



Mind The (Viability) Gap

How England Can Deliver Social and Affordable Housing at Scale

April 2026



**Purposeful
Finance
Commission**

About the PFC

The Purposeful Finance Commission (PFC) and its Advisory Board is an independent body made up of leading combined authority figures, local government leads, investors and other regeneration experts who have come together to identify, understand and overcome the barriers to the development of housing and infrastructure across the country. By addressing these barriers, the PFC aims to ensure that purposeful regeneration delivers real social value, creating lasting benefits for local economies, communities, and the environment.

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Foreword

Dom Veney - Interim CEO, Pension Insurance Corporation plc and Chair of the Purposeful Finance Commission



The demand for social and affordable housing in England meaningfully outstrips supply. This creates pressure for families, employers, and public services and has a significant social and economic impact. Today, more than 1.3 million households are on social housing waiting lists, with many families reliant on temporary accommodation for extended periods. Yet delivery remains stubbornly low, with around 10,000 new social homes being built each year.

The undersupply of housing is a systemic issue – the only way to tackle it is with a systemic response.

I am therefore delighted that the Purposeful Finance Commission (“PFC”) has published this report, *Mind the Viability Gap*. The views and recommendations it contains follow extensive discussion with investors, housing associations, developers, local authorities and policy experts in order to understand why delivery is so low and what can be done to unblock delivery.

A central finding is that the “viability gap” makes otherwise desirable schemes unfinanceable.

This gap has two dimensions. First, the difference between social and affordable rents and full market rent. That discount is essential, but it creates an inherent reliance on grant funding and cross-subsidy, including from other properties in the same complex. Second, construction costs, land values, and policy risk, including regulatory complexity, increasingly mean that the cost of building

homes can exceed their completed value, even once subsidies are applied. This means they just don't get built.

The PFC's focus has therefore been on practical reforms that improve certainty, reduce policy risk and make viable schemes easier to deliver. These include streamlining regulatory processes through clearer coordination and leadership; a review of underused strategic industrial locations to bring forward more land at realistic values; and improving the way public funding flows so it better aligns with development timelines.

The PFC also highlights the importance of early and constructive community engagement. Clearer national standards, earlier input on design principles and a more proportionate role for statutory consultees can help reduce local objections while maintaining quality and community confidence.

Taken together, these steps are about making the system work better: aligning incentives, reducing unnecessary delay and enabling long-term partnerships between the public and private sectors. If implemented, they would help convert plans into projects and institutional capital into homes — delivering significant social and economic value.

Full Recommendations

Regulation

- 1. The New Single Construction Regulator should be formally designated as the statutory body responsible for regulatory oversight across all strands of housing development, including new social and affordable housing:**

Working alongside Homes England, which retains its established role in housing investment and delivery, the Regulator would provide national leadership on standards, safety and quality, ensuring these are treated as complementary rather than competing priorities. Its remit should explicitly include responsibility for driving forward building safety reform, with a strong mandate to oversee and accelerate implementation of the Building Safety Act 2022, particularly addressing systemic bottlenecks at Gateways 2 and 3. Positioned at the apex of the regulatory system, the Regulator would act as the coherent and authoritative voice ensuring that safety, quality and the conditions necessary for social housing delivery are properly aligned.

- 2. Government should use NISTA (National Infrastructure Service Transformation Authority) and the proposed new Single Construction Regulator to rationalise and simplify overlapping regulatory regimes, streamlining interfaces between planning, building safety and infrastructure bodies:** This should include the creation of a single coordinated approval pathway for affordable and social housing schemes, reducing duplication, shortening timelines, and improving clarity for delivery partners. A simplified, integrated regulatory process would directly support the work of Homes England and the proposed National Housing Bank, enabling them to deploy investment and financing with greater speed and certainty by removing the regulatory friction that currently delays viable schemes from reaching the ground. In turn, a clearer regulatory

environment would make it easier to enforce building safety standards robustly, cut through overburdensome environmental regulation, and support the timely delivery of new social homes at the scale required.

