



Draft Canterbury District Local Plan to 2042/3

Consultation Document (Regulation 19)

REPRESENTATIONS SUBMITTED BY

THE KENT SME DEVELOPERS NETWORK

May 2026



**SME Developer Network
Kent**



**CANTERBURY CITY COUNCIL
LOCAL PLAN TO 2042/43
CONSULTATION DOCUMENT (REGULATION 19)**

**REPRESENTATIONS SUBMITTED BY
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May 2026



SME Developer Network
Kent

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APPENDIX 1 - The Role of SMEs



1.0 INTRODUCTION

i) About the Kent SME Developers Network

- 1.1. These representations have been prepared by the Kent SME Developer Network (the Network) in response to Canterbury City Council's (the Council) Regulation 19 Local Plan Consultation on its draft Local Plan.
- 1.2. The Network is a consortium of Small and Medium (SME) Developers who are located in or operate within Kent and Medway. The Group is currently chaired by Paul Henry, Managing Director of Esquire Developments, an SME Housebuilder based in Longfield near Dartford, Kent.
- 1.3. The Network was formed in November 2019 and presently comprises approximately 40 participants including SME Housebuilders and Developers of varying size and scale and Registered Providers. The Network was set up to provide a platform for SMEs to discuss relevant planning and delivery issues associated with bringing forward small and medium sized developments and to positively and proactively engage with Local Planning Authorities at the plan making and decision taking stages.
- 1.4. Since the formation of the Network, a key objective has been to increase the profile of SMEs and lobby key decision makers to improve the opportunity for SMEs. This includes engaging with the then Deputy General for DLUHC in summer 2023 and working with the HBF, being party to Developer round table discussions with the then Secretary of State, Michael Gove and the then Housing Minister, Rachael Mclean in November 2023.
- 1.5. In March 2025 the Chairman of the Network, Paul Henry was invited to No.10 Downing Street, along with a number of other Housebuilders (both SME and National) to meet with the Prime Minister and discuss directly the problems facing SMEs. The following week, as part of the HBF's work engaging with Government, further representatives of the SME Network and Esquire developments visited No10 with a round table discussion, specially focused on SME Housebuilder with policy advisors.



1.6. In addition to the above, the SME Network is also designed to act as a support and mentoring network, where land opportunities can be shared or knowledge/experiences drawn from in-house teams in order to help each other and strengthen the SMEs. The Network can also act as a collective voice in the preparation of Local Plans or other consultations - such as this.

1.7. The Network comprises the following:

SME Housebuilders and Developers

- Esquire Developments
- Fernham Homes
- Wealden Homes
- Fernfield Homes
- Meridian Construction
- Aile Homes
- King and Johnstone
- Clarkmores
- Clarendon Homes
- Gillcrest Group
- A&E Property Ltd
- Country House Homes
- Classicus Estates
- Woodcroft Developments
- Provectus Developments
- Penenden Heath Developments
- Grandera Homes
- Beau Properties
- Jarvis Homes
- Aspire Designer Homes
- Kentish Projects
- Woolbro Homes
- Cooper and Cole
- Hillstone Homes
- RJC New Homes
- Wedgewood Homes



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- TG Designer Homes
 - Endeavour Construction Limited
 - Unique Land
 - Hodson Developments
 - Quinn Estates
 - Elivia Homes
 - TB Holdings
 - Thakeham Homes
 - Pentland Homes
 - Maidstone Mechanical
 - Corker Brothers
 - Toleman Homes

Registered Providers

- Moat
- MHS

Local Planning Authorities

- Medway Council
- Maidstone Borough Council
- Swale Borough Council
- Folkestone and Hythe Borough Council
- Tunbridge Wells Borough Council
- Tonbridge and Malling Borough Council
- Ashford Borough Council
- Canterbury City Council
- Dover District Council
- Sevenoaks District Council
- Kent County Council

Agents

- Marrons
- Tetlow King Planning
- David Hicken Associates
- Stantec
- Consilium Planning



