

Small Sites Small Builders Programme

S106 Acquisitions Research Project

Greater London Authority

19 January 2026



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1.0

Introduction

1.1

This report has been prepared by Lichfields on behalf of the Greater London Authority ('GLA') in relation to the GLA's Small Sites Small Builders ('SSSB') Programme. It addresses the existing S106 affordable housing acquisition process on small sites across London, particularly the 'matching' of s106 affordable housing opportunities between suitable stakeholders in the context of perceived difficulties currently being faced.

Background

1.2

Our research focuses on affordable housing provided as part of new build housing developments, pursuant to a s106 agreement (planning obligation) which will stipulates the provision of that affordable housing. In this research we are typically talking about the process by which a builder/developer will bring forward new housing development and will sell, transfer, or otherwise dispose of, some of those new homes to a registered provider (e.g. a housing association) for use and management as affordable housing. It is this process and mechanism – in a broad sense – where friction is occurring within the market, ultimately delaying or preventing the delivery of new homes.

1.3

There are considerable and wide-ranging challenges facing the delivery of s106 affordable housing on new build developments within London and more widely across the country (see Section 2). Developers have raised concerns to the GLA regarding the trouble they are facing in disposing of S106 affordable homes to registered providers (RPs), particularly on smaller schemes which are typically of little interest to larger RPs¹. These concerns have been borne out by research conducted by the GLA's Housing and Land Policy team which has identified that large RPs are withdrawing from the market and their interest in smaller schemes is notably low. Whilst the G320² considers that S106 acquisitions are at the core of their business, anecdotal feedback received indicates that they are struggling to get notified of such opportunities.

1.4

Lichfields was appointed by the GLA to undertake this piece of research to consider the issues around s106 acquisitions. To do this, we have engaged widely with stakeholders across the sector, to understand better the challenges and the potential form of solutions to help.

Report Structure

1.5

This report presents the background, methodology and overall findings of this research, which is structured into the following sections:

- **Section 2.0** – Reviews the existing literature and other relevant published material;
- **Section 3.0** – Outlines the overall methodology and approach to the research;

¹ 'Small' schemes are defined by the GLA as sites with capacity for fewer than 100 residential dwellings.

² The G320 represents an industry group of smaller Housing Associations across London, previously made up of around 320 smaller members of the National Housing Federation London.

- **Section 4.0** – Thematically, presents the findings of the research, largely drawing on information gathered from survey data and 1-on-1 interviews conducted with relevant stakeholders; and
- **Section 5.0** - Summarises the key findings and considers conclusions and next steps.

2.0

Context and Literature Review

2.1 The issue of S106 acquisitions and unsold affordable homes within England is reasonably well known. This section provides an overview of the findings from recent research and literature relating to the wider S106 affordable housing context. It provides a high level background as to the current state of play in relation to S106 acquisitions, both nationally and within London.

GLA research

Housing in London and the Small Sites Small Builders programme

2.2 The existing Small Sites Small Builders programme was developed by GLA Housing and Land in partnership with Good Growth, to assist SME's and public landowners in bringing forward small sites for development. The two overarching objectives of the programme are to:

- 1 Bring small, publicly owned sites forward for residential-led development; and
- 2 Support new and emerging contributors in the market including small builders, developers, small housing associations, and community-led housing groups.

2.3 The latest research by the GLA³ highlights the scale of the issues being faced across London, indicating that since 2007, there has been a 66% decrease in the number of small builders involved in development projects across the capital, alongside a 50% decrease in the number of small sites schemes between 2006 and 2016. However, the GLA also estimates that approximately 25% of the identified housing capacity across London could be delivered on smaller sites measuring less than half an acre. This highlights the significant opportunity presented by the development of small sites in helping to meet the 10-year net housing target of just under 523,000 homes identified within the London Plan⁴.

2.4 The London Plan also provides guidance for Boroughs specifically in relation to residential development on small sites, indicating a 10-year net target of just over 119,000 homes.

Policy H2 – Small sites states that Boroughs should pro-actively support well-designed new homes on small sites (below 0.25 hectares in size) through both planning decisions and plan-making in order to:

- 1 Significantly increase the contribution of small sites to meeting London's housing needs;
- 2 Diversify the sources, locations, type and mix of housing supply;
- 3 Support small and medium-sized housebuilders;
- 4 Support those wishing to bring forward custom, self-build and community-led housing; and
- 5 Achieve the minimum targets for small sites as a component of the overall housing targets.

³ Making small sites available to small builders, Mayor of London. Available at <https://www.london.gov.uk/small-sites/making-small-sites-available-small-builders>

⁴ The London Plan, Spatial Development Strategy for Greater London, Mayor of London (2021)

2.5 It is against that objective and backdrop that the issue of S106 affordable housing acquisitions has become a matter of particular interest.

The issue of s106 acquisitions in London

2.6 The GLA has conducted research and engagement between 2022 and 2024 with stakeholders around s106 acquisition issues. This has included roundtables regarding the level of appetite from registered providers for S106 acquisitions.

2.7 This workstream concluded that there was evidence of reduced interest across the market, with a key driving force being the that small schemes are often considered unattractive, being less efficient to manage, delivering a lower quantum of homes and requiring a similar investment of staff and resources compared with larger schemes. The research also identified that mixed tenure schemes are subject to the same core issues, often experiencing convoluted management arrangements and high service charges. These factors combined were reasons why larger RPs were withdrawing from s106 homes to focus on self-delivery or join-venture approaches, with similar concerns for medium and smaller RPs, albeit they lack the skills and resources to pursue such processes, meaning s106 homes were still seen as a good way to increase stock.

2.8 Focusing on the issues of visibility of opportunities and information exchange, roundtable work with councils, community groups, developers, housing associations and industry organisations, indicated firstly, that there is an opportunity for earlier engagement between builders and RPs (e.g. around design) and secondly, that it was not clear the scale of unsold S106 homes that were in London and which RPs were still in the market for acquiring and how that was reflected/captured in Council's preferred RP lists.

Barriers to housing delivery in London

2.9 Lichfields and the GLA also worked together in 2024 to provide insights surrounding the barriers to delivery of new homes in London, drawing upon engagement conducted with stakeholders across the industry. One of the barriers this workstream explored was the difficulties faced in securing registered providers to provide S106 affordable housing obligations, despite the urgent need for this type of accommodation in London.

2.10 The key challenges identified included a lack of funding for development activity, increased attention being given to upgrading existing affordable housing accommodation, and significant delays to wider housing schemes as a result of time spent negotiating S106 agreements. Limited interest from registered providers has also reduced the level of competition throughout the market, resulting in reduced bids from registered providers, which are often at levels deemed unviable by developers. This was referenced as a particular issue for small and medium-sized developers. Challenges in accessing grant funding were also highlighted, such as a lack of clarity surrounding the grant process and stringent regulations relating to scheme programming requirements. Various potential interventions were also discussed, including:

- Greater financial support being offered to registered providers to deliver affordable housing, also enabling the retention of development skills and expertise across the sector;

- Greater investment from the GLA in ‘unbuilt S106 housing’, potentially being offset against the costs incurred by London Boroughs to provide temporary accommodation;
- Incentivising larger development organisations to seek their own registered provider status, as several respondents indicated that they had the skills and expertise to deliver (and in some cases manage) affordable homes directly themselves; and
- Greater clarity in the process of securing grant funding and the amount available, which would give developers greater confidence to proceed with schemes, given the high level of reliance that scheme viability has on this funding.

