

SHELTER

Section 106 – supporting demand, sustaining supply

INTRODUCTION

1. This briefing calls on government to urgently address the demand-side shortages within the Section 106 (S106) system that are hindering the uptake of social rent homes. Supporting demand for S106 homes will help tackle homelessness and speed up housing delivery in support of the government's 1.5 million homes target. In contrast, any response that weakens affordable housing requirements would harm the government's own aims to reduce homelessness and get building.
2. The briefing sets out a range of measures that the government should take to shore up demand and secure the resulting benefits for our society and economy.

A VITAL SYSTEM IN NEED OF SUPPORT

3. S106 agreements are essential to the delivery of social and affordable homes. However, it is widely recognised that the current state of the S106 system needs significant improvements. We call on the government to strengthen the system, including closing viability loopholes like Section 73.
4. A recent slump in demand by Registered Providers (RPs) for S106 homes is causing increasing numbers of these homes to sit empty, new data suggests.¹ Similarly, upcoming s106 homes remain uncontracted causing delays to private delivery.² The reduced demand, emanating from a variety of causes, has two main drivers:
 - a. Interest cover in the social housing sector remains weak, inhibiting RPs from accessing new debt at current market interest rates to acquire S106 homes.³
 - b. Poor management and regulation of S106 agreements means homes are too often built to the wrong specification, design or standard by private developers with RPs having little influence over developer outputs, pricing, and post-completion arrangements.⁴
5. In the wake of this reduced demand, some stakeholders with a financial interest in lowering developer liabilities are calling on the government to weaken affordable housing requirements. This would be counterproductive to expanding housing supply, especially given that the current drop in demand is entirely solvable and short-term. For instance, according to new data from NHF and Savills, 50% of large housing associations are planning to buy more S106 homes following announcements made in the June Spending Review.⁵
6. Rather than tinker with damaging reductions to affordable housing targets, this joint briefing urges the government to take decisive action to address the current demand shortfall (section 4) and capitalise on the benefits this brings (section 3).

BENEFITS OF A STRONG S106 SYSTEM FOR THIS GOVERNMENT'S SOCIAL AND ECONOMIC MISSIONS

7. **Tackles homelessness.** Accounting for 44% of social rent delivery over the last decade, S106 delivery is central to moving households out of expensive and



damaging temporary accommodation and into safe, secure new homes. A well-functioning and ambitious s106 system saves national and local government money, including by reducing homelessness costs and the housing benefit bill.⁶

8. **Crowds in and speeds up private delivery.** Professor Glen Bramley, a leading UK housing economist, has conducted extensive modelling showing that the more social housing being built in a locality and time period, the more private housing completions will be delivered as well.⁷ A high provision of social housing within a private development motivates local authorities and residents to support new delivery. It also speeds up build out through guaranteeing (until recently) the sale of a significant segment of new homes, reducing risk for developers.⁸ This is especially useful given that, since 2007, there have been 1.4 million homes with planning permission that developers have not built out.⁹
9. **Stabilises land values and dampens speculation.** Well-enforced, ambitious affordable housing requirements help to embed lower land values within the land market. This encourages the productive use of land and supports councils and housing associations to expand their direct delivery programmes at a reduced cost to government.

HOW TO ADDRESS LOW DEMAND FOR S106

10. The social housing sector is meaningfully engaging on how to address low interest cover among RPs and support them to take on more S106 homes. There is a suite of options available to government to address this challenge that do not involve unnecessarily reducing affordable housing requirements and will help secure higher numbers of social homes. For example, across the sector, there have been a range of calls put forward, outlined below:
11. **Unlock additional RP debt capacity.** For instance, the G15 have advocated for government loans to RPs at zero or low-interest rates that would resolve the hurdle of low-interest cover that currently prevents S106 acquisition.¹⁰ The effect on the government's debt measure would be largely neutral due to the creation of both an asset (the loan) and liability (gilt-issuance). Savings from social rent provision would help offset government borrowing costs.
12. **Improve S106 management and regulation.** The S106 process requires urgent attention to ensure it operates and delivers in a way that works for RPs. Recent Savills analysis calls for early RP engagement and high build standards.¹¹ Post-completion plans and defect clawback periods are also important. For instance, local initiatives have been implemented, [in London by the G15](#) - endorsed by CIH and NHF - and [North Yorkshire](#).¹² The new clearing service is welcome, but central government must do more to ensure sign up from private developers and RPs.
13. **Support public bodies to step in.** Where appropriate, public institutions, such as Homes England, the GLA and local authorities should take on S106 homes, either temporarily or permanently, while wider sector financial capacity recovers. For instance, by exploiting the Local Authority Housing Fund.