Land

- 1. Strategic Industrial Locations (SILs):** The Greater London Authority and local planning authorities, supported by government, should review underused or low-density SILs, using audits and assessing industrial demand to enable re-designation or co-location, unlocking land for mixed-use development and mixed-tenure or affordable housing while safeguarding industrial capacity.
- 2. Ensure strengthened Compulsory Purchase Orders (CPO's):** Strengthen and simplify CPO's to allow local authorities and development corporations/companies to acquire stalled or underused land at closer-to-existing-use value for social housing. Government must also ensure that the CPO regime has fairness and social value at the core, with safeguards requiring CPO's to demonstrate that the wider social benefit outweighs potential losses to landowners, and with potential mechanisms such as joint ventures used by the London Legacy Development Corporation, to ensure former landowners are not treated unfairly.
- 3. Align Water Infrastructure Planning With Housing Delivery:** Government, regulators, and planning authorities should introduce a statutory framework requiring water and wastewater capacity to be planned, funded, and delivered alongside Local Plans, removing delays from misaligned investment cycles and infrastructure shortfalls that stall or prevent social housing delivery.

Funding

- 4. Formalise and scale a new intermediate “flexi-tenure” model to strengthen long-term funding certainty:** Government and Homes England should support the development of a distinct intermediate tenure – separate from social rent – in which rents are linked to household income within clearly defined, index-linked caps and floors. The caps and floors should be transparently uprated through a stable, published indexation mechanism, with long-term safeguards to provide confidence that the indexation framework will not be subject to unexpected change. While income linkage introduces variability rather than fixed certainty, this variability can be structured and managed within agreed parameters, enabling providers and investors to model risk appropriately while maintaining affordability and supporting mixed, integrated communities.
- 5. Government must continue to fulfil its commitment to a new predictable mechanism for social and affordable housing funding:** The new, permanently funded National Housing Bank (NHB) goes some way to delivering this. However, government must now continue to work in partnership with industry and capital providers to ensure that the NHB, alongside existing funding mechanisms operated through Homes England provide a consistent, predictable funding regime for the sector.
- 6. Reform grant eligibility to include estate renewal delivery:** Government should collaborate with Homes England to review grant funding options for estate renewal programmes in social and affordable housing. This approach should keep rewarding additional improvements by offering specific funding for additionality, while also introducing financial incentives for estate renewal to acknowledge the societal benefit of renovating existing homes.

Consultations

7. **Build community consent through publicly informed design templates:**

MHCLG, working alongside the new regulator, should create a central library of regulation-compliant housing design templates to ensure that community input is focused early to agree key design principles, fostering local ownership and consent upfront. The designs should be informed by national and regional polling on the forms and styles the public finds most attractive.

8. **Standardise consultation requirements across local authorities:**

MHCLG should develop a national standard for consultation procedures, including consistent formats, closing dates, and reporting templates, to improve transparency, accountability, and comparability across local authorities. This standard could draw on best practice from authorities such as North Tyneside Council, which centralised consultations through a single digital platform, increased participation among under-represented groups, and reduced staff analysis time by around 50%.¹

9. **Statutory consultees to advise only at the stage of the planning process where their input is most impactful:**

MHCLG should further limit statutory consultees' involvement at application stage and confine their input to clearly defined strategic points in Local Plans and Spatial Development Strategies. Their role should be advisory rather than binding and subject to cost-benefit considerations to ensure interventions are materially relevant.

¹ Local Digital, Dec 2025, [North Tyneside saves 50% of staff time on consultation analysis with digital tools while boosting diverse engagement.](#)

Introduction

Successive UK governments over the last 30 years have persistently failed to address an escalating social housing crisis. The situation has now reached a new high where more must be done, with more than 1.3 million households currently on a social housing waiting list², over 130,000 families living in temporary accommodation across England³, and just over 12,000 social homes being delivered a year⁴.

The numbers are startling: some families on the social housing list in parts of London, for example, face up to a 25.75 year wait, with an average wait of 6.6 years for the more than 335,000 Londoners on the waiting list⁵. Recent Homes England figures show that the number of affordable housing starts the body has made fell by 12% in the six months following 1 April 2025 compared with the same period in 2024, while starts for social rent homes dropped by a striking 38%⁶.

Meanwhile, those who live in existing social and affordable housing are often stuck in flats with severe issues of mould, poor insulation, and inadequate ventilation. This explains why almost one in five social housing tenants are dissatisfied with their accommodation, according to the most recent tenant satisfaction survey by the Regulator for Social Housing (RSH).⁷

In addition to disadvantaging those on lower incomes, the broken social housing system is also costing the government billions a year. In 2025 alone, local councils in England spent a record £2.8bn on temporary accommodation due to the

² Gov.UK, 2025, [Social housing lettings in England, tenants: April 2024 to March 2025](#)

³ Crisis, 2025, [More than 130,000 households trapped in temporary accommodation in England](#)