A national perspective

2.11 This position established for London, has also been reflected more widely across the country via other research.

‘The challenges of unlocking S106 delivery’

2.12 A publication produced by Savills in July 2024⁵ entitled ‘the challenges of unlocking S106 delivery’ provided an overview of the existing problems across the entire country, particularly the issues faced by registered providers resulting from the prevailing market trends. The report identifies a number of key issues for the future of S106 delivery, including:

- Constrained financial capacity of registered providers and a renewed emphasis on maintenance of existing stock;
- The reduction in the overall development pipeline, and disproportionate impact this is likely to have on local authorities which make the largest contributions to overall housing delivery;
- The reduced market appetite for S106 development, with many registered providers scaling back their acquisition activities or reducing their requirements;
- Larger registered providers prioritising other routes to development such as grant funding;
- A shrinking of the overall demand for S106, allowing registered providers to become more selective in which opportunities they pursue;
- The discrepancy between the supply of stock provided by developers and the demand from registered providers in terms of housing type and specification

2.13 The report also suggests a number of overarching prescriptions, including enhancing the financial capacity of registered providers, the need for greater flexibility within the planning system and a more collaborative approach, allowing registered providers to engage earlier in the planning and development process.

⁵ The challenges of unlocking S106 delivery, Savills (2024). Available at https://www.savills.co.uk/research_articles/229130/364374-0

Home Builders Federation research

2.14 The Home Builders Federation (HBF) published a report in December 2024 titled 'Bid Farewell'⁶, outlining the results from surveys conducted with their members relating to the delivery of new affordable homes through S106.

2.15 Initial data from one survey of 31 HBF members (conducted in October 2024) indicated that there were at least 17,400 S106 affordable housing units with detailed planning permission that remained uncontracted, with 139 individual home building sites across the country delayed due to uncontracted S106 units.

2.16 The report identifies a number of key factors contributing towards declined interest in S106 housing from registered providers, including rising inflation and economic uncertainty, prioritising remediation works over investment in new stock, rent increase limits, reduced cashflow and prioritising grant funding opportunities over purchasing S106 stock. These factors in combination are having significant wider impacts on across the sector, threatening the industry's ability to meet the Government's target of 1.5 million new homes over the course of this Parliament and undermining efforts to tackle the prevailing housing crisis. The report also outlines several potential prescriptions to help remedy the issue, including:

- Encouraging a greater acceptance of cascade agreements by Local Planning Authorities;
- Greater and earlier collaboration between developers and RPs;
- Enabling Homes England grant for use on S106 units for a time limited period; and
- Rebuilding the financial capacity of the RP sector.

2.17 The research also concluded that whilst this was a nationwide issue for England, and was not confined to certain areas, "*the South East and London is facing some particularly acute challenges*". This conclusion was drawn by reference to the large drop off in activity from the G15 (a consortium of London's largest RPs) as well as stakeholder views that S106 units within high density schemes, and high-rise buildings in particular, are prone to reduced (or no) RP interest, with the inference that London is particularly susceptible to the challenges being faced.

Homes England - S106 affordable housing clearing service

2.18 Homes England launched a Section 106 Affordable Housing Clearing Service in December 2024, with the aim of helping to facilitate and accelerate the sale of uncontracted and unsold affordable homes across England (excluding London). The service was launched following recommendations from engagement with housebuilders, registered providers and local authorities and will continue to be developed over the coming months based on user feedback.

2.19 Housebuilders can use the service to provide details of affordable homes that have outline or full planning permission to build, alongside market homes, but have been unable to find a buyer for. The accompanying explanation from Homes England states that:

⁶ Bid Farewell – An examination of the crisis in S106 Affordable Housing, Home Builders Federation (2024)

“This information is then available for registered providers and LPA’s to view. This means greater visibility of opportunities, all in one place, for buyers and sellers to connect, build new partnerships and work together to get affordable homes sold and occupied.” (our emphasis)

2.20 We have followed up with Homes England, and understand the GLA has also been in dialogue with Homes England and involved with the earlier stakeholder engagement which led to Homes England adopting this step as recommendation arising out of that engagement. Notwithstanding, it is clear that the intention of the ‘clearing house’ is to increase visibility, enhance information exchange, and enable connections among a wider group and across a wider range of organisations, in order to try to address some (though clearly not all) of the challenges faced.

2.21 Homes England have confirmed to us that the clearing service captures relevant site information such as:

- Site name/address/location;
- Planning number and status;
- Number of units and private/affordable breakdown;
- Reasons for affordable units remaining unsold;
- Key project timescales (start/completion dates);
- Affordable housing type/size mix/tenure; and
- Other relevant information such as expected EPC rating, NDSS requirements, internal floor areas and heating systems.

2.22 The clearing house service excludes London from its existing coverage, however it is understood that the GLA are currently in liaison with Homes England regarding the potential extension of the service to include London.

Summary and key points

2.23 The issue of S106 affordable housing acquisitions is reasonably well understood, and existing research shows the multitude of challenges that exist around acquiring activity. Many of these appear beyond the scope of what the GLA could address on its own (and very much related to wider business practices and focus within the RP sector). However, specifically around the visibility and exchange of information, existing research indicates that there is a role for facilitating greater and earlier collaboration between developers and RPs, and that enhancing the visibility of S106 housing acquisition opportunities might reduce/remove some of the – perhaps more minor or less frequent – barriers being faced.

2.24 We have reflected upon this existing context when we have sought to undertake our own research into the issue. We have sought to verify the above challenges and, particularly for the purpose of this commission, consider the role of information exchange and degree to which it could reduce some of the challenges and barriers being faced.

3.0 Methodology

3.1 This section outlines the overall methodology and approach to the research, including the engagement which has been undertaken.

3.2 Firstly, a number of key questions were identified and tailored to various stakeholders of interest, categorised into the below broad groupings for the purposes of engagement:

- 1 Housing developers – being those who will typically get permission for and/or build new homes, to which a Section 106 will stipulate a proportion of those are to be affordable (with those developers typically selling them/transferring them to an RP to manage and operate);
- 2 Registered Providers, ('RP'), Community-Led Housing ('CLH') Organisations and Specialist and Supported Housing ('SSH') Organisations – being those who will typically operate and manage affordable housing, often adding to their stock either via direct delivery (e.g. building on their own land) or via acquisitions/partnerships with housing developers; and
- 3 Local Authorities ('LA') – being the body responsible for planning for affordable housing (e.g. via planning policies, decisions and s106 agreements), but also often with a role as an intermediary or facilitator – e.g. matching developers and RPs – as well as in certain cases undertaking direct delivery of affordable housing.

3.3 These are considered the three main groupings of stakeholders (alongside the GLA) with direct engagement in the process of s106 affordable housing delivery and acquisitions within London. We have also sought to engage with industry bodies for the above sectors.