Others

- Homes England

- 1.8. For clarity, the representations contained in this response relate to the Members of the Network that are SME Housebuilders and Developers and not the Registered Providers, LPAs, Agents or Others.
- 1.9. The Network delivers approximately 600 dwellings per annum collectively in the region. Whilst this number is 'small' when compared to the scale of volume/national housebuilders or the national context, it should not be underestimated the value and impact these businesses have on the local economy, including employing local people alongside supporting local labour supply chains and other SMEs associated in the construction Industry. Crucially, SME's offer the opportunity to the wider housing market in delivering choice, variation and high-quality homes.

ii) Content of Representations

- 1.10. These representations have been prepared by the Network which seek to address strategic matters. Any site-specific matters will be addressed by individual SMEs within their own representations.
- 1.11. These representations do not seek to detail the ongoing decline of SMEs Housebuilders, which we believe is recognised and acknowledged by Central Government. **Appendix 1** of these Representations set out a chronology of recent changes and the role of SMEs in planning and the impacts on SME Housebuilders.
- 1.12. Our response has been prepared in objective terms, in response to the content of the Regulation 19 consultation and supporting Evidence Base and in accordance with legal, procedural and soundness requirements of legislation and the National Planning Policy Framework.
- 1.13. The current National Planning Policy Framework was published December 2024 (NPPF 2024). The Plan would be Examined under the provisions of this version of the Framework including the tests of soundness set out at paragraph 36 of the Framework.



- 1.14. The Government published a consultation on amendments to the NPPF in December 2025 and the guidance published alongside this ‘Rollout of the new local plan-making system’ (27 November 2025) confirms that if a plan is not submitted under the existing system by 21 December 2026, LPAs should begin plan-making in the new system as soon as possible. The current Local Development Scheme indicates that the Plan will be submitted for Examination at the end of 2027. Should this be delayed for any reason there is a risk that the Local Plan would need to be reworked in line with the revised NPPF, which is currently being consulted on. Therefore, the Network recommend that the plan period is extended by a year to ensure that the plan period achieves 15-years from adoption, as required by paragraph 22 of the NPPF (2024).
- 1.15. Further, the proposed changes to the Framework represent a significant update with the introduction of National Development Management Policies (NDMPs) and a new plan making system. An essential consideration for plan-making is that from the date the new NPPF is published, any local plan policy that is in “*...any way inconsistent with national decision making policies in this Framework should be given very limited weight, except where they have been examined and adopted against this Framework*”. This would result in many of the DM policies proposed in this Regulation 19 Document to be redundant and this representation will address relevant NDMPs that conflict with policies set out in this consultation.
- 1.16. Whilst it is acknowledged that the draft NPPF carries no weight before adoption, the draft and NDMPs show a clear direction of travel and that Government are seeking to limit the number of development management policies in local plans that go beyond national standards. Therefore, it is recommended that the Council review the policies within the Regulation 19 document and delete those that are inconsistent or duplicate other regulatory regimes, in order to prevent unnecessary burden on its officers when considering the policy weight on each application.
- 1.17. In summary, we support the Council’s approach to meeting their housing need in full. We also reaffirm that the Adopted Local Plan **must** accord with paragraph 73 of the NPPF in allocating at least 10% of sites in the Plan under 1ha. However, the Council are encouraged to go further, in light of the current NPPF consultation policy H06, and include an additional 10% of sites up to 2.5ha to align with the direction of travel from Government.



1.18. In summary the headline points are as follows:

- We support the Council in seeking to meet its Housing Needs.
- We have concerns that there are insufficient allocations to meet the NPPF requirement of 10% allocations on small sites. This is a soundness issue.
- The Council should not rely on such a large % of unallocated windfall provision to meet its need or justify those sites for the 10% target.
- Consideration should be given to the direction of travel of the NPPF with a further 10% of sites to be allocated on medium sites (2ha).
- We encourage the Council to continue to work with the Network, including the provision of a small sites policy to help support SME developers within the plan period.
- We urge the Council to create greater flexibility to policies in Rural and Local Service centres, to enable appropriate development, natural growth and sustainable communities.
- We suggest that policies such as Carbon and Water Efficiency should not replicate or cover matters addressed by other regulatory regimes.
- We recommend that policies such as Biodiversity Net Gain should not exceed statutory requirements.