If you have any questions about the contents of this representation, please contact Shelter's Public Affairs team: public_affairs@shelter.org.uk



¹ Home Builders Federation. (2025) 8,500 new Affordable Homes risk standing empty as housing providers fail to take them on. Available at: <https://www.hbf.co.uk/news/8500-new-affordable-homes-risk/>

² Home Builders Federation. (2025) Uncontracted Section 106 Affordable Homes: October 2025. Available from: <https://www.hbf.co.uk/news/uncontracted-section-106-affordable-homes-october-2025/>

³ The Regulator of Social Housing. (2024) Sector risk profile 2024. Available from: <https://www.gov.uk/government/publications/sector-risk-profile-2024>

⁴ Brown, E. (2025) NHF says not all Section 106 homes up to standards after HBF study finds 8,500 homes uncontracted, Inside Housing. Available at: <https://www.insidehousing.co.uk/news/nhf-says-not-all-section-106-homes-up-to-standards-after-hbf-study-finds-8500-homes-uncontracted-93995>

⁵ Williams, E., et al. (2025) The challenges of Section 106 delivery: a step in the right direction, Savills. Available at: https://www.savills.co.uk/research_articles/229130/381458-0

⁶ For instance, see: Cebr. (2024) Research: The economic impact of building social housing, Shelter and NHF. Available at:

https://england.shelter.org.uk/professional_resources/policy_and_research/policy_library/economic_impact_social_housing

⁷ Bramley, G. (2023) Homelessness Monitor Research Programme: Technical report on updated baseline estimates and scenario projections 2023, Heriot-Watt University. Available at:

<https://doi.org/10.17861/949n-am24>; Bramley, G. Watkins, D. (2016) Housebuilding, demographic change and affordability as outcomes of local planning decisions: Exploring interactions using a sub-regional model of housing markets in England, Progress in Planning. Available at:

<https://www.sciencedirect.com/science/article/abs/pii/S0305900615000264>

⁸ Bramley, G. (ed.) (2025) The crowding-in effects of social housing (Safe as Houses), Shelter.

Available at:

https://england.shelter.org.uk/professional_resources/policy_and_research/policy_library/safe_as_houses_why_investment_in_social_housing_is_great_for_us_and_our_economy; Lichfields. (2025) Start to

Finish Update 3: How quickly do large-scale sites deliver?. Available at:

<https://lichfields.uk/media/iczbjalq/start-to-finish-3-how-quickly-do-large-scale-housing-sites-deliver-feb-25.pdf>

⁹ Institute for Public Policy Research. (2025) Revealed: 1.4 million homes left unbuilt by developers since 2007. Available at: <https://www.ippr.org/media-office/revealed-1-4-million-homes-left-unbuilt-by-developers-since-2007>

¹⁰ G15. (2025) State of the Capital: Shaping a new model for affordable housing in London. Available at: https://hqnetwork.co.uk/wp-content/uploads/2025/04/g15htstateofthecapitalreport_649721.pdf

¹¹ Williams, E., et al. (2025) The challenges of Section 106 delivery: a step in the right direction, Savills. Available at: https://www.savills.co.uk/research_articles/229130/381458-0

¹² YNY Housing Partnership. (2025) York and North Yorkshire Affordable Homes Standard. Available at: <https://www.yorkshirehousing.co.uk/media/lhzf5g5e/ynyhp-affordable-homes-standardv1.pdf>; G15.

(2025) Building Together, Building Better: Rethinking S106 for Affordable Housing Delivery. Available at: <https://d39wcydd7c4iyq.cloudfront.net/S106-Guidance-Building-together-Building-better.pdf>

