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# Options for improving Affordable Housing delivery

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<b>Committee considering report:</b>	Resources and Place Scrutiny Committee
<b>Date of Committee:</b>	25 November 2025
<b>Portfolio Member:</b>	Councillor Denise Gaines
<b>Report Author:</b>	Nick Caprara

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## 1 Purpose of the Report

- 1.1 The purpose of this report is to explore options that are available to the Council in order to deliver additional social housing and ensure that it achieves Members target of delivering 1,000 units of social housing by 2030. Recently several issues have arisen which are directly impacting the traditional mode of delivery for affordable housing locally and nationally.

## 2 Recommendation

- 2.1 Members are asked to authorise that officers continue to proceed with reviewing the preferred options to facilitate increased delivery of affordable housing locally.
- 2.2 These options will include:
- The establishment of an RP Framework with partner local authorities in order to formalise and incentivise development partners.
  - Exploring the implications of accepting commuted sums on sites and to undertake further modelling on how this may affect delivery through key strategic relationships with RPs locally
  - The acceptance of a flexible approach to s106 agreements Implications and Impact Assessment.
  - Continuing to engage with the local MP to lobby government and providers to tackle significant barriers to delivery at the current time.
  - Not to proceed with the development of a Housing Company due to financial viability issues remaining significant.

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Implication	Commentary
<b>Financial:</b>	<p>At this time there isn't sufficient detail to assess the overall financial impact. However, if there is a reduction in available social rented homes, while there is a continued high level of demand, then there will be continued pressure on Temporary and Emergency Accommodation budgets due to homelessness presentation.</p> <p>A flexible use of S106 funding could reduce the number of housing schemes, however this could be offset by the benefits of more homes being built to supply the local area which can help contribute to emergency and temporary accommodation provision.</p>
<b>Human Resource:</b>	None.
<b>Legal:</b>	<p>The legal mechanisms are in place to amend planning obligations and to deliver alternative affordable housing.</p> <p>Some of the options in this report, for example, consenting to remove the restrictions on staircasing out in designated protected areas, will lead to the reduction of affordable housing held in perpetuity across WB.</p> <p>Possible legal challenges if the Council is not addressing the type of affordable housing that is required in WB i.e. if social rented is needed and First Homes are being provided.</p>
<b>Risk Management:</b>	The risks involve the potential for reduction in amount of affordable housing available both in short and long term and associated impacts which may directly impact number of households remaining in emergency and temporary accommodation in the immediate term.
<b>Property:</b>	None
<b>Policy:</b>	National Planning Policy Framework and Planning Policy Guidance is a material consideration as well as Local Planning Policy (Emerging Policy SP19 Affordable Housing). Further details are set out within the report.

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	Positive	Neutral	Negative	Commentary
<b>Equalities Impact:</b>				
<b>A</b> Are there any aspects of the proposed decision, including how it is delivered or accessed, that could impact on inequality?		X		The market issues exist and the potential reduction in affordable housing delivery is already taking place. The proposals within this report are to minimise the potential impacts. As such the impact of the proposal in this report is considered neutral.
<b>B</b> Will the proposed decision have an impact upon the lives of people with protected characteristics, including employees and service users?		x		
<b>Environmental Impact:</b>		x		
<b>Health Impact:</b>		x		
<b>ICT Impact:</b>		x		
<b>Digital Services Impact:</b>		x		
<b>Council Strategy Priorities:</b>				The proposal will impact upon the Council's commitment to deliver 1,000 homes by 2030
<b>Core Business:</b>		x		Business as usual
<b>Data Impact:</b>		x		

<b>Consultation and Engagement:</b>	Planning Officers, Housing Officers, Legal
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### 3 Executive Summary

3.1 This report is presented to consider options which address challenges in delivering affordable housing under the current arrangements. It seeks to highlight the issues around relying on Section 106 (S106) agreements currently to secure affordable housing provision. The aim is to propose approve the development of alternative measures and options which could be pursued locally in order to mitigate the negative impact on new housing delivery, while ensuring consistent decision-making and adaptability to changing market conditions. If alternative options are not pursued this there is a risk that sites will not contribute towards achieving the Affordable Housing targets which have been set due to ongoing viability challenges from both developers and Registered Providers.