2.0. RESPONSE TO THE REGULATION 19 DOCUMENT

- 2.1. The Regulation 19 document is the fourth formal consultation on the emerging Local Plan. This Regulation 19 Document sets out the Council's Vision and Strategic Objectives which form the basis of the Local Plan, ensuring growth is focussed in the most sustainable locations and supported by proportionate improvements to essential infrastructure.

i) Development Strategy for the District

Future Housing Provision

- 2.2. We note that the Regulation 19 document seeks to meet its housing requirement of 23,085 in full and this is supported. The 10% buffer means the Council expect 25,407 homes to be delivered over the plan period. We therefore consider housing to be the priority in the Local Plan – an approach that the Network support.
- 2.3. Policy SS3 policy sets out a stepped delivery, that this averages to 1,215 dwellings per year. According to Appendix 6 of the Regulation 19 document, this is to be fulfilled by:

	Number of Dwellings
Draft Local Plan Requirement 2024/25-2042/43	23,085
Total completions from 2024/25	1,232
Planning permissions	1,130
Residual requirement	20,723
Saved allocations from 2017 Local Plan	10,392
Draft Proposed allocations	8,964
Windfall allowance	2,429
Total Land Supply	25,407

Table 1

- 2.4. The critical element of meeting housing needs is not necessarily 'what' the overall number is, but 'how' it is anticipated to meet that number. It is noted that the Local Plan seeks to rely on a significantly high proportion of windfall development to meet its housing need. The

figures set out in Table 1 that the total windfall allowance is a total of 2,429 units during the plan period which equates to 162dpa.

- 2.5. Therefore, as the total housing need for Canterbury is 1,215dpa, the windfall allowance is 13% of the overall housing need. We do not consider it appropriate that this percentage of housing need is to be met by unplanned and unidentified development.
- 2.6. Whilst the inclusion of a buffer to the housing requirement is welcomed, the Local Plan housing supply relies heavily on the delivery of carried forward sites, which include both strategic allocations and other housing allocations. These carry forward allocations from the Canterbury District Local Plan (2017) would deliver 10,392 dwellings and is a significant proportion of the Council's housing requirement. Whilst it is recognised that these sites have been delayed due to Nutrient Neutrality (which did not exist at the time of the allocation of those sites), due to the high % that this component makes up, it is important these sites have been re-examined by the Council to ensure they are still deliverable – some 10 years after their original allocation.
- 2.7. Further, we also note that the Council expect to deliver 12,000 dwellings on strategic sites of 600+ homes, which have a greater risk if these sites do not come forward or are delayed in delivery. Therefore, the Council are encouraged to consider additional allocations to provide a contingency in housing supply and the Network urge the Council to allocate small and medium sites to align with the draft NPPF and ensure delivery in the short term whilst the larger allocations come on line.

Small and Medium Sites

- 2.8. It is considered that the Local Plan housing supply relies heavily on the delivery of large sites. Anything over 49 units falls into the category of 'large' scale development, based on the recent consultation on the draft NPPF which included a new 'medium site' category for developments of 10-49 homes.
- 2.9. Small and medium sites help meet housing needs in the shorter term compared to the timescales for large strategic sites. As such their inclusion is an essential factor for the success and long-term effectiveness of the Local Plan.