Primary Research and Stakeholder Engagement

3.4 The key questions identified were then scoped into a series of formal survey questions, which were distributed across the existing contact networks of both Lichfields and the GLA, as well as being shared on various social media channels such as LinkedIn. These survey questions sought to collate information and opinions from stakeholders across a variety of key areas:

- Size and scope of survey respondents' organisations (including their involvement in affordable housing schemes);
- The presence of issues with the existing S106 affordable housing acquisition process and the significance of these issues to developers and registered providers;
- Primary causes/drivers of difficulties in acquiring/disposing of affordable housing;
- The reliance of stakeholders on LA's to facilitate this process; and the effectiveness of LA engagement; and
- Stages of the development process during which S106 engagement is currently taking place.

3.5 Following on from the release of the survey, and in parallel to reach a wider range of views, a number of 1-on-1 interviews were also conducted with various relevant stakeholders. To generate participation at these interviews, key contacts from both Lichfields and the GLA

were invited to take part, as well as following up with survey respondents who expressed interest in providing further input and engagement with Lichfields' research. These interviews were conducted remotely via MS Teams, and provided an opportunity to collect more detailed insights from stakeholders regarding issues which they deemed important to consider as part of the overall research process. The general structure of the interviews comprised broad discussion across the following key areas:

- Discussion of the existing issues surrounding the disposal of S106 affordable housing units and interviewees' experiences of this process, as well as their experience of any particular barriers to disposing of/acquiring S106 opportunities;
- The significance of this issue in terms of scale across London, including experience of any particular issues in relation to smaller sites compared with larger sites;
- Sector specific thoughts or comments relating to interviewees' operations;
- Discussion around the root causes of these issues, including macroeconomic factors, labour costs, sustainability standards, lack of marketing opportunities, or other factors;
- Issues surrounding visibility – whether a centralised service pairing developers with affordable housing providers would be of use; and
- Which processes are currently in place to facilitate this process, and how effectively they are meeting the requirements of individual organisations and more broadly across the industry.

3.6 Analysis of survey data and collation of information received from interview participants was then undertaken to identify a number of key themes and overarching findings from the research, which are discussed in more detail in the following section.

3.7 The online survey was categorised into distinct pathways depending on the type of stakeholder responding. For housing developers and registered providers, the upfront questions were structured to ascertain the following information:

- Whether the respondent was employed by or working as a consultant on behalf of a developer/registered provider;
- The size of their organisation;
- The size of schemes they typically develop/acquire; and
- The total number of homes they typically develop/acquire each year, and for developers, what proportion of these are affordable homes.

3.8 Respondents were then asked a number of questions relating to their experiences with disposing of/acquiring S106 units, as well as questions related to the methods/tools that they use to source such opportunities. Respondents were also given the opportunity to provide specific comments/clarification where relevant.

3.9 A total of 35 survey responses were collected. These responses were broadly split between developers (60%) and housing associations (40%), and within that responses were received from a comprehensive range of organisations, both large and small, and with different delivery models, specialisms and areas of operation. However, no survey responses were received from Local Authority representatives. To account for this, several LA

representatives were contacted directly in liaison with the GLA to provide feedback as part of the interview process.

3.10 A total of 18 interviews were conducted with relevant stakeholders from across the industry, with an even distribution across the three core stakeholder groups. A full list of organisations interviewed is provided in Appendix 1. The interviews were conducted individually with each organisation (with typically one or two representatives of each organisation present) using a semi-structured format, giving stakeholders an opportunity to discuss their experiences of the S106 acquisition process in more detail, as well as sharing their thoughts and opinions relating to the wider subject matter.

3.11 Overall, this level of reach and response is greater than equivalent previous research into this issue, and covering a wider range of perspectives and involvement across the different stakeholders. We are therefore confident that the feedback is well rounded and representative.

4.0 Research Findings

4.1 This section presents the research findings from both the online survey and research interviews conducted over the period between December 2024 and January 2025. A summary of the stakeholders engaged is contained at Appendix 1.

4.2 The GLA brief for the project identified a set of informational outcomes to be sought from the research project and at the outset of the research, set of key objectives relating to these were identified, including:

- Providing a data driven estimation of the scale of the issue as it relates to small sites and more generally across London;
- Gauging the effectiveness of approved strategic partner lists, and their inclusion of small providers;
- Defining the role of RP's, CLH groups and SSH providers and other housing providers may have in acquiring S106 units;
- Identifying the steps typically taken by developers to market S106 units and the role LA's play in helping to facilitate the process; and
- Considering the importance of improved information exchange as a key mechanism for alleviating the existing issues surrounding S106 acquisition.

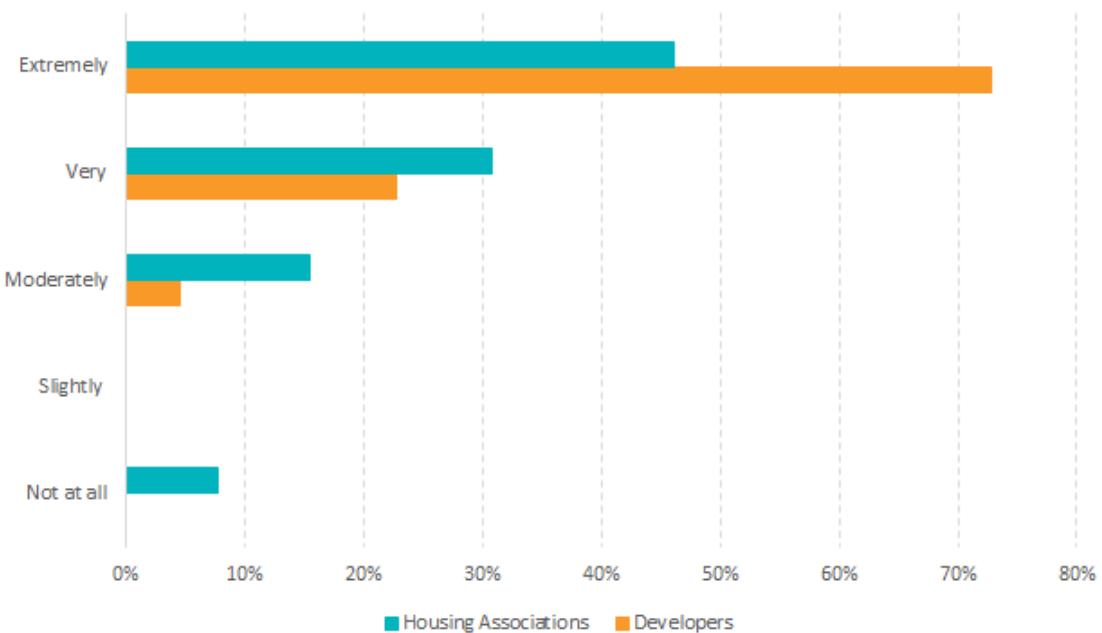
4.3 We have structured our reporting of the findings from our engagement (both survey and interview) around these key themes. Supplemented by our literature review, we have sought to bring together conclusions on each as follows.