⁴ Gov.UK, 2025, [Affordable housing supply in England: 2024 to 2025](#)

⁵ The Standard, 2025, [Londoners face shocking 25-year wait for council homes as capital's housing crisis deepens](#)

⁶ Homes England, 2025, [Housing Statistics 1 April 2025 – 30 September 2025](#)

⁷ Gov.UK, 2025, [Press Release](#)

unavailability of adequate housing. This represents a 25% year-to-year increase, suggesting a clear trend of higher spending for the coming years. Meanwhile, research from Shelter and the National Housing Federation shows that the UK economy is missing out on £51.2bn in GVA that would result from building 90,000 new homes at social rent.⁸

Against this backdrop, the current government has pledged to make housebuilding – including social and affordable housing – a core priority of its policy agenda. Over the past year, it has introduced a series of measures aimed at tackling the ongoing crisis. These include a £39 billion commitment to social and affordable housing through the Social and Affordable Homes Programme, the establishment of a new National Housing Bank to unlock additional long-term capital, reforms to how local authorities exercise powers to block or delay large-scale developments (over 150 homes), and changes to the statutory consultee system to streamline planning decisions.

However, while these measures are welcome, they are only the first step towards making real progress in social housing development and are certainly not enough to significantly boost social housing across England. Ultimately, the government's efforts thus far have fallen short of delivering major improvements in social housing development, although their intent to address these shortcomings is clear moving forward with the launch of the National Housing Bank.

⁸Shelter, 2024, [Press Release](#)

The viability gap

In a statement on the Planning and Infrastructure Bill in the run up to Budget 2025, Chancellor Rachel Reeves affirmed a commitment to “showing investors that we are a country that gets spades in the ground and our economy growing”.⁹ Yet, the stalling number of new builds makes clear a structural faultline running through the housing sector and its growth potential: the widening viability gap.

The viability gap ultimately consists of two separate, although related, problems. One is the predictable, and, to an extent, necessary gap that arises between social rents and market value. The completed value of social housing often sits between Existing Use Value (EUV) and around 80% of Market Value for Tenure (MVT), considerably below what could be achieved through a straightforward open market sale. This shortfall is typically made up through grant funding, cross-subsidies, and the profits from other properties within a development. Homes England grant rates have not adjusted in line with the rapid escalation in build costs, meaning a growing share of development risk is being absorbed by providers rather than the state.

Further, reliance on Section 106 agreements, where developers agree to build a proportion of affordable or social housing, with the shortfall made up through other properties in the development, are increasingly difficult due to constrained budgets leaving Housing Associations unable to bid for and contract out such properties. At the same time, elevated interest rates have increased the cost of borrowing used to bridge the gap between grant allocations and total scheme costs. With limited fiscal headroom constraining the scope for grant uplifts, housing associations and developers are left exposed to cumulative regulatory

⁹ Gov.UK, 2025, [Press Release](#)

obligations, from building safety gateways to environmental and planning requirements, which continue to push up costs across a scheme's lifecycle.

The second problem is more general to the housebuilding and construction sector but is made particularly acute when considering the aforementioned impact of social rents. The cumulative effect of regulatory barriers, land acquisition costs, rising construction costs, and labour shortages increasingly mean that the cost of delivering new homes on sites exceeds the value they can achieve on completion, even after grants or cross-subsidies are applied. To put this in numerical terms, build, land, and regulatory costs for the housebuilding sector have risen by around 17% since 2022, while sales prices have grown by only 1%.¹⁰ While these sales price figures relate to the private market, experts and industry leaders agree that the viability challenge is typically more severe in social housing.

This is because as a result, even with grant funding or cross-subsidies, the financial gap between costs and achievable value is greater, placing additional pressure on providers to find viable delivery models.

On the value side, social housing revenues have become increasingly constrained: rent caps and delayed rent convergence have limited income growth, while grant rates have failed to keep pace with sharply rising build costs. With rental income and grant funding covering only a fraction of development costs, schemes are unable to absorb cost pressures and viability has deteriorated rapidly. In London, providers report subsidy gaps of around 60% on new family homes, making large-scale social housing delivery increasingly unviable.¹¹

Additionally, weak viability, compounded by retrofit pressures and rising debt costs, reduces housing associations' capacity to purchase the Section 106 homes

¹⁰ Zoopla, 2025, [Research: The viability of homebuilding and how we're taking action](#)

¹¹ Social Housing, 2025, [Subsidy crisis' in London as viability gap opens up, L&Q's finance director says](#)

already built. In October 2024, the Home Builders' Federation found that 17,432 affordable homes with planning permission remained stalled due to the absence of a housing association willing to purchase the Section 106 units.¹² As a result, mixed-tenure schemes grind to a halt, local authorities struggle to advance regeneration plans, and communities face longer waiting lists, poorer housing conditions and increasing reliance on expensive temporary accommodation, which already houses over 132,000 households¹³.