#### 3.2 Summary of the Proposals

To highlight options which may facilitate greater delivery of affordable housing provision in the medium term rather than relying on traditional approaches through s106 agreements and individual negotiation on sites. Options to be explored include:

- Establishing a regional or sub-regional framework agreement between local authorities and registered providers to influence the delivery of affordable housing through the Berkshire Prosperity Board.
- Flexible approach to s106 agreements including:
  - Requests for a DPA waiver;
  - S106 variations to provide alternative tenures
  - Introduction of cascade mechanisms into S106, Introduction of more flexible S106 clauses
- Reviewing the Council's approach to accepting commuted sums on schemes where viability is an issue and utilising sums received to support RP led schemes to deliver additional social rented homes

3.3 The options will enable officers to continue to work flexibly in the approach to delivering additional affordable housing. Proposed measures provide for immediate flexibility where existing S106 requirements are proving too restrictive. However, the flexibility results in increased risk that the resulting provision may not fully accord with planning policy, may result in a reduced amount of social-rented development in the short term and reduced amount of shared-ownership housing available in perpetuity.

3.4 The approach will support with sustaining housing delivery amidst market challenges, balancing short-term needs with longer-term affordability goals. Regular monitoring and review will ensure that approach remains responsive and effective. Approval of these recommendations is crucial to addressing current obstacles and promoting continued

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housing development Officers will also seek greater engagement with government to address the challenge of incentivising providers to enter or remain in the affordable housing market.

## 4 Supporting Information

### Introduction

- 4.1 In April 2025 Inside Housing posed the followign quesiton “*What are the main challenges currently facing the social housing sector?*”
- 4.2 Their answer was a simple one “*Quite simply, there is not enough social housing to meet need.*”.
- 4.3 This report is intended to set out the current issues facing the Council in delivering Affordable Housign provision in the district. It sets out a number of options which may represent a departure from standard operating practice in order enable delivery to continue to meet local demand.

### Background

- 4.4 The Local Plan identifies a need of 330 dwellings per annum of affordable homes over the plan period.
- 4.5 Facilitating the delivery of Affordable Housing is a key strategic priority for the Council. Members have set a target of delivering 1,000 new affordable homes by 2027.

#### Affordable Housing Delivery 2021 - 2025

	Social Rent	Affordable Rent	Shared Ownership	TOTAL
2021/22	86	18	65	169
2022/23	116	0	60	176
2023/24	129	75	85	289
2024/25	101	0	90	191
2025/26 (Q1)	33	0	12	45
Total	465	93	312	870

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- 4.6 The National Planning Practice Guidance (NPPG) states that all households whose needs are not met by the market, and which are eligible for one or more of the types of affordable housing set out in Annex 2 of the NPPF are considered to be in affordable housing need. This includes a number of tenures comprising social rent, other affordable housing for rent, discounted market sales housing (at least 20% below market value) and other affordable routes to home ownership (shared ownership, equity loans, low-cost homes for sale, First Homes and rent to buy).
- 4.7 Homes England are clear that policy compliant homes are not eligible for grant provision and that grant funding through the affordable housing programme is only available to support additionality in terms of the delivery of affordable housing.
- 4.8 The NPPG states that where public grant funding is provided, there should be provisions for the homes to remain at an affordable price for future eligible households, or for any receipts to be recycled for alternative affordable housing provision, refunded to government or specified authority.
- 4.9 The Local Plan Affordable Housing Policy SP19 requires the starting expectation for affordable housing to be provided on-site. On development sites of 10 dwellings or more (or 0.5ha or more) 30% provision on previously developed land and 40% on greenfield land; or for sites in designated rural areas between 5 and 9 dwellings 20% provision. It also states the Council will expect First Homes and other forms of affordable home ownership dwellings to remain affordable in perpetuity so as to meet the needs of both current and future occupiers.
- 4.10 The policy states that the starting point is for the Council to seek a tenure split of affordable housing on each development site of 70% social rented and 30% affordable home ownership. The Housing Need Assessment concluded that the core requirement is for social rented housing, however recognised that there was still a significant proportion of existing and newly arising households that require access to some form of affordable home ownership including shared ownership, discounted market sale and First Homes.
- 4.11 The Councils approach to delivery of affordable housing has been primarily by way of securing delivery through S106 agreements on the grant of residential planning permissions. The operational target in recent years has been to achieve 150 completions of affordable housing units per annum. This performance is based on property hand over data from Registered Provider (RP) information which units are completed any advertised for letting through the Council's Home Choice website or Shared Ownership units are advertised for sale.
- 4.12 The Affordable Housing Sector has faced challenges in recent years which has resulted in many home builders finding it increasingly difficult to fulfil their S106 affordable housing requirements due to a lack of bids from RP's. This has become particularly apparent in West Berkshire over the past 12-18 months whereby numerous approved development schemes have requested variations to the S106 agreements to address these challenges.
- 4.13 This issue is not unique to West Berkshire, in 2024 Savills reported that 53% of housing associations no longer intend to acquire S106 homes or were reducing their requirements, financial capacity had impacted appetite for S106 homes, and this would remain for the next 2-5 years or longer. It is hoped that the pending changes to the

