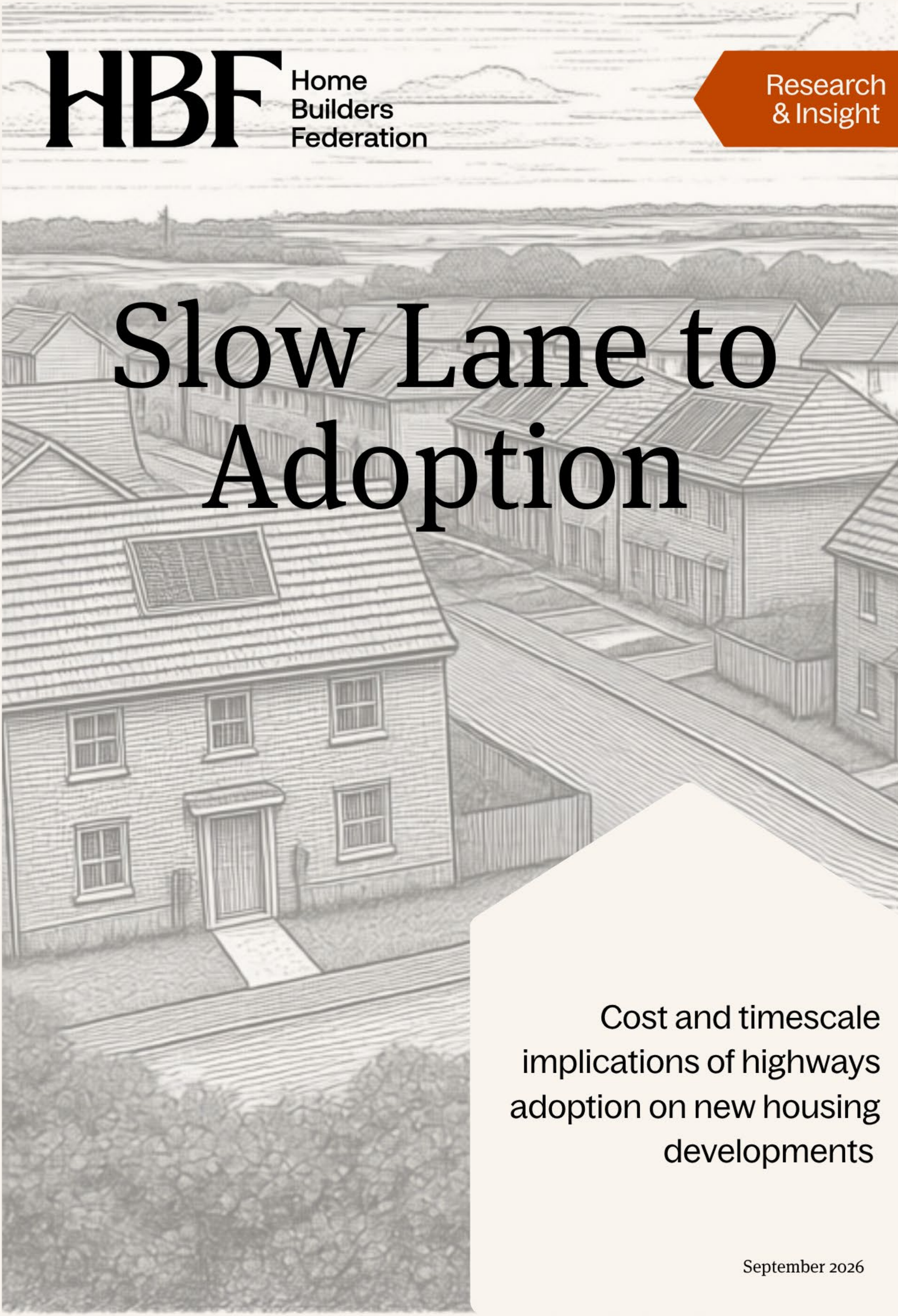
HBF Home Builders Federation

Research & Insight

Slow Lane to Adoption



Cost and timescale implications of highways adoption on new housing developments

September 2026

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Background

Since the General Election in 2024, significant attention has been given to the ongoing decline in housing delivery and the action required to increase the supply of new homes. The Government's planning reforms have been broadly positive and represent an important step towards addressing some of the structural barriers to development. However, the focus to date has largely been on the planning system itself, with less attention paid to the planning process and to the infrastructure and delivery constraints that arise once planning permission has been secured.