Scope

If systematic reform of our housing sector is to deliver economic growth in the way the government intends, it needs to go further on “backing the builders not the blockers”, to quote the Chancellor¹⁴, and restore the fundamentals of development economics.

This research therefore focuses on the drivers of the widening viability gap in social housing: the growing disconnect between development costs and the revenues available to support delivery. It points to the fact that viability failures arise from a wider system of interacting constraints that extend beyond the planning decision itself.

The analysis is structured around four interdependent levers that determine whether social housing schemes proceed from allocation and consent to construction and occupation:

1. Reducing regulatory delays and complexity
2. Securing land at realistic values
3. Fixing the way funding flows through the system, and

¹² LGC Plus, 2025, [REVEALED: How section 106 crisis is threatening affordable housing delivery](#)

¹³ Shelter, 2025, [Press Release](#)

¹⁴ GOV UK, 2025, [Press Release](#)

4. Establishing a planning and consultation process that facilitates rather than frustrates delivery

The paper draws on a series of interviews conducted with leading industry experts and a roundtable convening senior figures representing housing associations, developers, investors and think tank analysts. It examines recent policy reforms, sector data, case studies and stakeholder evidence to identify where current approaches fall short and where targeted reform could most effectively close the viability gap. It sets out a practical, evidence-based roadmap for reform, focused on improving delivery certainty, reducing avoidable risk premiums, and restoring confidence among public and private actors involved in social housing provision

Regulatory hurdles holding back social housing

The UK's regulatory landscape has become a material driver of the widening viability gap in social housing. With public finances constrained and the viability gap already high, the delivery of new social homes now relies on unsustainably large public subsidy per unit. The cumulative regulatory burden has steadily increased development costs, reduced throughput, and elongated timelines. New requirements around building safety, environmental performance, and biodiversity have been layered on top of long-standing planning obligations, Section 106 contributions, and multiple levies. The result is a system in which social housing absorbs high regulatory costs and delays at almost every stage of development.

Sector stakeholders emphasise that the central problem is not any single regulation but the compounded effect of multiple, uncoordinated regulatory systems operating without a shared statutory mandate to deliver housing at scale. Planning authorities, the Building Safety Regulator, Natural England, Ofwat, grid and highway authorities, utilities, and local infrastructure agencies each control discrete aspects of housing delivery, yet none has a duty to coordinate or sequence decisions. This produces duplicated assessments, overlapping requirements, and protracted approvals, particularly for infrastructure and environmental sign-offs, which directly inflate viability gaps. In many cases, viable schemes are stalled not because of planning policy, but because adjacent regulatory approvals cannot be secured in time or at predictable cost.

The Grenfell Tower tragedy made clear the need for reform, and it was right to introduce measures designed to prioritise safety and ensure standards. Despite

the spirit of the reforms, the resultant building safety regime illustrates the unintended consequences of fragmented regulation. The Building Safety Act 2022 introduced new gateway approvals to strengthen oversight of Higher-Risk Buildings. While safety must remain paramount, the gateway system has created long backlogs and high holding costs, discouraging high-rise, brownfield development in precisely the locations required for national productivity and spatial growth. This means that investment in lower-density suburban single-family housing is often attractive for a range of sound reasons, including strong market demand, stable returns, and portfolio diversification. Lower regulatory risk adds to these existing investment incentives, however, creating tensions with policy objectives that aim to prioritise higher-density, mixed-use, and affordable housing in areas of greatest social need. Similar bottlenecks are emerging in environmental regulation. In some areas, Biodiversity Net Gain requirements cannot be met because approved credits are unavailable, leaving compliant and otherwise viable schemes unable to progress despite alignment with planning frameworks.

Government has now formally acknowledged that regulatory fragmentation has become a structural barrier to delivery. The Single Construction Regulator Prospectus (2025) highlights that regulatory responsibilities are distributed across twelve separate bodies with no coordinating authority. The proposal to consolidate these functions signals recognition that fragmentation is driving delay, risk, and higher subsidy requirements for social housing. Industry participants argue that regulatory coordination, rather than wholesale deregulation, represents the critical reform. A single, integrated approval pathway spanning planning, safety, environmental, and infrastructure decisions would reduce the multi-track sign-off processes that currently stall schemes at multiple points. A national repository of pre-approved housing designs, maintained

centrally and accessible to councils and developers, could further streamline repetitive technical assessments and reduce transaction costs.