Key themes

A: Scale of the issue

4.4 Throughout the research process, there was a strong consensus across all stakeholder groups that there is an existing issue with the wider S106 affordable housing process across London. As part of the survey, respondents were asked how significant they thought the problem was to the overall delivery of development on small sites. As indicated in Figure 4.1 below, over 90% of developers identified the issue as either 'extremely' or 'very' significant, while over three quarters of housing associations surveyed responded in a similar manner.

Figure 4.1 Survey responses regarding the significance of the issue to the delivery of development sites



Source: Lichfields/GLA online survey

4.5 This feedback was comprehensively reflected during the 1-on-1 interviews, with all interviewees expressing their concerns that the existing acquisition process was negatively impacting the operations of their own organisations, as well as those of their peers and contacts within the industry. This feedback was consistent across organisations of varying sizes, although due to the nature of the research (i.e. issues relating to small sites), the distribution of organisations in terms of size was slightly skewed towards the lower end, with a larger proportion of stakeholders representing smaller and medium-sized entities (both in terms of number of employees and total number of homes delivered each year).

4.6 Notably, the significant majority of developers also cited that their inability to dispose of S106 units has resulted in them being unable to progress on certain schemes. Many developers alluded to the issue that S106 units are often tied in and subject to 'trigger points' as part of larger housing schemes, also preventing the release of private units before a contract is agreed to dispose of the S106 units to registered providers. This often results in developers having to significantly alter their business model (accruing significant financial and time costs) or prevents schemes from coming forward entirely. Directly from our engagement we were anecdotally made aware of hundreds of affordable homes, across multiple schemes, within London which were being held-up by the issues around RP demand.

4.7 HBF estimate⁷ that nationally there is at least 17,400 uncontracted and unsold affordable housing units on s106 sites, indicating this totals approximately two thirds of the annual number of affordable homes funded through s106 units (using 2023/24 as a base). Their research also indicates the challenge is more acute in London and notes that affordable housing starts on site across the G15 (London's largest RPs) fell two thirds (to c.2,000

⁷ <https://www.hbf.co.uk/research-insight/bid-farewell/>

starts) between 2020/21 and 2023/24, with the fall 76% (to just 549 starts) for s106 schemes specifically.

4.8 Drawing the above together, we – crudely – estimate that several thousand affordable homes are currently being held up within London by issues related to lack of RP demand, with much of this likely to be on s106 acquisition schemes specifically.

B: Primary drivers

4.9 Before any stakeholder engagement was undertaken, initial research was conducted surrounding the existing S106 field across London, to ascertain a variety of key barriers/difficulties being faced by players within the market. This included reviewing past GLA engagement on the topic and engaging directly with GLA officers involved in facilitating the delivery of affordable homes. These overarching findings were then reflected in the survey questions and used as prompts to discuss in more detail within the interviews.

4.10 As seen in Figure 4.2 below, over 80% of developers indicated that a lack of interest from larger housing associations regarding S106 opportunities on small sites was a key difficulty in selling their affordable housing. A key emerging theme from discussions with developers is that many of the larger and more established registered providers are more interested in acquiring large and medium-sized clusters of affordable housing stock, which typically generate economies of scale and significant cost savings relating to management and maintenance activities in comparison with small scale developments, within which S106 units are often more sparsely distributed or ‘pepper potted’⁸.

4.11 The ability to market available S106 units to registered providers was also cited as a challenge by over 80% of developers. One interviewee expressed concerns relating to the lack of engagement they are currently experiencing:

“We have consistently reached out to over 30 registered providers on multiple schemes over the last 12 months, all of which offered in the region of 30% affordable housing provision through S106... and have received negligible response rates from providers of all sizes.”

4.12 Availability of funding was also identified as an issue for one in two respondents, with one smaller developer commenting:

“Offers from housing associations to acquire stock are consistently falling below build costs... forcing us to progress on certain schemes at a loss to avoid cash flow issues and prevent scheme delivery from being compromised.”

4.13 Other remarks from a medium sized developers included:

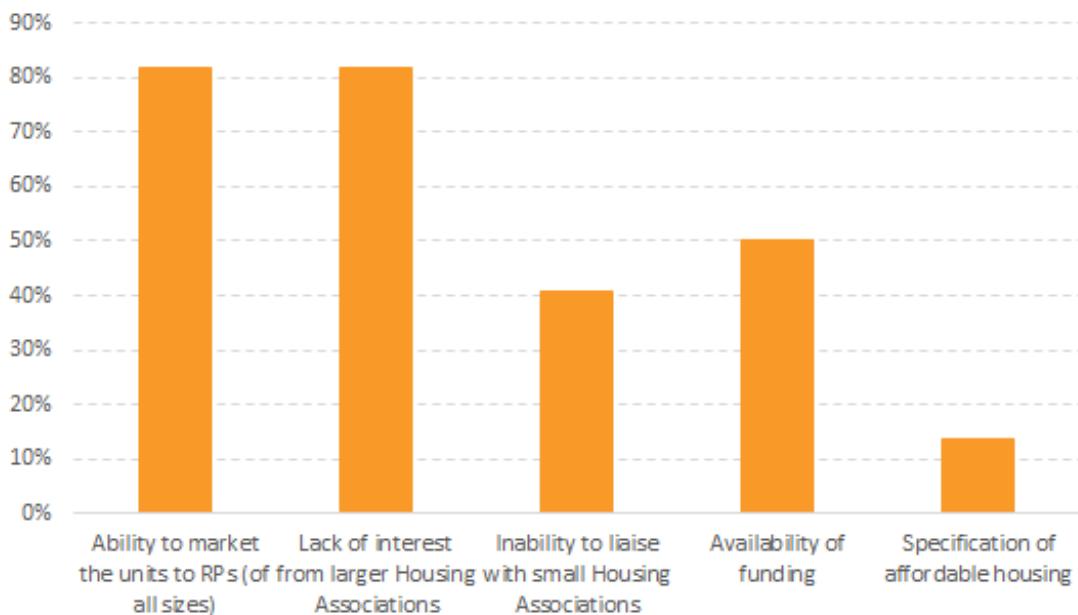
“Effectively if you cannot find an RP to take the S106 units then you cannot deliver the scheme... even if an RP is found, very often the price offered does not cover our costs.”

⁸ ‘Pepper potting’ in this context is used to describe circumstances where affordable homes are distributed as individual or small clusters of units, across a wider mixed tenure development. For example, on a small development of two blocks of flats, it might be that instead of one block being affordable and one being private market, the affordable units are ‘sprinkled’ throughout both.

"There have been a number of schemes that have stalled due to the inability to secure an RP partner and also where delivery of private homes has been prevented whilst alternative provisions, including commuted sums, have been negotiated with the LPA... The lack of ability to find RP's to deliver nil grant s106 schemes is a major barrier to housing delivery especially inside London."

4.14 The difficulty experienced by developers in securing interest can cause long-term delays, as well as contributing towards greater market uncertainty across the industry.

Figure 4.2 Key issues for developers in disposing of S106 affordable housing opportunities



Source: Lichfields/GLA online survey

4.15 From the perspective of housing associations, one key barrier identified was their ability to source S106 opportunities, with almost 40% of respondents citing this as an issue. This is particularly significant for smaller and less well-resourced organisations, including those operated via voluntary contributions such as community-led housing organisations.