The construction and adoption of highways is one of the most significant of these barriers, regularly cited by builders – and SME builders in particular, as a cause of delay, increased cost and uncertainty in the end-to-end planning and development process.

The operation of Section 278 and Section 38 agreements is a cause for concern for developers of all sizes, with considerable differences across local authority boundaries. Section 278 agreements cover works to the existing public highway, while Section 38 agreements provide the mechanism through which new roads can be built and ultimately adopted by the local highway authority.

For more than a decade, HBF has highlighted the need for policymakers to address the significant inconsistencies within the highway adoption process. For SME house builders, less capable of absorbing unexpected costs, prolonged delays or significant amounts of capital tied up in bonds and other financial requirements, the performance of highway authorities is of the utmost importance.

The performance of highway authorities has a significant impact on SMEs, less capable of absorbing unexpected costs and delays

There is no consistent approach across highway authorities to the negotiation, approval and adoption of new roads. Different authorities apply different standards, fees, timescales, bond requirements and approaches to calculating costs. The absence of common standards and transparent processes makes it difficult for developers to accurately assess the cost and timing of a development before construction begins.

This has an impact on housing delivery. A development may have secured planning permission and be otherwise ready to proceed, but delays in agreeing highway arrangements can prevent construction from progressing or delay the point at which homes can be occupied. In some cases, roads and associated infrastructure remain unadopted for extended periods, leaving developers responsible for assets that would ordinarily be expected to become the responsibility of the local authority.

This is also an issue for homeowners. With the increasing prevalence of non-adoption of amenities, there has been a growing reliance on private management companies to maintain and manage roads, open spaces, drainage, lighting and other shared infrastructure on new housing estates.

Non-adoption of amenities has led to a growing reliance on private management companies which impacts homeowners

The issue was examined in detail by the Competition and Markets Authority (CMA) as part of its Housebuilding Market Study. The CMA found that private management of public amenities had become a common feature of the supply of new homes and identified a number of factors contributing to declining adoption, including the discretionary nature of the legal framework, inconsistencies in the approach taken by adopting authorities, a lack of nationally imposed guidance, and the costs, timescales and lack of transparency associated with the adoption process. In particular, it highlighted concerns around the way authorities calculate costs such as commuted sums and bonds.

The CMA's report made five recommendations in this area, two of which include:

- That the UK, Scottish, and Welsh governments each implement common adoptable standards for public amenities on new housing estates.
- That the UK, Scottish, and Welsh governments each implement mandatory adoption of public amenities on new housing estates (outside of minor, well-defined exceptions).

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FOI exercise

To better understand the scale of these issues, HBF undertook a Freedom of Information (FOI) exercise with local highway authorities. The research examined the financial requirements associated with Section 278 and Section 38 agreements, including highway bonds, commuted sums, inspection fees and timescales.

The responses demonstrate significant variation between authorities and provide evidence that the current system is creating considerable additional costs and uncertainty for house builders.

Bond provision

A highway bond is provided by developers to a local authority to provide financial assurance that the cost and risk associated with constructing the roads does not fall to the local authority should the developer cease trading. This legal mechanism enables the status and responsibility of a newly-constructed road to be transferred from private ownership to Local Authority ownership following its successful completion, providing they have been constructed to the required specification, standards and satisfaction of the adopting authority.

The FOI exercise found substantial variation in the amount being required for individual bonds. Bond values ranged from £15,400 to £1.4 million, demonstrating the extent to which the financial requirements imposed on developers can differ depending on where a development is located. The average bond value for 2025/26 was approximately £338,000.