Recommendations

1. The New Single Construction Regulator should be formally designated as the statutory body responsible for regulatory oversight across all strands of housing development, including new social and affordable housing:

Working alongside Homes England, which retains its established role in housing investment and delivery, the Regulator would provide national leadership on standards, safety and quality, ensuring these are treated as complementary rather than competing priorities. Its remit should explicitly include responsibility for driving forward building safety reform, with a strong mandate to oversee and accelerate implementation of the Building Safety Act 2022, particularly addressing systemic bottlenecks at Gateways 2 and 3. Positioned at the apex of the regulatory system, the Regulator would act as the coherent and authoritative voice ensuring that safety, quality and the conditions necessary for social housing delivery are properly aligned.

2. Government should use NISTA (National Infrastructure Service Transformation Authority) and the proposed new Single Construction Regulator to rationalise and simplify overlapping regulatory regimes, streamlining interfaces between planning, building safety and infrastructure bodies:

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environment would make it easier to enforce building safety standards robustly, cut through overburdensome environmental regulation, and support the timely delivery of new social homes at the scale required.

A lack of viable land

The unavailability of suitable land, whether constrained by spatial planning, land banking, or high acquisition costs, is a central driver of the viability gap.

At a national level, land supply appears reasonable. CPRE estimates that brownfield land in England could accommodate at least 1.41 million homes, including around 770,000 on sites with planning permission¹⁵. However, many consented sites remain stalled. Evidence from industry experts suggests this reflects weak scheme viability driven by rising build costs, cumulative regulatory burden, infrastructure and utilities delays, and difficulties negotiating Section 106 obligations. As a result, sites fail to progress to construction. Crucially, the challenge is not just land availability, but availability in areas of acute housing stress, particularly London and the South East.

Government has taken steps to expand land supply and improve viability, including the Brownfield Land Release Fund 2, which provides capital to address core issues with unused brownfield sites, and new delivery vehicles such as Platform4 to unlock ‘unviable land’. Planning reforms, including changes to Compulsory Purchase Orders and the Planning and Infrastructure Act, aim to create a more pro-development environment, though timely commencement will be critical.

Despite these interventions, industry experts and stakeholders highlighted persistent structural barriers to delivery. The Greater London Authority’s Strategic Housing Land Availability Assessment¹⁶ shows that London’s future supply will have to focus on small sites and intensification rather than large-scale developments. Over 38% of identified housing capacity comes from small sites (below 0.25

¹⁵ CPRE, 2025, [State of Brownfield](#)

¹⁶ Greater London Authority, 2027, [London SHLAA](#)

hectares), compared to NPPF guidelines of around 10%. Whilst small sites make an important contribution to housing delivery, and can be delivered relatively quickly, they are less suitable for viable social and affordable housing delivery, as section 106 obligations are often not sought on developments below 10 dwellings, and small sites naturally have fewer market-price homes to make up the shortfall required for viable social and affordable housing. The London Brownfield Land Register¹⁷ further demonstrates that many consented sites are constrained by infrastructure, heritage, or operational limitations, reducing their utility for new social and affordable housing.

Experts, developers, and industry roundtables revealed that sites in high-need areas are too complex and expensive to develop. One developer described how “the easy sites have been done”, leaving land which may have planning permission constrained by contamination, infrastructure, and servicing limitations. Land prices also reflect optimistic future value assumptions, and values rarely adjust downward. Although there was not widespread evidence of “landbanking” (the practice of holding land with planning potential in anticipation of value uplift) in the Letwin review, the number of stalled sites is still affected by the fact that compulsory purchase orders are underused as a result of often reflecting the aforementioned optimised future value assumptions, or “hope values”. Secretary of State, Steve Reed, following his predecessor Angela Rayner both committed to tackling delayed housebuilding by developers, introducing a “delayed homes penalty¹⁸”.