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grant regime and other Government initiatives promoted in the recent spending review will improve this position and provide greater certainty.

4.14 A number of requests for variations to S106 agreements have been received by the Council in the past year due to the difficulties which developers and RPs are being faced with. As a result, developers who planned to deliver affordable housing as part of a S106 agreement have either been unable to secure an RP and have therefore sought to amend the S106 to either alter the provision or enable greater flexibility within the S106 agreement.

4.15 Key issues that have arisen in West Berkshire include:

- Registered Providers focusing their financial resources to focus on improving and retrofitting their existing stock to meet Decent Homes Standards, energy efficiency targets and regulatory requirements to invest in their stock.
- Registered Providers are prioritising delivery away from s106 schemes to land-led grant funded development, where they can have greater influence over design and the type of homes built.
- Viability issues are presenting a significant barrier to providers progressing schemes due to increased construction costs, material shortages and rising labour costs have all detrimentally impacted the viability of new build schemes.
- Registered Providers not willing to invest in schemes that do not deliver significant scale. The main provider in the district is Sovereign Network Group (SNG) and they have adopted a minimum provision of c40 units while other key strategic partners are only considering schemes of >30 units due to viability issues.
- Registered providers unable to agree to the specification of units with developers and refusing to purchase as RPs seek to future proof their acquisitions in anticipation of building regulation changes meaning they are only looking for s106 properties that exceed current standards. This recently occurred at the David Wilson developed scheme in Speen where the planning permission was secured several years earlier and did not require some of the sustainable design and construction methods (such as heat pumps) that RPs now require. It also remains an issue on the final phase at the Racecourse site.
- Registered providers unwilling to secure S106 affordable housing unless a Designated Protected Area (DPA) waiver is agreed for schemes in rural areas to allow shared ownership units to be staircased up to 100%
- Developers requiring more flexible S106 clauses with cascade mechanisms to allow for alternatives and avoid the need to vary S106's
- Registered providers requiring flexible S106 clauses to secure above policy Affordable Housing
- Registered providers requesting CIL relief (social housing) on schemes that are 100% affordable housing (CIL relief is normally only available on policy amount 30,40 or 20%)

4.16 During recent discussions Homes England have indicated that amongst the amendments to their new delivery models following the recent Spending Review announcements will be a focus on making the programme more accessible, more flexible, and reducing barriers to entry to programmes for RPs of all sizes and local authorities.

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4.17 Officers have explored the establishment of a Housing Company in recent years. In 2020/21 a feasibility study was undertaken to assess whether the Council should set up a Housing Company to purchase homes for market rent and social rent purposes. A decision was taken not to proceed with this model due to the rising property costs, high cost of establishing the Housing Company increased borrowing costs and overall low rate of return on investment.

4.18 In a report to members in December 2024, Members agreed that pursuing this course of action was not recommended. Since this time there are further examples of local authority Housing Company schemes being wound up due to rising costs and viability including Reading Borough Council in July 2024 (<https://media.reading.gov.uk/news/homes-for-reading-to-close>) and Norwich City Council in July 2025 ([Millions lost by Norwich City Council housing firm 'shameful' - BBC News](#)).

## Proposals

There are options and opportunities which can be explored further which may impact the delivery of affordable housing in the district.

### 4.19 Framework Arrangement

There are examples of how framework agreements across a wider geographic region can help facilitate affordable housing delivery. The West of England Combined Authority framework brings partners from the Mayoral Authority, Local Authorities and Registered Providers together, to facilitate the development of affordable housing and other related projects in the region.

Wokingham Council meanwhile have developed a formal Registered Provider Partnership with selected partners on a framework agreement. This model appears to be similar to the preferred partner status which previously operated in WBC.