The average bond value has risen by almost 170% over seven years

This compares with an average of approximately £125,000 in 2018, when housing delivery was at its peak. The increase represents a rise of almost 170% over seven years. In other words, the average bond requirement is now more than 2.7 times the level recorded in 2018.

This is particularly significant because a bond represents a financial commitment that can remain tied up for a considerable period. For a large developer, the additional cost may be manageable within a substantial balance sheet. For an SME delivering a smaller number of homes, the same requirement can have a material impact on cash flow, borrowing capacity and the ability to progress other developments.

The FOI request also asked how many residential units there were in each of the S278 and S38 agreements to ascertain a cost per unit. On average, for developments where the roads were adopted and S278/S38 bonds were paid, each unit carried a cost of over £7,000.

However, again there was a significant variation between local authorities. In one local authority, the average cost per unit was £110. In others, it went up to £20,000 per unit. The issue is not simply the outright cost of bonds, but the lack of predictability and consistency. A developer operating across multiple local authority areas cannot assume that the same development model will face comparable highway costs. This makes it harder to establish land values, assess development viability and forecast the capital required to bring new homes forward.

Commuted sums and inspection fees

Developers face similar challenges in relation to commuted sums and highway inspection fees. There is currently no common approach to calculating these charges, meaning that the cost associated with delivering and adopting a highway can vary substantially depending on the local authority involved.

In principle, a development delivering the same type and standard of highway infrastructure should face broadly comparable costs regardless of where it is located.

In practice, the responses to the FOI requests clearly demonstrate that this is not the case.

Inspection fees ranged from approximately 3% to as much as 20%

Most highway authorities appear to use a percentage of the bond value when calculating inspection fees. However, the percentage applied varies considerably. Responses showed fees ranging from approximately 3% in one authority to as much as 20% in others.

The system can also include minimum charges, while some authorities apply lower percentage rates once the total bond value exceeds a particular threshold.

Although such arrangements may have been designed to reflect economies of scale, they can have the unintended consequence of disproportionately affecting smaller developments.

Highway authorities are also using a range of different methodologies to calculate fees. These include fixed deposits, hourly rates, percentages of bond values and charges based on linear metres. Some authorities indicated that the approach taken can also be scheme dependent. For developers, this makes it extremely difficult to establish the true cost of highway works at the point at which a site is being assessed.

Costs may only become clear once discussions with the highway authority have progressed, potentially after significant expenditure has already been committed to land, planning and design.

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Timescales

In addition to the great variance in costs, developers also face difficulties in the adoption of roads due to the time it takes to secure approval at the different stages of the process.

- Businesses could wait up to a year from submission to approval of a Section 278 agreement, and then up to two years from approval to completion.

- For Section 38 agreements, there was an average response time of just over four years from submission to adoption. However, many local authorities had timescales of much more than this, with some taking up to 12 years.

The number of councils reporting longer timescales for approval has increased each year HBF has undertaken this FOI exercise. The delays and unpredictability as to how long approval takes create even more cashflow pressure for smaller firms.

Respondents to the FOI request highlighted other issues causing delays, many of which could also be resolved through the implementation of a national standard and associated statutory timescales.

Multiple highway authorities cited slow responses from external legal teams as a source of frustration and delay.

- A national standard would help these teams to complete their part of the process with greater speed and efficiency as much of the application could be easily determined at an earlier stage.
- A national standard should also reduce costs for highway authorities and local council taxpayers.

Similarly, many respondents highlighted the lack of resources.

- A national standard would simplify much of the administrative burden and reduce the workload on highway authority teams.

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Impact on housing delivery

The findings demonstrate that highway adoption is not simply a technical or administrative issue. It can have a direct impact on the economics and timing of housing development. The cumulative effect of high bonds, inconsistent fees, variable methodologies and uncertain timescales increases the risk associated with bringing a site forward.

This risk is particularly acute for SMEs, which typically operate with smaller financial reserves and have less capacity to absorb unexpected increases in costs or delays. Capital tied up in highway bonds cannot be deployed elsewhere, while prolonged negotiations or delays to adoption can increase financing and construction costs.