Compulsory purchase orders (CPO’s), can be an effective tool to facilitate and unlock sites which would ordinarily be unlikely to come forward for years. Although the government has committed to these, they can be highly effective if Local Authorities are willing to promote CPO’s on behalf of developers, with relevant

¹⁷ Greater London Authority, [Brownfield Land Register](#)

¹⁸ GOV UK, 2025, [Press Release](#)

safeguards to ensure that communities and the landowner benefit. CPO's are most effective when it is clear that the development will be delivered in a reasonable timeframe, with public benefits which outweigh the loss incurred to the landowner, and with mechanisms to ensure there are safeguards to prevent landowners receiving an unfair deal. One such example to draw on might be the London Legacy Development Corporation (LLDC), who entered into joint ventures with former landowners and shared in the value uplift following the extensive regeneration around the 2012 Olympics. Although merely an example, the LLDC experience demonstrates that CPO's needn't leave existing and former landowners unfairly forced to sell land for below what it may be worth, but purchasing authorities also shouldn't have to pay for unrealised hope-values at the point of purchase, before development has taken place.

Developers also highlighted how high-demand cities also tend to have the tightest land supply and highest land values, compounding affordability challenges. This reflects a shift from a purely planning-led problem to one of physical and economic constraint. While sites exist, they are increasingly complex, costly, and burdened by remediation requirements, regulatory demands, and community opposition where development lacks clearly articulated social value.

Policy designations further exacerbate scarcity. In London, industry experts suggested that Strategic Industrial Locations and Locally Significant Industrial Sites may need reviewing. While sometimes justified to protect areas of land for employment use, the GLA's Industrial Land Review¹⁹ notes these designations can limit mixed-use development, particularly where industrial activity is declining. It identifies at least 328 hectares of well-connected land²⁰ that could be declassified to unlock viable residential development.

¹⁹ Greater London Authority, [Industrial Land Review](#)

²⁰ Knight Frank, 2025, [The Great Reallocation](#)

Planning and Section 106 delays further increase holding and financing costs, disproportionately affecting brownfield and urban sites with limited margins for social rent. Water and wastewater infrastructure constraints are also increasingly limiting delivery, with inconsistent policy application delaying around 30,000 homes, including 7,000 affordable homes²¹, despite developers funding upgrades. Water scarcity alone is estimated to cost the UK up to £25bn in undelivered housing²². Further, infrastructure constraints mean communities do not feel the social benefit of increased development without concurrent delivery of infrastructure, reinforcing community resistance and making consent harder to secure.

Overall, government must adopt a more interventionist approach to creating genuinely viable housing sites in high-need areas, while clearly demonstrating the social value of development to communities to unlock stalled sites.

Recommendations

- 1. Strategic Industrial Locations (SILs):** The Greater London Authority and local planning authorities, supported by government, should review underused or low-density SILs, using audits and assessing industrial demand to enable re-designation or co-location, unlocking land for mixed-use development and mixed-tenure or affordable housing while safeguarding industrial capacity.
- 2. Ensure strengthened Compulsory Purchase Orders (CPO's):** Ensure the commencement of measures to strengthen and simplify CPO's to allow local authorities and development corporations/companies to acquire

²¹HBF, 2025, [Tens of thousands of new homes blocked by failure to build wastewater capacity](#)

²² Public First, 2025, [The Case for Water](#)

stalled or underused land at closer-to-existing-use value for social housing. Government must also ensure that the CPO regime has fairness and social value at the core, with safeguards requiring CPO's to demonstrate that the wider social benefit outweighs potential losses to landowners, and with potential mechanisms such as joint ventures used by the LLDC, to ensure former landowners are not treated unfairly.

- 3. Align Water Infrastructure Planning With Housing Delivery:** Government, regulators, and planning authorities should introduce a statutory framework requiring water and wastewater capacity to be planned, funded, and delivered alongside Local Plans, removing delays from misaligned investment cycles and infrastructure shortfalls that stall or prevent social housing delivery.

Creating an investor ready social and affordable housing sector

The slow rate at which new social and affordable housing is coming forward is also linked to a funding system that has, historically, not been well-suited to long-term planning and infrastructure development. According to analysis from the Chartered Institute of Housing, the recent £39 billion commitment to social and affordable housing and the 10-year social rent settlement, could generate an estimated £13 billion in additional rental income for local authorities and housing associations²³. The government's recent launch of the National Housing Bank demonstrates clear intent to rectify some of the historic shortfalls in the funding system, and it is hoped that this will create more predictability and consistency for developers and investors.

Nevertheless, stakeholders consistently highlighted in interviews and roundtables that, currently, funding remains insufficient to make all sites viable. They also noted that funding is often delivered infrequently and inconsistently, failing to provide housing associations, many of which are also managing remediation and other ongoing costs, with the right incentives and resources to operate effectively. As a result, additional grant funding and private investment are still needed to unlock new developments and ensure delivery at scale.

