

Maximising the impact of Section 106

National Housing Federation

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Introduction

Section 106 (S106) is a vital part of housing supply in England. It's fundamental to delivering affordable homes and creating mixed communities and provides a steady and essential pipeline of homes that meet local needs across the country.

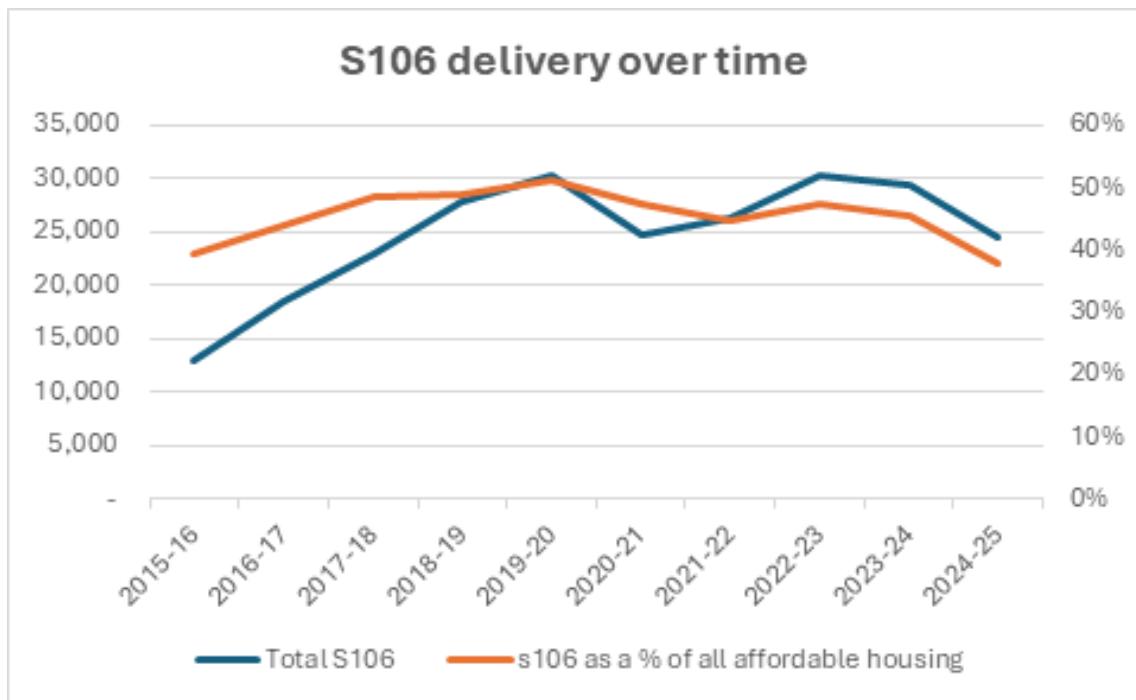
In October 2025, we surveyed our members to build a strong evidence base for strengthening the system. The respondents own 1.3 million homes nationwide, accounting for 44% of the total stock within the NHF membership. The findings provide valuable insight into existing barriers and highlight opportunities for improving S106 delivery. We've put together this report with our findings and recommendations.

Summary

Over the last decade, S106 delivered almost half of all new affordable homes. In the late 2010s and early 2020s, housing associations' purchase of S106 homes was supported by strong financial capacity and favourable market conditions. The effective partnerships formed between developers and housing associations produced good-quality homes at fair prices.

However, not all experiences were positive. In some instances, issues with build quality and high maintenance and management costs emerged after residents moved in, creating long-term challenges for housing associations.

In the past two to three years, demand for s106 homes has slowed somewhat, influenced by tighter financial constraints and, in some cases, a legacy of poor experiences.



The NHF supports the government's aim to "deliver the biggest increase in social and affordable housebuilding in a generation", including the commitment to "strengthen planning obligations to ensure new developments provide more affordable homes".

We urge the government to honour its manifesto commitments to strengthen the current system rather than watering down requirements for on-site provision of affordable housing, particularly on medium size sites.

Last year's spending review settlement and subsequent policy changes provide long term certainty and strengthen housing associations' financial capacity, creating new opportunities to maximise the impact of S106 delivery.