4.16 Available stock offered by developers being unsuitable in meeting affordable housing needs was also a commonly cited as a challenge by RPs. One smaller housing association involved with the provision of specialist and supported housing (SSH) cited that:

"Some specific types of SSH (with wheelchair accessible accommodation given as an example) have more bespoke design requirements than typical affordable housing... these needs are often not reflected in the s106 acquisitions being offered by developers to the market."

4.17 In addition, one smaller housing co-operative stated:

"We would like to be able to have more influence over schemes, so the developer doesn't build affordable homes as an obligation and expect an RP will pick them up on completion."

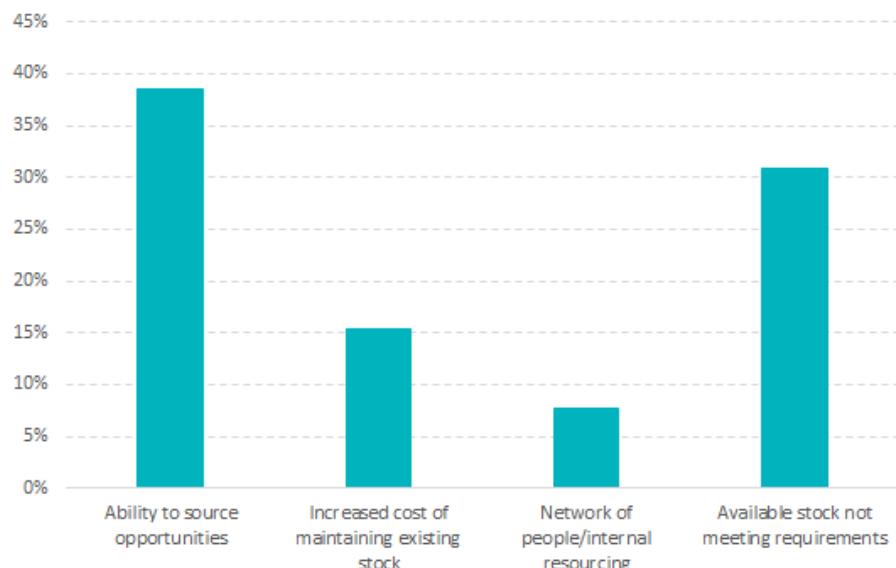
4.18 A number of interviewees also expressed concerns around the general misalignment between the expectations of developers and housing associations in relation to scheme delivery, with some registered providers indicating the need for developers to act as contractors in relation to the delivery of specific affordable housing requirements.

4.19 Discussions undertaken during engagement indicate to us that the mismatch between the supply of stock provided by developers and the demand from housing associations in terms of unit type and specification is as being further exacerbated by the lack of communication between prospective partners early on in the development process. Numerous participants expressed that earlier engagement or partnership on development sites would ensure that what is planned from the outset reflects both the needs of the area, but also the design and specification that the acquiring housing association wishes to see.

4.20 Developers also raised issues relating to the overall availability of registered providers across London, indicating that the pool of providers has been shrinking in recent years due to mergers, prevailing economic conditions and the general level of market uncertainty.

4.21 A number of housing associations also indicated that as a result of the wider economic circumstances, they are currently focusing greater efforts on the maintenance of existing stock rather than attempting to invest in new opportunities, while also balancing other aspects of their operations such retrofitting outdated stock and the transition towards net zero.

Figure 4.3 Key issues for housing associations in acquiring S106 opportunities



Source: Lichfields/GLA online survey

4.22 Housing associations were also questioned regarding particular factors preventing them from delivering affordable housing S106 sites, with availability of finance and the viability constraints of managing a small number of units materialising as common themes amongst respondents. A number of interviewees also raised concerns regarding their preference for formally acquiring homes at practical completion stage, while also being closely involved in the development of the scheme from early on, allowing greater oversight and liaison with developers regarding their specific requirements. In contrast, developers highlighted the

uncertainty this can cause, subjecting them to a greater risk of housing associations pulling out late on and leaving completed but uncontracted units that have been built to distinct specifications.

4.23 Several organisations also highlighted their preference for involvement in grant funded schemes, although a negligible proportion indicated that they could rely on grant availability for the majority of their activity. One smaller affordable housing provider mentioned rent settlement negotiations as a significant issue during their acquisition activity, with a lack of certainty surrounding rental contracts agreements often creating delays or heightening the level of risk associated with acquiring new stock.

4.24 Our interviews with local authorities also investigated their appetite and barriers for S106 acquisitions and direct delivery, with local authorities generally not identifying information or need cases as being a barrier, but that often it is internal priorities, calls on limited Council budgets and prevailing winds (with recent historic involvement in such acquisition activity among local authorities much reduced, albeit becoming more common).

4.25 Various stakeholders also discussed the need for better policy solutions if no interested parties can be found at an early stage of the development process, such as enabling the availability of grant funding for use on S106 schemes. It was suggested that registered providers having the ability to supplement S106 offers to developers with grant funding would likely alleviate some of the risks incurred by smaller providers looking to acquire new stock, as well as providing greater certainty and confidence for both parties in relation to scheme viability.

4.26 Many of the primary drivers identified through our research, simply repeat and validate those already identified in previous research (see Section 2.0). However, it is important to note that whilst those same issues at a macro level apply within the London context, at the micro level there was differing views between different stakeholder groups on the nuance around those 'key drivers'; for example the issue of design and specification, with RPs indicating earlier engagement on such matters would be positive, whilst developers indicated the inherent risks such an approach might bring (suggesting a preference for flexibility).

C: Visibility of opportunities

4.27 The level of engagement and general market awareness between stakeholder groups has been identified as a key consideration for the purposes of the research. Generally, feedback on this has been mixed, with some respondents (particularly those representing smaller organisations) indicating a lack of awareness around S106 opportunities as a limiting factor to their activities, while others commented that they are largely aware of the key players in the market and have strong networks of internal contacts on which they rely to inform them of any relevant opportunities. One larger developer indicated that over the past two years, they worked on several schemes where they contacted over 50 registered providers and received no substantive interest.

4.28 Despite this, numerous smaller and medium-sized housing associations indicated that they are generally limited in terms of geographical distribution, focussing their efforts on schemes within one or two key Boroughs due to good relationships with the local authority or other partners who also work predominantly in those areas. Various affordable housing

providers also highlighted the difficulty of establishing themselves in new locations in which they have limited experience and a lack of existing contacts, further exacerbating the issue of visibility and reducing the pool of providers available to acquire new opportunities within specific areas of demand. One interviewee also proposed that:

“Incentivising SME developers to seek their own RP status could help to rectify this issue... given that they can meet eligibility requirements that satisfy the relevant criteria.”

4.29 Feedback received from interviews with local authorities also indicated that whilst they did hold lists of preferred or approved strategic partner RP's and regularly shared these with developers, they were generally willing and open to RP's beyond that list acquiring s106 sites where it would unlock provision of those affordable homes.