The government has recognised these pressures and has taken steps to improve the funding environment. Measures such as the Affordable Homes Programme (AHP), the introduction of the Social and Affordable Housing Programme with a longer funding horizon, and Homes England's recent launch of the Section 106 Affordable Housing Clearing Service all signal an intent to stabilise delivery

²³ Chartered Institute of Housing, 2024, [Rent Consultation analysis](#)

pipelines and improve coordination between developers and housing associations.

Stakeholders broadly welcomed these interventions as positive signals of direction. However, the consensus remains that these measures have not yet addressed the underlying structural weaknesses of the funding system.

One of the most significant constraints raised by stakeholders is the sector's reliance on Section 106 (S106) agreements, which is an agreement between private developers and local planning authorities where developers are legally required to mitigate their development's impact on the community by building affordable housing, infrastructure contributions, or other site-specific conditions to benefit the area. In 2023–24 alone, as many as 44% of new affordable homes were funded through S106 agreements.²⁴ Nevertheless, recent research from the Home Builders Federation showed that several of the social housing developments that have recently been developed as a result of S106 have remained uncontracted due to Housing Associations' (HA) financial inability to bid for them.

The lack of bids from HAs, which to date has resulted in the stalling of over 17,000 affordable and social housing units across England, is linked to the fact that HAs are increasingly forced to divert their available funds to remediation and retrofit works, as well as covering the rising costs linked to complying with complex regulation.

Homes England's Section 106 Affordable Housing Clearing Service is another welcome step, however experts were clear that while this move is a positive one, it will do little to tackle the underlying funding challenges that HAs are currently facing. Indeed, with housing association budgets becoming increasingly limited, reliance on Section 106 agreements is becoming more fragile.

²⁴UK GOV, 2025, [Affordable Housing Supply in England](#)

A further recurring concern has historically been the structure of Homes England's grant allocation process. Until this year, all HA who wished to apply for Homes England's funding had to do so through the Affordable Homes Programme (AHP) 2021-2026, which was a 5-year funding programme with an initial budget of around £11.5bn where HAs could bid for funds in several rounds. In addition to the fact that the AHP's funds did not cover the cost of building enough social housing to tackle the current needs, the bidding rounds in the scheme, and the 5-year horizon of the entire programme itself did not provide a funding horizon long enough to give HA's the kind of long-term certainty and confidence needed to carry out large social housing developments. The ten-year settlement is welcome and provides greater certainty and a chance to address many of the issues noted above. It is now important that industry continues to work with government to make sure that the administration and delivery of this new settlement is effective in delivering the homes needed.

Finally, one of the outstanding issues with the current funding system, relayed by participants in our roundtable, is that it does not provide the right incentives and support for housing associations who are conducting renewal works on existing housing as well as adding new units to the existing stock. This is because the current Homes England system awards funds only to projects that bring a net addition of housing units to the existing stock, while no funding is available for estate renewal projects, that is when HAs invest in renovating existing houses that often stand in poor conditions. It is important that this is reviewed as part of the Housing Strategy, and that the National Housing Bank, which promises to create an improved funding structure ensures estate renewal is positioned in such a way that all housing stock, new and old, are at the modern standard and are the best possible quality for residents.

Interviewees stressed that this model fails to reflect the scale of investment required to replace or regenerate existing stock that is no longer fit for purpose. As

a result, housing associations face weak incentives to pursue renewal projects that are socially valuable but do not maximise unit additionality, exacerbating poor housing conditions and increasing reliance on temporary accommodation.

Recommendations

- 1. Formalise and scale a new intermediate “flexi-tenure” model to strengthen long-term funding certainty:** Government and Homes England should support the development of a distinct intermediate tenure – separate from social rent – in which rents are linked to household income within clearly defined, index-linked caps and floors. The caps and floors should be transparently uprated through a stable, published indexation mechanism, with long-term safeguards to provide confidence that the indexation framework will not be subject to unexpected change. While income linkage introduces variability rather than fixed certainty, this variability can be structured and managed within agreed parameters, enabling providers and investors to model risk appropriately while maintaining affordability and supporting mixed, integrated communities.
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- 3. Reform grant eligibility to include estate renewal delivery:** Government should collaborate with Homes England to review grant funding options for estate renewal programmes in social and affordable housing. This approach should keep rewarding additional improvements by offering specific funding for additionality, while also introducing financial incentives for estate renewal to acknowledge the societal benefit of renovating existing homes.