At the current time the most recent developments in West Berkshire have been delivered by SNG, Abri, SOHA and Aster. Developing a framework across a wider geographic area could be an initial opportunity through the emerging Berkshire Prosperity Board for a Berkshire wide strategic partnership could encourage greater engagement from RP partners. The added benefit is that RP partners seek to broaden their operational areas and expanded their portfolios.

A Berkshire wide Prosperity Board has been established and one of the key deliverables is the AH workstream which has the following ambition:

- Developing strategic partnerships with key stakeholders including Homes England, MPs, Registered Providers, and the Health Sector.
- Aligning housing initiatives with the Berkshire Prosperity Board's broader objectives.
- Ensuring a consistent and evidence-based approach to specialist housing needs

In addition, there are potential opportunities through the emerging Local Government Reorganisation to develop partnerships across the Ridgeway and Oxford & Shires area, should the "Two Unitaries" proposal be accepted by government next year.



### 4.20 Variation to s106 Agreement

Requests to negotiate or vary s106 agreements are becoming more and more regular as developers and RPs struggle to deliver viable s106 schemes. It is recognised that there is a need for flexibility to address the lack of demand for S106 housing having a bigger and more protracted impact upon new home delivery.

The most appropriate way to do this is through immediate short-term flexibility through the planning system and S106 agreements, with close monitoring of the situation. This may result in a reduced range of affordable housing tenures being delivered, particularly social and affordable rent but will allow continuation of new housing to occur. Any approaches introduced now must be regularly reviewed to ensure they remain applicable to the current context to keep impacts to a minimum.

To date decisions have been made on a case-by-case basis.

Options that could be employed by the Council to address the issues including.

- A more collaborative approach with developers and RP's, more as partners with greater input at design and planning stages – raise the conversations at pre-application and planning application stages.
- Flexibility over drafting of s106 agreements that can facilitate ultimate delivery of 100% affordable housing schemes. Frequently developers are negotiating “traditional” policy compliant s106 agreements which have flexibility built into them in the event that the site is disposed of to an RP who subsequently seeks to develop a site to provide 100% Affordable Housing (e.g. Abri led scheme at Pound Street Newbury and Station Road Hungerford for example)
- Greater flexibility to allow occupation of private homes even if affordable housing is not yet sold and including cascade mechanisms within S106 agreements so that other tenures/mixes can be delivered without need for formal variation
- Variation of S106 to provide alternative tenure – to consider each application on its merits. Applications to modify the S106 should be accompanied by a robust case with evidence of the issues, details the RP's approached, evidence of responses from the RP's and evidence that the Homes England Clearing Service has been used. Where alternative “non-traditional” affordable housing provision is assessed, there is a risk that a reduced amount of social rented provision contrary to planning policy may be secured. This risk can only be accepted where it appears that the only alternative option is nil affordable housing or accepting a commuted sum for a scheme.
- Requests for a DPA Waiver - to consider each application on its merits having regard to the guidance from Homes England. The risk associated with this option is that where owners of shared ownership properties stair-case up to 100% the RP is under no obligation to buy back the property or deliver replacement housing within West Berkshire resulting in a net loss.

### **4.21 Commuted Sums**

Traditionally the Council's position has been to retain on site delivery of affordable housing units and have been justifiably proud of this position and the success in previous years of securing this position. As a result, commuted sums have not been routinely sought.

One option is for the Council could change this stance and to accept more commuted sums. This would require Members to be open to allowing certain schemes to not deliver on site affordable housing with the acceptance that delivery of affordable would be a longer term investment on specific identified strategic sites in the district.

These funds could then be utilised to incentivise key partners to deliver homes around supporting their bids for s106 schemes with additionality alongside the affordable homes programme grant funding. The availability of a sizeable commuted sums pot may enable increased levels of social rented homes being able to be secured on schemes thereby making them viable for delivery.

### **4.22 WBC Purchase s106 schemes**

The Council could opt to intervene on schemes where developers are unable to source a willing RP partner. An option would be for the Council to negotiate to acquire these units to add to its existing management portfolio through the use of existing s106 funds or future commuted sums (see 5.20).

Risks associated with this approach are that there are limited s106 funds available and there are already projects which may rely on these funds being available to minimise capital pressure on the Council.