- 2.10. The Council's Meeting Development Needs Topic Paper (March 2026), states that the Plan makes provision for 12% of the housing requirement on small and medium sites in response to paragraph 73 of the NPPF (2024). However, the Plan as a whole completely fails to acknowledge SME Housebuilders and is not considered to reflect paragraph 73 of the NPPF (2024), which requires at least 10% of the housing requirement to be identified on sites of 1ha or less. For CCC this requirement is at least 2,309 dwellings, and the Network question if this is achieved in the Regulation 19 allocations.
- 2.11. Furthermore, the draft NPPF has acknowledged that paragraph 73 of the current NPPF is not as effective as required and has sought to strengthen the support for SME Housebuilders by not only requiring 10% to be allocated on sites of 1ha or less, but a further 10% on medium sites of between 1ha to 2.5ha. This would require CCC to allocate land for up to 4,618 dwellings on sites up to 2.5ha. Similarly, the Network question if the Regulation 19 allocates the required 4,618 on small and medium sites to accord with the direction of the draft NPPF.
- 2.12. It is unclear if the expected 2,429 dwellings to come forward as windfall development have been included in the small sites percentage. The NPPF (2024) is clear that windfall sites are not to be specifically identified in the development plan (Annex 2) and therefore, if the Council have included windfall development in the small sites %, this should be addressed and further small sites allocated.
- 2.13. Small sites have a significant advantage as they can deliver quickly. Accordingly, in allocating smaller sites (of 1ha or less), or indeed supporting SME developers in bringing forward larger 'small sites' (there are a number of SME Developers capable of delivering sites in excess of 1ha and up to 100 dwellings or more per site), it will help deliver housing in the short term. It firstly seeks to rectify the existing housing land supply issue and deliver in early years of the Plan period whilst the larger, longer-term sites move through the planning and delivery process.
- 2.14. It is critical to have a good blend of sites - small sites and SME developers are key to the success of delivery. SMEs also seek to deliver good design and set a good standard in the Borough.
- 2.15. The Network is championing a small sites policy, which is presently being endorsed by a number of LPAs including Swale and Medway Council's. Any future plan should provide for a



policy framework to allow SMEs to deliver throughout the lifetime of the plan, particularly in rural areas.

- 2.16. As part of the Network's objective, it has sought to introduce a policy into emerging Local Plans that seeks to support small and medium sized developments that builds on the 1ha site requirement but expands this into a policy framework that can allow SMEs to successfully operate within the policy framework of a Local Plan where there are limited opportunities through the allocations in which the Council has made (i.e. on larger sites).
- 2.17. In this respect, there is often a large windfall figure required to be met, or LPAs find themselves in a position where the presumption in favour of sustainable development is applicable. The SME policy set out below is a policy in which the Network considers would provide the opportunity for SME sites to come forward, whilst offering the LPA an enhanced development coming forward that is typically delivered by an SME – i.e. in respect of design quality or for instance carbon efficiencies.
- 2.18. Whilst the ideal scenario would be for the same policy to be adopted by each Council (and therefore apply a level of consistency in understanding and application of the policy), we also recognise that each LPA has a specific set of circumstances that may require the policy wording to be tweaked. This maybe the case in Canterbury and the Network would welcome further discussions as to how such a policy could be introduced into the Plan.
- 2.19. The suggested wording of the policy is as follows, but can be tailored to suite each LPA.

Policy [insert Policy Number] Small Sites

In order to recognise the value of SMEs and small scale sites, the Council will support development of unallocated or windfall small scale housing (C3) and approve applications providing the harm does not demonstrably outweigh the benefits; and where:

- I. The site does not exceed 60 dwellings (net) and is of an appropriate scale to its location;
- II. The site is being brought forward by a recognised SME Developer and is not part of a larger site;
- III. The proposed development delivers;
 - a. A bespoke design approach;
 - b. A high quality design that is locally distinctive;
 - c. Is sympathetic to the character of its location;
- IV. All dwellings meet National Design Standards and endeavor to deliver a range of Carbon reduction build techniques;
- V. The proposed development preserves residential amenity, designated heritage assets and core environmental assets and increase net biodiversity.
- VI. A flexible approach will be encouraged to the delivery of Affordable Housing assessed on a site by site basis. Where on site provision is demonstrated through evidence to be unviable or unattractive (less than 70% Open Market Value) to recognised Registered Providers, the Council will permit alternative levels of Affordable Housing or alternative forms of tenure, including First Homes, payment in-lieu of on site provision or another form of recognised Affordable Product as defined in the NPPF.