When the system functions as intended, it benefits everyone: higher proportions of affordable housing can accelerate buildout rates to help meet the government's 1.5 million homes target, while improving cashflow and reducing risk for developers. For the system to work effectively, it must be underpinned by strong demand from housing associations for S106 homes coming through planning – and those homes must match what housing associations need and can afford.

There is now an opportunity for more consistent collaboration between developers and housing associations, supported by early engagement and good customer service throughout development and aftercare. Many partners already demonstrate what good looks like.

Quotes from housing associations

- “One large developer consistently delivers homes of great quality, ensuring handover is efficient and a very good standard of customer experience. Their Customer Care team is reviewing its processes to guarantee that occupants of S106 properties receive a service standard equivalent to that of outright purchasers.”
- “One small developer provides steady reliable delivery, very easy to work with and extremely engaged, delivering excellent product that meets our specification, and stand out aftercare performance.”

By learning from both challenges and best practices, we can make S106 delivery more consistent and aligned to shared quality standards. Our commitment is clear: we will make the system work through strong collaborative partnerships.

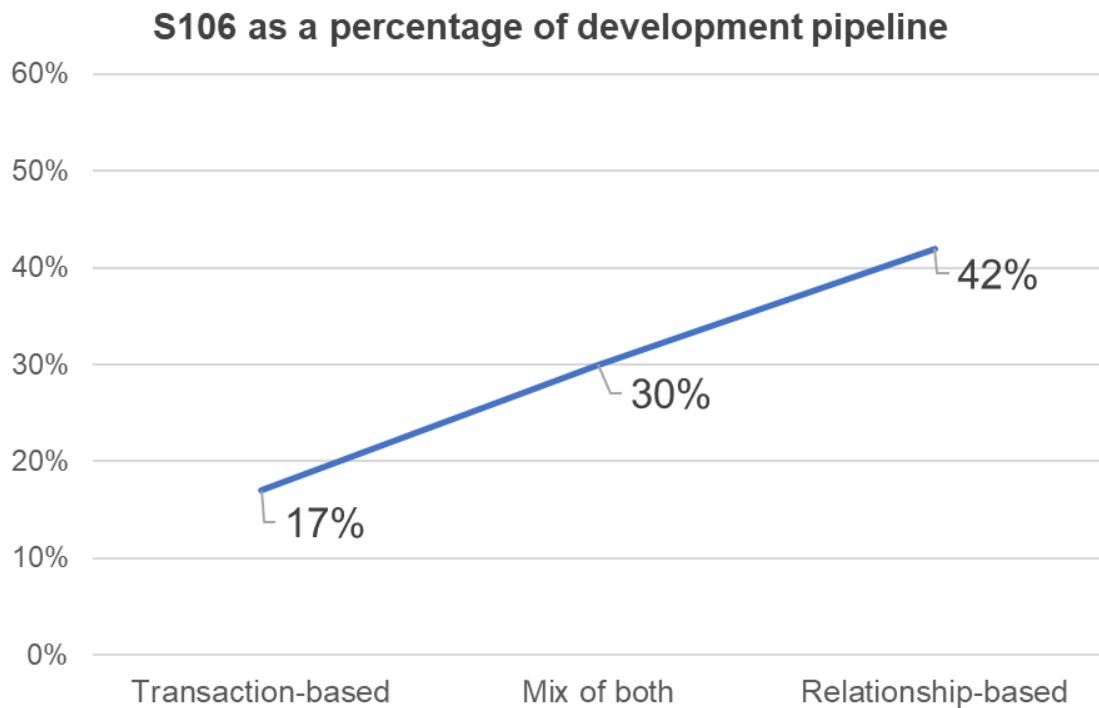
The NHF survey respondents comprised of:

- 33 larger housing associations (over 10,000 homes), representing a 50% response rate.
- 36 smaller housing associations (under 10,000 homes).

Key findings

The benefits of early engagement with housing associations

Housing associations that are engaged by developers early in the planning process (what we've called a 'relationship-based dynamic') purchase more than twice as many S106 homes as a proportion of their pipeline as those that are just offered the units upon completion (a 'transaction-based dynamic').