At the current time the Council owns 99 dwellings (including Walnut Close). If this volume increases to over 199 homes then the Council would be required to establish a Housing Revenue Account (HRA) as Councils that own and manage more than 200 social housing units are legally required to maintain an HRA under the Local Government and Housing Act 1989. The HRA is a ring-fenced account separate from the General Fund, meaning money raised from tenants (e.g., rent, service charges) must be spent solely on housing services. Operating an HRA requires strategic decisions about maintaining, upgrading, or redeveloping housing stock and would require significant additional costs and governance reporting.

As a result this position needs to be continuously monitored at the current time in order to minimise risks associated with stock ownership.

### **4.23 Petition Government**

There is an opportunity work with the local MP who is on the Select Committee with an opportunity to influence Government policy. The Council recently met with Lee Dillon MP to discuss opportunities and from this arose a commitment to request a meeting with the Housing Minister at which we could secure the opportunity to pilot some proposed solutions. Key elements of the discussion included.

It was noted that the 10-year rent settlement has now been agreed and so Registered Social Landlords are now rewriting Business plans to reflect increased visibility of funding,

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however there are more fundamental issues that we need to address by working with government to drive provision in the area.

New requirements for sustainable energy capacity in properties have proved a further challenge to secure providers due to increased costs and timings. There is potential to mitigate this by negotiating support for incentivisation payments to landlords to fund retrofitting activity. This could potentially come from the earmarked MHCLG budget to enable affordable housing on blocked sites, and this was discussed with the MP as a subject to be raised with the Minister.

Officers agreed to draft a letter for Lee Dillon MP to send to Sovereign, as leading provider in the area, challenging the lack of new sites in West Berkshire, as Sovereign are committed to existing stock but not developing their presence in the area.

It was also agreed to draft a paper for the MP to raise with the minister including the above matters and additionally:

Viability arguments and the planning system – schemes go forward to Planning without affordable housing on the viability argument, however the bar of 18-20% effectively precludes affordable housing as developers hold out for more favourable deals. The draft will propose a system change to review acceptable profits from development. Lee Dillon advised that the Select Committee are undertaking a review of land value capture however the best way to deliver affordable housing is through grant.

Regarding grant for provision of affordable housing, it was agreed to raise the matter of Homes England funding for affordable housing being limited to additionality on policy compliant schemes and councils being unable to include 100% affordable housing in s106 agreements. West Berkshire Council has had conversations with other councils on this matter and found the guidance and direct advice from Homes England to be unclear and at times inconsistent.

Application of affordable housing policy to alternative housing provision, such as older persons, special needs accommodation through to adulthood and care homes, was discussed. While there is apparently a scheme for older persons' housing through McCarthy and Stone, it was agreed to widen the debate in the draft to include all the above groups.

## 5 Other options considered

- 5.1 The purpose of this report is to explore and determine which are the most appropriate options for the Council to continue to maximise the delivery of affordable housing in the district.
- 5.2 Establishing a Council owned Housing Company has been considered previously as not being viable at the time. Given recent developments surrounding other local authority owned housing companies as set out in 4.18 this option is not being considered for further exploration.
- 5.3 Do nothing is an option which is open to the Council as the current Policy provision continues to deliver affordable housing units at a scale as set out in 4.5. There is a risk that by doing nothing officer resources will continue to be required in negotiating variable terms as the industry is evolving and striving to find ways to continue to deliver affordable housing.

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- 5.4 By “doing nothing” it may also lead the Council open to challenge when determining requests from RP’s or developers. Outlining the approach to requests assists with providing clarity to RP’s and developers and to manage the risks appropriately.
- 5.5 As a result, “do nothing” is not believed to be an appropriate response.

## 6 Conclusion

- 6.1 The current affordable housing market is facing significant pressures nationally due the financial circumstances of affordable housing providers and as such an agreed change in approach by the Council is necessary to manage the risks associated with this.
- 6.2 In the short term it is necessary to ensure that affordable housing of any tenure is delivered to address the needs of the district. Without a flexible approach to S106 housing there is more likelihood that development could stall, be delayed or developers may seek to demonstrate a scheme is not viable to deliver affordable housing.
- 6.3 This would reduce the amount of affordable housing available in the district and impact negatively upon people and families, increase risks of homelessness, longer waits on housing register and additional cost to the council in terms of temporary housing.
- 6.4 The recommendations ensure that the Council can continue to facilitate delivery of affordable housing, manage and influence the tenure of affordable housing and minimise long term risks. The recommendations present an appropriate way to manage the process.

## 7 Appendices

None

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