Consultations and communities: early engagement as a delivery tool

Community consultation is essential to legitimate and sustainable development. Done well, it can build trust, reduce conflict and improve outcomes for residents and delivery partners alike. However, evidence from interviews and roundtable discussions suggests that the current consultation framework is increasingly contributing to delay, uncertainty and weakened viability for social and affordable housing schemes already operating on tight margins.

Government has acknowledged these challenges and acted. The newly designed system for local plan development, and its digital-first requirements, recognises the need to streamline, modernise and clarify how local plans are prepared and examined across England. These reforms have been broadly welcomed by sector stakeholders as a step in the right direction. Equally, reforms to the statutory consultee system signal a recognition that this type of consultation process has too become overly burdensome and inconsistently applied.

Despite this progress, the system remains burdened by the problem of when and how public consultation on individual new developments takes place. In the current system, meaningful community engagement is too often anchored to a near-finalised planning application. By that stage, site capacity, tenure mix, funding assumptions and regulatory requirements are largely fixed. This late-stage dynamic is associated with longer determination periods and repeated redesign, with national planning performance data showing that only 19% of major applications were determined within the statutory 13-week period in mid-2025.²⁵ Disagreement and redesigns frequently lead to reductions in social and

²⁵ UK GOV (2025), [Planning Applications in England July to September 2025](#)

affordable housing provision as schemes are rebalanced to restore financial viability.

In interviews, experts highlighted that where there is a clearer definition of community benefit by investors and developers at the onset, opposition tends to focus on mitigation and benefit rather than refusal. In fact, evidence shows opposition to new housing is a minority position in every constituency, with 66% of the public supportive of greater housebuilding in at least some circumstances, compared to just 17% opposed in nearly all cases.²⁶ The issue is therefore not hostility to change, but uncertainty about local impact and benefit.

A centrally curated library of regulation-compliant housing templates, informed by polling on the forms and styles communities prefer, would give residents a meaningful role in shaping core design principles from the outset. By enabling communities to act as co-designers of their surroundings, this approach would build ownership early and reduce the likelihood of repeated, late-stage consultations that slow delivery without improving outcomes.

Further, where consultations do occur, they tend to be too fragmented and inconsistent. A national standard would improve transparency and comparability without adding new stages. There is evidence of best practice: North Tyneside Council's move to a single digital platform increased participation among under-represented groups while cutting staff analysis time by around 50%.²⁷

A second, closely related issue concerns the operation of statutory consultation. Natural England has reported that around 30% of its statutory consultee caseload consists of unnecessary referrals, while in 2024–25 it received over 1,000 follow-up consultations where no further advice was required.²⁸ Experts were clear that

²⁶ Pension Insurance Corporation, 2025, [Citizen Gain: Creating social value that lasts](#)

²⁷ Local Digital, Dec 2025, [North Tyneside saves 50% of staff time on consultation analysis with digital tools while boosting diverse engagement](#).

²⁸ UK GOV, 2025, [Reforms to the Statutory Consultee System](#)

solutions should focus on shifting the role of statutory to an advisory one, pinned to specifically defined points in Local Plans or Spatial Development Strategies.

To better align consultation and engagement with timely, viable delivery, reform should reduce delay by involving communities earlier in shaping design principles, introducing greater consistency across planning authorities, and ensuring that statutory consultees intervene only where their input is clearly necessary and proportionate.

Recommendations

1. **Build community consent through publicly informed design templates:**

MHCLG, working alongside the new regulator, should create a central library of regulation-compliant housing design templates to ensure that community input is focused early to agree key design principles, fostering local ownership and consent upfront. The designs should be informed by national and regional polling on the forms and styles the public finds most attractive.

2. **Standardise consultation requirements across local authorities:**

MHCLG should develop a national standard for consultation procedures, including consistent formats, closing dates, and reporting templates, to improve transparency, accountability, and comparability across local authorities. This standard could draw on best practice from authorities such as North Tyneside Council, with a focus on centralising consultations through a single digital platform.

3. **Statutory consultees to advise only at the stage of the planning process where their input is most impactful:** MHCLG should further limit statutory consultees' involvement at application stage and confine their input to

clearly defined strategic points in Local Plans and Spatial Development Strategies. Their role should be advisory rather than binding and subject to cost–benefit considerations to ensure interventions are materially relevant.