It is recognised that SMEs can deliver quickly and applicants are encouraged to explore if a reduced implementation period is appropriate.

2.20. A Small Sites policy will allow for SMEs to operate within the Plan Led system and will allow both Small and Medium sites to come forward (i.e. sites above 1ha and up to 60 dwellings). Such a policy will allow an SME to come forward with a planning application that meets locally defined specific criteria, such as high-quality design, low carbon footprint, reduced time limits for implementation etc and a flexible approach to the delivery of Affordable Housing. On the other side of the coin, the Council will receive higher quality developments being submitted that are in character with more rural fringe locations (remembering the SME site typology), but that those Rural Fringe locations can be supported with an appropriate amount of growth that will assist in preventing, slowing or reversing their cycle of decline.

2.21. Such a policy would provide for additional weight to be afforded to an SME application, and thus allow greater weight to be applied to the application in the overall planning balance. This



would reduce risk to an SME and increase certainty at the planning stages, as the SME can tailor their scheme to meet the specific criteria.

Settlement Hierarchy

Rural Service Centres

- 2.22. We support the recognition for new development on suitable sites in the identified rural service centres and local service centres - however we suggest that these policies are too restrictive.
- 2.23. 'Policy R1 - Rural Service Centres' supports development within the settlement boundaries of the designated rural service centres of Sturry, Blean, Bridge Chartham, Hersden and Littlebourne. This specifies support for minor development on appropriate sites. We would suggest the wording of this policy be amended to include development adjacent to the settlement boundary.

Local Service Centres

- 2.24. Similarly, 'Policy R13 - Local Service Centres' is supportive of minor development including infilling on appropriate sites within the settlement boundaries of the designated local service centres of Adisham, Barham, Broad Oak, Harbledown, Hoath, Lower Hardres, Petham, Rough Common, Stuppington, Westbere and Wickhambreaux. As above, we suggest that this policy wording is too restrictive and does not allow for natural growth and supporting sustainable communities.
- 2.25. Improving the flexibility of the policy, or indeed the introduction of the small sites policy will facilitate the support for SME developers, who are more finely tuned to deliver smaller scale developments in rural locations. SME developers tend to deliver higher quality bespoke developments that can meet the design requirements of rural locations as well as delivering at a scale that is more appropriate to these settlements.
- 2.26. Appropriate levels of growth of the right type of housing can help support these communities in the long term.

2.27. We therefore encourage the policy wording for Rural and Local Service Centres is relaxed and provides greater flexibility to provide natural growth adjacent to settlement boundaries, which in tandem with the proposed Small Sites policy would ensure that developments in these areas are high-quality bespoke design, in-keeping with local character.

ii) Affordable Housing

2.28. The Network acknowledges the variable rate in affordable housing requirement between brownfield and greenfield sites, at 15% and 30% respectively, which is understood given the constraints on brownfield land. However, there are concerns that the 30% requirement on greenfield sites can also be challenging – especially on smaller sites. It is encouraged that viability testing of specific allocation and engagement with site promoters is undertaken to ensure that additional costs do not render sites undeliverable.

2.29. We recognise that viability is acknowledged as a significant issue with the delivery of affordable housing. This is a combination of an increase in construction costs, inflation rates, landowner expectations, BNG credit costs, as well as uncompetitive offers from Registered Providers.

2.30. For instance, on greenfield sites the costs associated with achieving BNG are significant and, particularly smaller sites, developers are often required to deliver off-site to maintain sufficient developable area to be viable. The Regulation 19 document requires an additional 10% uplift (20%), to the statutory 10% BNG set by Government, which will significantly increase the need for off-site credits and additional costs for developers. Therefore, a compromise would be required and be justified through viability evidence, which could result in under delivery of affordable housing.

2.31. Given that affordable housing delivery is an important aspect of local and national policy, the Council should carefully consider the additional burden of other policies and priorities, such as BNG, or energy efficiency measures, in light of not providing affordable homes.

iii) Specialist Housing Provision

2.32. The Network welcomes the marketing period for self and custom build housing included in part 9 of Policy DS15, however would encourage that the period is reduced to a minimum of 6-months.