4.30 This leads us to an initial and overarching conclusion, inferred from the above feedback from stakeholders on the visibility of s106 acquisitions, that a platform for sharing opportunities presents an opportunity for smaller organisations who are less able to commit time and resources to actively seeking out new S106 opportunities, particularly across areas in which they have not previously been active. It could address cases where (for example):

- Small developers or small RPs do not have the resources to search for partners or opportunities, are limited in the visibility of opportunities, or where they wish to look for opportunities beyond their usual operations (e.g. with different partners they do not know, or on geographic areas where they are not yet active); or
- There is a need/benefit to looking beyond local authority preferred RP lists.

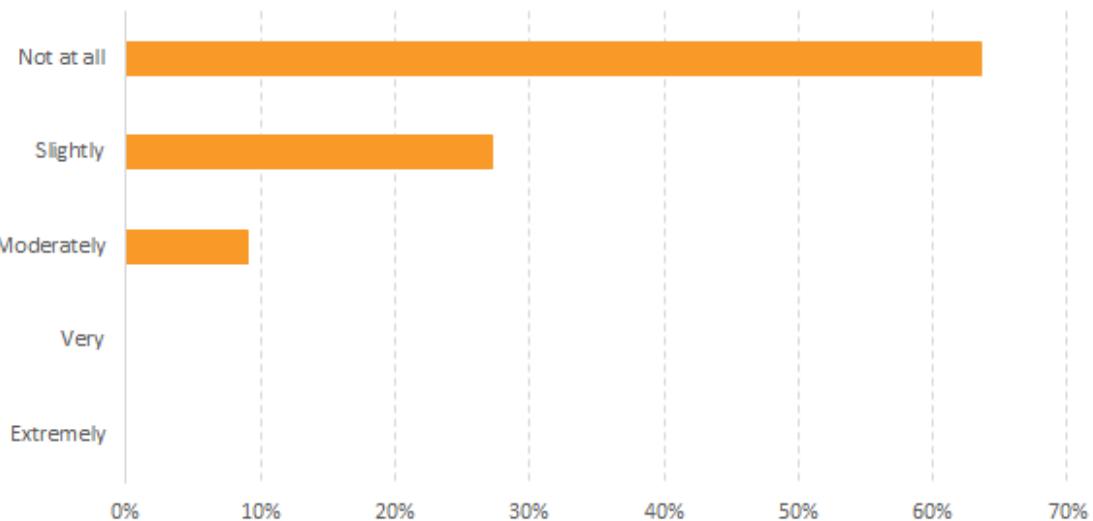
D: Local authority involvement

4.31 As part of the research, local authority ('LA') representatives from Boroughs across London were contacted to provide insight into their activities relating to the S106 affordable housing acquisition process, with other stakeholders also asked about their experiences across the Boroughs in which they are active.

4.32 From the developer perspective, around one third of respondents indicated that they are reliant on the LA's preferred list of registered providers to dispose of their S106 housing, highlighting the significant role that LA's have to play in facilitating, and in many cases brokering the negotiations between developers and affordable housing providers.

4.33 Developers were also asked how effective they feel the process is for the disposal of S106 units via the LA. As seen in Figure 4.4 below, almost two-thirds of developers communicated that the process was 'not at all' effective, with another quarter of respondents saying it was only 'slightly' effective.

Figure 4.4 Developer responses on the effectiveness of S106 disposal process via the LA



Source: Lichfields/GLA online survey

4.34 Many developers also highlighted this issue as particularly relevant when developing schemes outside of their typical catchment areas, and that they often require assistance from the LA in finding suitable providers due to their lack of local knowledge and expertise. One larger developer commented that:

“In our experience they [local authorities] know of the active S106 providers in the Borough... when we develop outside of our key Boroughs, we aren’t aware of the local players so require a steer from the local authority.”

4.35 Respondents also cited their issues relating to significant regulatory and policy requirements relating to the delivery of affordable housing, arising from both LA’s and the GLA. One small community-led housing organisation remarked that:

“We are facing significant difficulties attempting to gain registered provider status... we have expressed interest in contributing our capacity to take on new stock... and have been turned down by developers on numerous occasions due to our lack of RP certification.”

4.36 From the local authority perspective, all LA representatives interviewed identified that they do maintain a preferred list of housing associations within their Borough for developers to contact regarding S106 opportunities/proposals, however in most instances these directories are not exhaustive, and include only a handful of the larger and more established housing associations, which often devote more time and resources towards schemes offering a larger quantities of affordable housing provision. This identifies a key issue in terms of visibility for smaller providers, which are often unknown to developers and only active in small pockets of individual Boroughs.

4.37 In addition, representatives from several stock-owning LA’s indicated their general preference for affordable housing to be acquired and managed directly by the local authority, contingent on the wider financial constraints and specific areas of need identified across their Borough. Despite this, LA representatives generally responded positively to the

concept of a centralised exchange portal, which could allow developers and registered providers to liaise and negotiate more effectively regarding S106 opportunities.

E: Timing of engagement

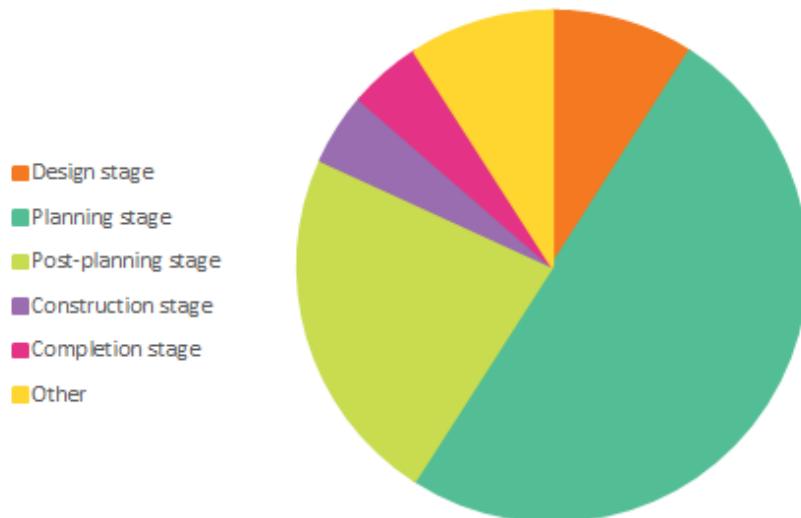
4.38 The vast majority of stakeholders engaged with throughout the research process identified the stage of engagement around the acquisition of S106 units as a crucial factor in determining the outcome and success of individual schemes.

4.39 Developers and registered providers alike both commented frequently that S106 negotiations are a cause of significant delays, with one developer commenting that:

“Negotiations on S106 units repeatedly cause bottlenecks on our sites, impacting the delivery of both smaller and larger schemes... with the delivery of all units (market and affordable) being subject to negotiating and securing an S106 deal.”