Early relationship-based engagement, with both developers and local authorities, enables housing associations to influence design, specification, tenure mix (e.g. shared ownership vs social rent), home types (e.g. one bed flats vs family-sized homes), and service charges, which are all frequent barriers for housing associations.

Quotes from housing associations

- “Often, it’s a ‘take it or leave it’ approach. Engagement with RPs is far too late in the process when designs are locked down. It then becomes an ‘extra cost’ for every change to align with our Employers Requirements.”
- “S106 homes are not just affordable homes, they are often homes for residents with support needs or older people. Design quality, defects arrangements and contractual terms have a direct impact on whether those homes are safe and usable from day one.”

Over 90% of large housing associations expressed support for a policy requirement that would ensure developers engage a housing association at the planning stage, including providing housing associations with the opportunity to comment on planning applications.

Importance of relationships, quality and consistency

Past experience with developers is a strong indicator of whether the housing associations will work with that developer again.

While many housing associations maintain strong working relationships with developers, almost all avoid at least one developer they have had poor experiences with.

Quotes from housing associations

- “Quality of product is key to working with housebuilder partners”.
- “When we have a bad experience, we will not progress with the same developer again.”
- “Housing associations are not considered a ‘customer’ in the National New Homes Customer Satisfaction Survey and the HBF Star Rating scheme. We are the biggest customer; however, the ratings we see often do not reflect the service our residents receive.”

Maintaining support after completion

Poor aftercare remains a significant barrier. Housing associations are reluctant to purchase from developers who have provided poor aftercare service on previous developments.

Quote from a housing association

- “It is usually defects performance from the builder which makes us reluctant to repeat business – aftercare is really important to us.”

Different definitions of snagging and defects, plus inadequate latent defects support, were among the most common barriers – with up to 65% of large housing associations reporting these barriers as “quite frequent” or “very frequent”. This reflects ongoing disputes between housing associations and developers after completion.

Over 90% of large housing associations support extending the New Homes Quality Board remit to cover S106, alongside a code of practice and a dispute resolution service (this is consistent with the Oct 2025 HCLG Committee report which recommended the government introduce a statutory S106 dispute resolution scheme, under the provisions of the Housing and Planning Act 2016.).

The importance of contract terms

Unfavourable contract terms and delivery timelines or delays in delivery are “quite frequent” or “very frequent” barriers for almost 60% of large housing associations. “Developers often move away from delivery timelines based on private market conditions delaying or rapidly bringing units forward depending on if they are selling private units well or poorly.”

Housing associations lose rental income when delivery is delayed, but contract terms often fail to share this loss with the developer, leaving the agreement unfavourable to the housing association.

More than 90% of large housing associations support a standard S106 agreement template, including a Mortgage Possession Clauses and nomination rights.

The role of local authorities

There could be a stronger role for local authorities to facilitate connections. Local authorities could match large and small housing associations to the appropriate S106 opportunities.

Large housing associations emphasise this need:

- “If a developer cannot find an RP, the local authority should show us the scheme – we are in the business of purchasing S106 homes.”
- “We have not been inundated with s.106 opportunities even though the sector is struggling and we are acquisitive.”

While larger housing associations typically seek schemes with a critical mass (30-50 units), smaller housing associations can step in to acquire smaller sites – broadening the range of viable partners for developers.

Local authorities could also influence S106 home types and tenure mix to better align with housing association priorities.

Recommendations

If barriers identified through this survey were to be removed, **60% of housing associations would increase their S106 acquisitions.**

There is therefore a clear opportunity to improve housing outcomes through improving the S106 system. To achieve this, the NHF recommends a package of measures:

1. Develop national S106 engagement guidance in collaboration with developers, housing associations and local and central government, to establish shared principles and standards for collaboration across the S106 lifecycle.

This should be led by a Cross-Sector Working Group comprising representatives from the NHF, Home Builders Federation (HBF), the Local Government Association (LGA), and the Chartered Institute of Housing (CIH), and should aim to:

- Be formalised through a national Memorandum of Understanding between the NHF, HBF and LGA, to embed early engagement as a principle of effective working.
- Promote best practices for engagement across the S106 lifecycle highlighting key areas where early engagement – particularly at the pre-planning stage – can add value, such as on technical specifications, tenure mix, and arrangement with managing agents.
- Set out the role of local authorities as facilitators bringing developers and housing associations together and helping to shape tenure mix and housing type so that supply reflects what housing associations are seeking to acquire.

