for using the Section 106 mechanism are maximised.

- ***The challenges faced by social landlords in increasing supply.***

Although the HBF are not in a position to answer this question directly, we note that any developer of new homes faces many of the same challenges regardless of tenure: a lack of up-to-date Local Development Plans, which allow a Plan led system to operate effectively; delays in the planning system due to the lack of resources in planning as well as a wide range of link professions; a shortage of viable land; and an ever-changing policy framework in which home builders to operate. Many of these issues were also identified in the recent Competition and Markets Authority (CMA) market study report which is referenced elsewhere in our response.

- ***How housing standards and decarbonisation affect the delivery of new social housing.***

The current Welsh Government Housing Standards Welsh Development Quality Requirements 2021 (WDQR) 'Creating Beautiful Homes and Places' requires the affordable homes delivered through S106 agreements to be built to a different space standard to the other private dwellings on the site. These



homes cost more to build and take up more room on site, reducing the viability of sites and the number of homes delivered. It also makes it harder to fully integrate the new affordable homes into the wider development, which goes against placemaking principles.

Furthermore, it must be noted that new homes in Wales delivered by the private sector, including affordable homes, already meet high energy efficiency standards. For the homes logged in the year to December 2022 in Wales, 85% of new builds were rated A or B for energy efficiency, while just 3% of existing dwellings reached the same standards. In contrast, 56% of existing dwellings were rated D or lower, as compared to approximately 4% of new builds. Therefore, those affordable homes delivered by the private sector play an important role in delivering the Welsh Government's climate goals.

- ***The opportunities and risks in increasing government borrowing and institutional investment.***

N/A.

- ***How effectively the planning system is supporting social housebuilding.***

The current planning system in Wales doesn't differentiate between social housebuilding and the building of any other tenure of homes. This means that many - if not all - of the same issues are faced by housebuilders regardless of tenure. The HBF does not believe that it would be appropriate to amend the planning system to 'support' social housebuilding only. HBF suggest that if changes are made to the planning system, they should be designed to speed up the delivery of all tenures of new homes.

As the [Wales Summary of CMA Market Study final report into housebuilding](#) notes, there are several issues with the planning system more generally. The report states that:

'We have seen evidence of three key concerns with the planning system which we consider are limiting its ability to support the level of housebuilding that policymakers believe is needed:

(a) Lack of predictability;

(b) Length, cost, and complexity of the planning process;

(c) Insufficient clarity, consistency and strength of LPA targets, objectives, and incentives to meet housing needs.

We therefore conclude that the nature and operation of the planning system is a key driver of the under-delivery of new housing.'

One issue with the process is that there has been a significant decline in net planning expenditure in Wales, which has fallen by 50% since 2009-09, and as a result, the average time taken to determine planning applications is now above Welsh Government targets. The lack of LPA capacity, staff and resources should be prioritised to reduce the likelihood of delays and administrative errors in the planning process, and we welcome the new First Minister's recognition that under-resourcing within LPAs is a significant issue.

Furthermore, the CMA highlighted the need for streamlining of the planning process and this is rightly expressed as a measure which, if successfully implemented, could reduce the risk and delay inherent in the system today. Unfortunately, Welsh Government policy has often moved in a diametrically opposite direction, and the CMA's report noted that the policy approach in Wales in certain areas - such as with



regard to sustainable drainage requirements - has a particular impact on the cost and length of the planning process.

While such policy changes are mostly well-intentioned and are not opposed by the industry, they do inevitably increase the complexity of the planning process and in some cases threaten the viability of schemes. It is vital that further solutions are considered to streamline the planning system and thereby unlock new housing of all tenures, including affordable housing.

Finally, we would like to note that the affordable homes delivered through S106 agreements do not benefit from any Welsh Government grant funding so the impact of selling the new homes to a Register Social Landlord at a price well below market value is taken by the developer.

- ***How to improve the strategic management of public and private land for social housebuilding, including compulsory purchase.***

Although HBF would support a method by which public land could come to the market quicker, we believe that any opportunity should be open to all house builders. Although this might result in less affordable homes being delivered the ones delivered by the private sector will not require government funding. Public sector land opportunities should also take account of SMEs' needs to help support this important part of the sector.

- ***The potential for increasing income from land value capture mechanisms to invest in social housing.***

This is effectively already achieved through the S106 process. The S106 legislation refers to the fact that it is a mechanism that can be used to allow developers to deal with the impact of their development, a good example of this is a lack of capacity in local schools can result in a requirement to pay for extensions to the school or in larger developments new schools being provided. However, new housing development does not create any new need for affordable housing or put extra strain on the existing provision. Further Government grant cannot be used to deliver S106 homes so the significantly reduced transfer value as set by ACGs is effectively a tax on the developers.

- ***The Welsh construction sector's capacity to build new low-carbon social homes; the potential for acquisitions of existing homes and remodelling of existing buildings.***

N/A.

- ***How local communities can be effectively engaged in social housing developments in their areas.***

The HBF notes that applications for social housing often receive objections from existing residents with a wide range of concerns raised. As a housing scheme, it should go through the same processes as any other application which allows the public to engage pre-application through the PAC process and through public consultation once the application is submitted. HBF don't consider that affordable housing needs to be considered in any different way to private housing, with the existing planning process being sufficiently open to engagement by local communities.