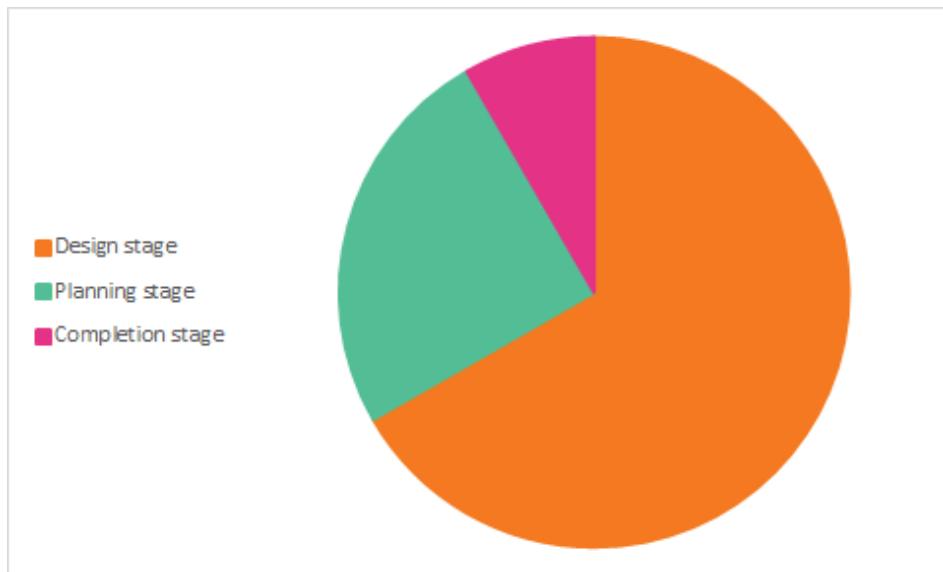
4.40 As part of the survey, stakeholders were asked about the potential for a future platform to help facilitate S106 discussions, and specifically at which stages of the development process it would be most helpful to have these discussions. These responses are presented in more detail in Figure 4.5 and Figure 4.6 below.

Figure 4.5 Developers – what stage would it be most helpful to enter discussions with development partners around S106 units?



Source: Lichfields/GLA online survey

Figure 4.6 Housing associations – what stage would it be most helpful to enter discussions with development partners around S106 units?



Source: Lichfields/GLA online survey

4.41 Survey responses on this topic indicate a discrepancy between developers and housing associations relating the stage at which S106 discussions would ideally take place. Around three-quarters of developers indicated a preference for liaison at either planning or post-planning stage, while over two-thirds of housing associations expressed an interest in involvement at the earlier design stage.

4.42 This was largely reflected in the discussions had with interviewees, and implies that housing associations would ideally want to be involved as early as possible in the development process, allowing them to have greater oversight and input into the development of new affordable housing stock which they would then take ownership of.

4.43 There was also a slight mismatch between the experiences of stakeholders in relation to the stage at which S106 discussions are currently taking place, with the majority of developers indicating that they typically engage with partners at the planning stage. In contrast, the majority of housing associations suggested that they do not typically engage with developers until either the post-planning or construction phase. This highlights a key opportunity on a London-wide scale to help facilitate S106 discussions at an earlier stage of the development process. This was also an issue discussed with local authority representatives, with one LA representative at an outer London Borough remarking:

“We have been battling hard to facilitate the negotiation process and procure new opportunities for parties interested in S106... attempting to incentivise developers and RP’s to come to the table without eroding existing relationships.”

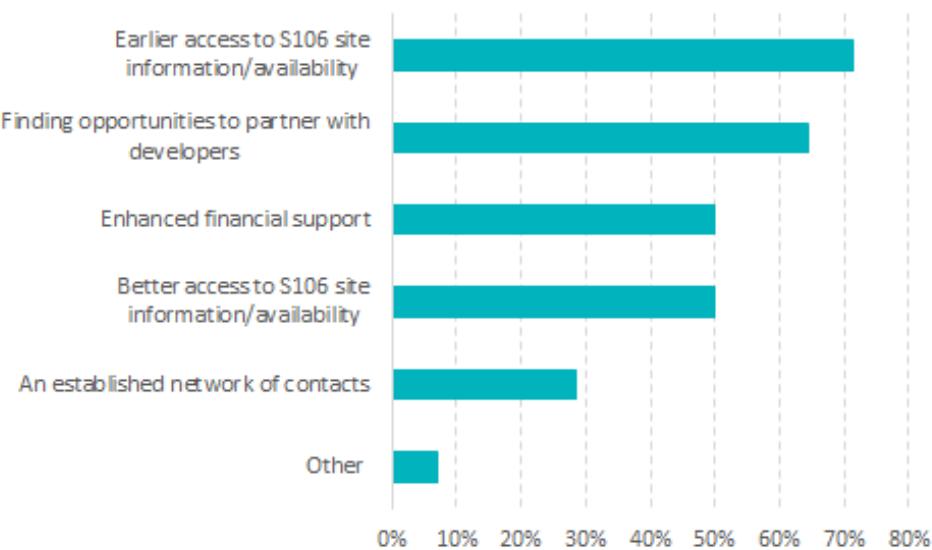
4.44 The majority of LA’s we engaged with echoed their preference to be more involved and (if necessary) to help broker the negotiations between developers and affordable housing providers.

F: Acquisition methods

4.45 The processes and pathways adopted by stakeholders in their efforts to dispose of/acquire S106 units was a primary component of much of the engagement conducted. Many developers indicated that they often rely on their network of contacts and reach out to existing partners which they know to be reliable based on previous experience. However, developers also raised concerns relating to the lower levels of market interest they have been receiving from housing associations over recent years.

4.46 Affordable housing providers also reported difficulties in sourcing opportunities, and were asked to identify key improvements which would benefit their organisations' ability to acquire and develop S106 sites, the results of which are illustrated in Figure 4.7 below.

Figure 4.7 Improvements which would benefit housing associations in delivering S106 sites



Source: Lichfields/GLA online survey

4.47 As discussed in the previous section, this highlights the general preference from housing associations to be more involved and have access to site information at an earlier stage in the development process, which for many means playing an active role in both site identification and design. One small housing association commented:

“One recent scheme (of around 60 sheltered housing units) we delivered was particularly successful due to our involvement from the beginning of site identification... allowing for extensive collaboration with the architect... developers are keen to work with us but typically would not provide the type of housing suitable for our residents.”

4.48 In addition, around two-thirds of housing associations indicated that finding opportunities to partner with developers was a significant barrier to delivery. This is a particularly pertinent for smaller organisations which are seldom included on LA preferred provider lists, and often have to dedicate a large proportion of their resources towards sourcing new S106 opportunities. Discussions with stakeholders elicited a general consensus that a number of the common barriers to delivery could be alleviated by the implementation of an information exchange platform.