- 2.33. SME housebuilders face greater cashflow constraints than national housebuilders, and therefore a 12-month marketing period would cause significant delays in turnover. Therefore, in light of the Governments recognition of challenges facing SME developers and support for SMEs, the Network urge the Council to reduce the marketing period to 6-months.

iv) Net Zero and Water Efficiency

- 2.34. We would highlight the NPPF consultation (2025) and that careful consideration be given to the final document that is adopted. Relevant here is NDMP PM13 (Setting Standards), which states that, except for accessibility, water efficiency and national space standards, development plan policies should not “cover matters which are already addressed by Building Regulations”. Should NDMP PM13 remain in the adopted framework, this policy would be given limited weight and therefore we would recommend that this policy be removed.
- 2.35. Policy DS12 would require new residential dwellings to deliver net zero ready standards, which repeats requirements of the Future Homes Standards (due to come into force March 2027). The policy also requires developers to calculate the whole lifecycle of carbon emissions on major developments, which is not justified in the NPPF and should be removed as unnecessary and overly onerous. Therefore, this policy should be amended.

v) Biodiversity

- 2.36. Policy DS25(3b) requires major development to provide a 20% net gain in biodiversity. The requirement of a 20% target for biodiversity net gain across the Borough is excessive and should be applied in specific site allocations, not for every development proposal. The imposition of a target over and above the statutory, legislated BNG requirement is an additional barrier to meeting the housing targets set by Government.
- 2.37. The 20% BNG gain target for all major developments should be reduced to the statutory 10% across Canterbury, as set by the Environment Act 2021.
- 2.38. The Council must be able to demonstrate that the 20% net gain is viable and would not compromise the delivery of sites across the plan as a whole. As aforementioned, we expect

the increased minimum BNG target for small/medium sites would significantly impact the viability and delivery of such sites.

- 2.39. The NPPF 2025 consultation addresses BNG in Policy N1(2), requiring plan-making policies and development plans to *“only set local standards for biodiversity net gain which are in excess of the statutory net gain requirement where this is for specific site allocation, and is fully justified and deliverable”*. The PPG (paragraph 74-006-20240214) states that a Local Plan should not seek a higher requirement than the statutory 10%, unless justified through local need and with consideration of viability. It is unclear that the evidence to require a higher percentage net gain is justified and therefore the policy is unsound.
- 2.40. Lastly, the Government are strengthening support for SMEs and smaller sites through proposing BNG exemptions for sites below 0.2ha as part of BNG reforms. While we acknowledge that this area-based exemption is under consultation, like the NPPF 2025, and only has limited weight, however both demonstrate the Governments approach to SMEs and the potential of small sites to meet the 1.5million homes target. If the small site exemption and draft NPPF are unchanged as published, the policy would be given very limited weight and essentially be redundant.
- 2.41. Therefore, we recommend that the BNG target for Canterbury is set at 10%, with only specific site allocations exceeding the statutory requirement where it is justified and deliverable. The Council must be aware of the cost of delivering BNG on sites has further implications on the delivery of affordable housing and infrastructure projects, where the cost of delivering credits either on site, or through off-site habitat banks results in an unviable development.
- 2.42. In conclusion, we caution against the BNG target exceeding the 10% Environment Act (2021) which will be out of step with national planning policy and guidance, and will impact the delivery of market housing and affordable housing across the Borough. We therefore suggest that the statutory 10% BNG is adopted and the policy goes further to identify the difficulties of delivering BNG on site, in particular for small sites, and recognises how off-site credits may be the only option in ensuring that a project is viable.