2. Introduce a national S106 agreement template to remove the lengthy and complex negotiation over standard elements, freeing up LPA planners to negotiate on substantive issues. The template should include provisions on nomination rights and mortgage protection clauses.
3. Explore a policy mechanism to require early engagement by developers with housing associations, including the opportunity for housing associations to comment on applications.
4. Develop a third-party dispute resolution service, such as through the New Homes Quality Board, to minimise time and cost spent on aftercare disputes.

Barriers

The following barriers are reported as “frequent” or “very frequent” by over 50% of large housing association respondents, or by over 75% of very large housing association respondents. Barriers that are frequent for smaller housing associations are also flagged.

Quality and defects issues

- Different definitions of snagging and defects.
- Lack of provision of latent defects support.
- Quality of, or arrangement with, managing agents.
- Low quality amenity and play space.

Financial and viability concerns

- Asking price unaffordable/not financially viable (this was also true for >50% of smaller housing associations).
- Service charges (estate wide and building specific service charges; lack of transparency; design of building/estate resulting in high future service charges - e.g. communal areas difficult to maintain).
- The scale or number of units lacks critical mass.
- Registered providers bidding against each other.
- Inability to take on additional debt to finance S106 and/or funding prioritised for Social and Affordable Homes Programme.

Legal and contractual issues

- Unfavourable build contract/development agreements (e.g. lack of Liquidated and Ascertained Damages, lack of Two-Year Defect Liability Period).
- Delivery timelines and/or changes to timelines not agreed to.
- Poor or absent mortgagee protection clauses, which affect funding value.
- Collateral warranties in an unacceptable format.
- Marketing restrictions.
- Concerns with nomination agreements.

Regulatory requirements

- Not aligned with sustainability targets imposed by current regulatory requirements (e.g. gas boilers).
- Not aligned with sustainability goals (anticipation of future requirements such as Minimum Energy Efficiency Standards, Future Homes Standards).

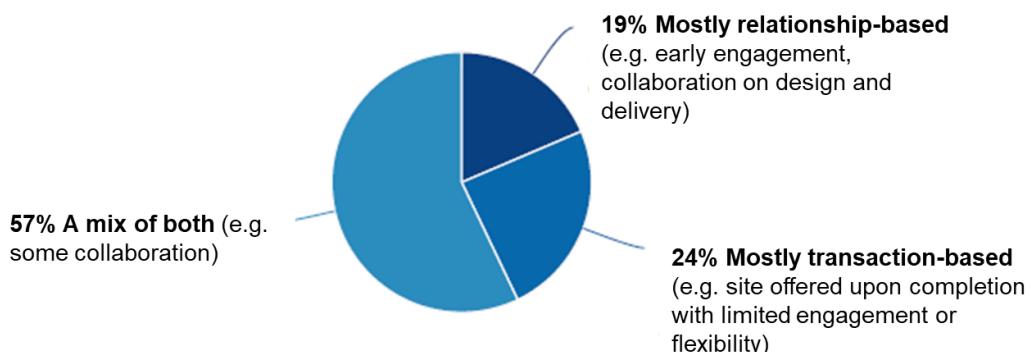
Design and specification issues

- Inadequate mix of home types (e.g. one bed flats vs family-sized homes). Registered providers bidding against each other is an indicator of strong S106 demand in some areas.
- Inadequate tenure mix (e.g. social rent vs shared ownership).
- Not compliant with employer's requirements and technical specifications.
- Lack of compliance with your organisational space standards.

- Building systems and controls not using open protocols.

Experience with developers

1. How would you describe the typical dynamics between your housing association and the developers you acquire S106 homes from?



Quote from a housing association

- “Varying experiences, some developers understand the importance and work with us. Others see us as a hindrance and take a lack of care with delivery and specifically aftercare.”

2. How often are developers willing to be flexible in delivering S106 homes (e.g., by adjusting design specs)?¹