5.0

Conclusions and Recommendations

5.1

This section provides a general overview of key findings from the research process and presents some preliminary recommendations for next steps. The engagement conducted with key stakeholders as part of the research has led to the following conclusions:

- 1 The issue of delivering affordable housing through S106 agreements is a widespread issue across London, with significant implications for both private and public sector organisations within the industry, and thus for the delivery of wider affordable housing targets across the capital as outlined within the London Plan. There was a strong consensus from stakeholders that the S106 acquisition process presents a set of unique challenges for the delivery of units on small sites. The affordable housing element of smaller schemes being tied into the delivery of wider market units also creates significant delays, preventing development from moving forward within viable timescales and hampering the delivery of much needed housing across the capital.
- 2 A variety of key challenges have been identified throughout the research process, the combination of which is culminating in many stakeholders being unable to deliver the necessary quantity of suitable affordable homes on small sites. Firstly, the diminishing level of market demand for S106 units and wider macroeconomic circumstances has forced many registered providers to significantly reduce or cease their take-up of new affordable housing stock. Secondly, many established providers have turned to focus on their investment on larger schemes and/or existing stock, and the reduced demand from smaller providers due to financial constraints means that the pool of available providers acquiring units across London has become increasingly constrained over recent years.
- 3 In addition, engagement with developers and housing associations indicates that both sides are facing issues with their ability to market and/or source S106 opportunities with potential development partners. Developers have communicated their inability to market units to registered providers of all sizes, as well as liaising with smaller housing associations as key issues affecting their progress on S106 sites. Visibility of opportunities was also highlighted as a key issue amongst housing associations, particularly for smaller organisations with fewer resources to utilise and a less established network of contacts to rely upon. Notwithstanding, it appears reasonably clear that visibility, connections and information sharing is only one issue within a much wider problem, and as such assisting with this issue may only have a modest overall impact.
- 4 Discussions undertaken with local authority representatives across London provided a number of insights into the role of LA involvement in facilitating the S106 disposal process. All LA representatives indicated that they operate a preferred list of registered affordable housing providers, however these lists often include only the larger and more established organisations, which are often not interested in acquiring units within smaller development schemes. Many developers indicated they are reliant on the LA's preferred provider lists to dispose of S106 housing, with a significant proportion indicating a view that disposal process via the LA is ineffective. This presents a significant challenge for SME developers, particularly when looking to progress schemes outside of their typical catchment areas. A number of LA's also identified their

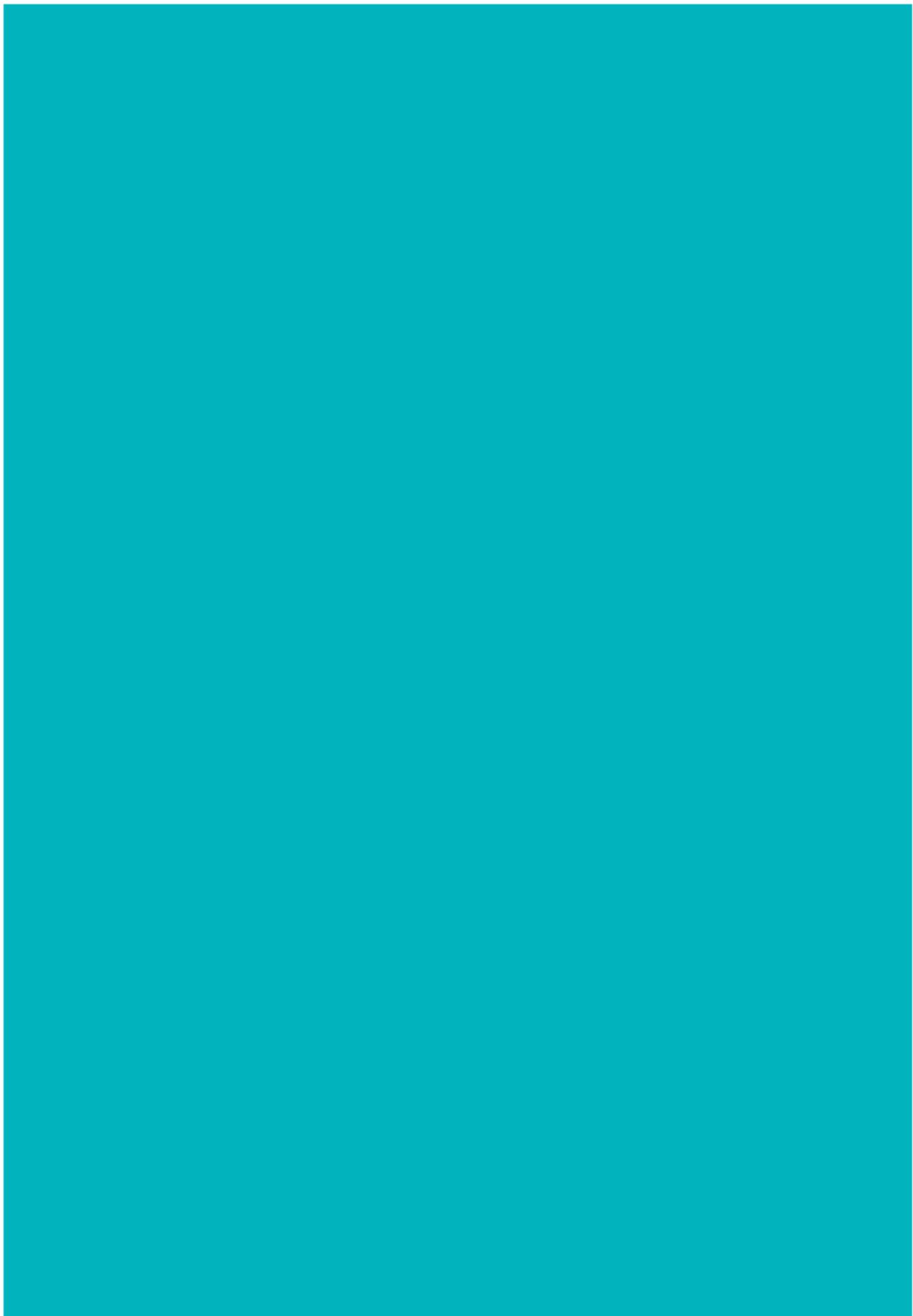
preference for directly acquiring and managing affordable housing stock themselves, subject to wider financial constraints.

- 5 The stage of development at which collaboration between stakeholders takes place was also discussed in detail throughout the research, with a strong consensus that improving the ability of developers to secure registered providers at an earlier stage of development would improve the overall efficiency of the delivery process. This would reduce costs associated with the hold up of schemes and elicit greater confidence amongst stakeholders relating to future investment opportunities. Many housing associations also expressed their desire to be more involved in the development process at the design stage, allowing for greater cooperation with developers regarding their specific requirements, and thus facilitating the delivery of higher quality and appropriate affordable housing stock to meet the wider needs of the market.
- 6 The majority of developers and all of the housing associations engaged indicated they have not used any online tools/services to source S106 opportunities. This indicates a potential gap in the market for an information exchange product. This is corroborated by feedback from stakeholders, indicating a strong interest for such a platform.

Appendix 1 Stakeholder List

A1.1 A list of stakeholders interviewed from each of the three core groups is provided below:

- Pocket Living
- Pioneer Property Services
- Fairview New Homes
- Stonebuild Developments
- Chatsworth Homes Group
- Mix Developments
- Stonebond Properties
- Notting Hill Genesis
- Metropolitan Thames Valley Housing Association
- Innisfree Housing Association
- Backdoor Housing Co-operative
- Brockley Tenants Co-operative
- Royal Borough of Greenwich
- London Borough of Tower Hamlets
- London Borough of Wandsworth
- London Borough of Richmond upon Thames
- London Borough of Islington
- London Borough of Merton



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