> "Delays in planning – in particular getting conditions discharged and highway approvals are creating real issues with starting sites. Delays at the front end and slow sales at the back end along with increasing costs and timescales have resulted in a real challenging environment."

HBF and Quantum Development Finance SME Sentiment Survey respondent, Q3 2026

The problem is compounded by the fact that these costs are often difficult to establish at the outset of a development. Developers need to be able to assess the viability of a site before committing to a project. Where highway requirements remain uncertain, that assessment becomes more difficult.

This has wider implications for housing supply. If the cost and risk of delivering infrastructure increases, the number of sites that are commercially viable decreases. Some sites may be delayed, redesigned or ultimately not brought forward at all.

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Conclusion and recommendations

HBF's FOI has for many years highlighted the problems that exist in getting highways adopted. Without intervention from government, developers will continue to face financial and timing consequences which will have knock on effects for housing delivery and the availability of new homes.

The CMA's recommendations, to introduce common adoptable standards and mandatory adoption by public authorities are supported by the industry.

Adoptable standards should be set in line with Department for Transport standards, as provided for in the Design Manual for Roads and Bridges. The starting point for national standards is for Government to bring together relevant interests and expertise, which HBF stands ready to participate in and assist with.

Common approaches for highways adoption standards could include consideration and clarification of:

- Inspection fee values/percentages
- Frequency of required inspections
- Sign-off processes
- Stage inspections and approvals

The CMA specifies that, for mandatory adoption to be considered, home builders would need to build amenities to an adoptable standard. Currently, in most cases, developers are already building to common adoptable standards but without any influence on the authority's adoption. Where the feature has been fully constructed, is operational and is being utilised by the public for the purpose to which it was intended, and where rates are being collected by the incumbent authority, then there should exist an obligation for mandatory adoption.

With respect to existing unadopted highways, the Government should oversee mandatory adoption to all statutory highways authorities in England and Wales under a transfer of assets, similar to the transfer of sewers and drains under Section 42 of the Flood & Water Management Act 2010. The seamless transition was a huge success for both the housing and water industry and caused Ofwat and water companies no issues in their ability to function or continue to collect rates.

Elsewhere, we would encourage further reforms to make the process of approving and adopting highways smoother and more predictable. This includes:

- Bond provision values set through a sliding scale, based on nationally agreed average development size. This would allow developers to budget for the provisions when planning developments, would allow highway authorities to charge with greater ease and would ensure external legal teams can complete their part of the process with greater speed and efficiency.
- The method for calculating inspection fees should be a fixed percentage of total bond value, set at a national level. Although many authorities do calculate fees as a percentage of total bond value, this percentage varies across authorities and can cause developers issues when calculating their budget in advance. Ensuring that a single development has the same level of fees applied to it no matter where it is being built will mean the developer will be able to budget and submit their plans much faster, as fewer changes would be needed to keep a development within budget.
- A national standard is needed to implement statutory timescales for S278 and S38 agreements. After such time has elapsed, outstanding applications would be deemed approved.
- Increased resources for local highway authority teams. Local authority teams in all areas of the planning process are chronically under-resourced, which regularly leads to discrepancies, administrative errors and additional delays for developers. Feedback from the FOI request found that many highway authorities acknowledge that these particular processes are currently slowed down due to a lack of resources.
- A national standard for the scope and inclusion of highways features that can qualify for commuted sums to provide consistency and clarity.

In the meantime, HBF would support a reduction in council tax for residents of households on new estates with unadopted roads and amenities. This would both address the unfairness for those households double paying for services and provide a financial incentive for authorities to seek effective adoption of roads and amenities assuming they meet adoptable standards and other reasonable criteria.

The Home Builders Federation (HBF) is the principal representative body for private sector home builders and the voice of the home building industry in England and Wales. HBF member firms account for some 80% of all new homes built in England and Wales in any one year, and include companies of all sizes, ranging from widely recognised national firms, through regionally based businesses and small local companies.

View industry research at hbf.co.uk/research-insight