3.0. SUMMARY

- 3.1. These representations have been prepared by the Kent SME Developer Network - a consortium of SME Developers who are located in or operate within Kent and Medway. The Network was recently formed in November 2019 and presently comprises approximately 30 participants including SME Housebuilders and Developers of varying size and scale and registered providers.
- 3.2. The Network welcomes ongoing engagement with the Council and any other interested party.
- 3.3. We acknowledge that this Regulation 19 consultation prioritises meeting the Council's housing needs in full. However, highlight the importance of ensuring the 20% of allocations meeting the small-medium site threshold and urge for more support and recognition for the role SMEs have in the Borough and our untapped potential to contribute to housing supply.
- 3.4. In summary, the headline points are as follows:
- We support the Council in seeking to meet its Housing Needs.
 - We have concerns that there are insufficient allocations to meet the NPPF requirement of 10% allocations on small sites. This is a soundness issue.
 - The Council should not rely on such a large % of unallocated windfall provision to meet its need or justify those sites for the 10% target.
 - Consideration should be given to the direction of travel of the NPPF with a further 10% of sites to be allocated on medium sites (2ha).
 - We suggest that policies such as Carbon and Water Efficiency should not replicate or cover matters addressed by other regulatory regimes.
 - We recommend that policies such as Biodiversity Net Gain should not exceed statutory requirements.

APPENDICES

Appendix 1 - The Role of SMEs



THE ROLE OF SMEs

- 1.1 This statement set out the importance currently being placed by successive Central Governments on the role of Small to Medium Enterprises (SMEs) in the housebuilding Industry and demonstrates the vital role SME Housebuilders, who have been described as being of 'National Importance' and 'the back bone of house building in the UK', will play in complementing volume housebuilders to deliver Local and National housing requirements.

A. The Previous Conservative Government's Position on SME'S

i) Building More Homes – July 2016

- 1.2 The Government has made it clear that it is committed to increase housebuilding to deliver 300,000 homes per year by the mid 2020's. The target figure of 300,000 homes per year comes from a recommendation in the House of Lords Economic Affairs Committee report, 'Building More Homes', published in July 2016¹. The figure takes into account estimated population change but also to address the backlog created by the failure to build enough homes over many years. All the main political parties have accepted the 300,000 dwelling per annum figure.
- 1.3 Statistics monitoring completions across the UK (gov.uk) confirm Housebuilding has not achieved this level of growth since 1977-78 (314,090 dwellings – Live_Table 109) and in 2017-18² only 222,194 dwellings (Live_Table 122) were completed. Whilst this is an increase since 2012-13 (124,722 completed dwellings), this is still well short of the 300,000 dwelling target.

ii) Home Builders Federation – January 2017

- 1.4 In January 2017, the Home Builders Federation prepared a research paper titled 'Reversing the decline of small housebuilders: Reinvigorating entrepreneurialism and building more homes'³. This document highlighted a number of facts, inter alia:
- In 1988, small builders were responsible for 4 in 10 new build homes (40%). Today it is just 12%.
 - In 1988, 12,000 SMEs were building houses. In 2017, this figure was only 2,500 SMEs.

¹ <https://publications.parliament.uk/pa/ld201617/ldselect/ldeconaf/20/20.pdf>

² 2018-19 data is not yet complete.

³ https://www.hbf.co.uk/documents/6879/HBF_SME_Report_2017_Web.pdf



- The average permissioned housing scheme has increase in size by 17% since 2007, suggesting many allocated sites are out of reach for smaller companies.
- Small sites are consistently efficient in their delivery.
- Delay and risk during the planning stage has influenced lender attitudes to housebuilding meaning terms SMEs borrow on are restricting growth opportunities.
- In 2007-2009, 33% of small companies ceased building homes.
- Returning to 2007 home builder levels could see housing supply boosted by 25,000 dwellings per year.

1.5 The HBF report attributes the reasons for the decline in SMEs has been for two principal reasons:

1. A long-term trend following landmark planning legislation in 1990 which tipped the balance of control significantly further away from entrepreneurial home builders to LPAs; and,
2. The above long-term trend compounded by the Global Financial crisis in the late 2000s when the availability of development finance became a concern.

1.6 The report continues that *'the above effects are further compounded by the availability of suitable housing sites and the constant struggle of securing an implementable planning consent through the planning process beset by delays and bureaucracy. These delays and associated costs have tangible impacts on SMEs and their ability to grow. Whilst larger companies can mitigate risk across a number of sites, small firms encountering delays on one or two sites will be the difference between a year of growth and a year of contraction'*.

iii) White Paper – February 2017

1.7 The release of the Government's White Paper in February 2017 titled 'Fixing our Broken Housing Market'⁴ only reinforced the concerns about the lack of SMEs building Houses. The Report identified 3 main problems and described the housing market as 'broken', blaming the supply shortage, *"for too long, we haven't built enough homes"*. The three problems were identified as:

1. Not enough local authorities planning for the homes they need;
2. House building is simply too slow; and,

4

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/590464/Fixing_our_broken_housing_market_-_print_ready_version.pdf

3. The construction industry is too reliant on a small number of big players. (our emphasis)

1.8 The white paper outlined the Government's plans to change ('fix') the market. It called for *'a new approach to house building that included: building homes based on need; building homes faster; diversifying the house building market; and by making it more affordable for people to buy homes.'* (our emphasis)

1.9 The White Paper was clear that the Government intends to open the housing market to smaller builders and those who embrace innovative and efficient methods.

iv) House of Lords Debate – January 2018

1.10 On 11 January 2018, the House of Lords debated 'Housebuilding in the UK'⁵ and noted the performance of the UK's major house builders. The debate acknowledged the 2017 HBF report and focussed on the HBF suggestion that part of the practice of local authorities focusing on larger sites with a very high number of units may be counterproductive. The debate acknowledged *'that while it may be efficient in strong market areas, it is inefficient in weaker market areas. While the NPPF has been lauded for increasing the number of planning consents, it is argued that the number of sites permissioned, in areas of need, remains short of where it needs to be.'*

v) Revised NPPF – July 2018

1.11 The manifestation of the above discussions set about the introduction of a new approach within the revised NPPF 2018⁶, which sought to encourage the use of smaller sites and the requirement that 10% of the housing requirement on sites no larger than 1ha should be identified. The 10% target and 1ha was amended from the consultation version suggestion 10% of 'allocations' and only 0.5ha sites. The increase acknowledged the greater variety of sites SMEs are attracted to.

⁵ <https://researchbriefings.parliament.uk/ResearchBriefing/Summary/LLN-2018-0001#fullreport>

⁶

<https://webarchive.nationalarchives.gov.uk/20181206183454/https://www.gov.uk/government/publications/national-planning-policy-framework--2>



vi) **Letwin Independent Review of Housing Build Out Rates – October 2018**

- 1.12 In October 2018, Sir Oliver Letwin issued his final ‘Independent Review of Build Out’⁷ report and recommendations on how to close the significant gap between the number of housing completions and the amount of land allocated or permissioned on large sites in areas of high housing demand.
- 1.13 Whilst the main body of the report focussed on the perceived issue of land banking, Sir Oliver Letwin identified that the *‘build out rate’ on small sites is intrinsically likely to be quicker than on large sites; (to take the limiting case, a site with just one house will take only as long as required to build one unit).’*

vii) **Homes England Strategic Plan 2018-2023 – October 2018**

- 1.14 In October 2018, Homes England released its 5-yr ‘Strategic Plan 2018-2023’⁸ plan to detail how it will improve housing affordability, helping more people access better homes in areas where they are needed most. The plan outlines their ambitious new mission and the steps that they will take, in partnership with all parts of the housing industry sector, to respond to the long-term housing challenges facing the country.
- 1.15 The Strategic Plan goes to some lengths identifying the decline in SME housebuilders and the result being the house building market is increasingly made up of a small number of house builders, meaning there is insufficient diversity, competition and capacity. The report continues:

There are a number of barriers preventing smaller builders from delivering a greater number of homes including: a lack of development finance; a land market weighted in favour of larger builders; and a complex planning system.

This is why we’ll create a more resilient and competitive market by supporting smaller builders and new entrants. In addition, Homes England

7

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/752124/Letwin_review_web_version.pdf

⁸ <https://www.gov.uk/government/publications/homes-england-strategic-plan-201819-to-202223>

will work with house builders to promote better design and higher quality homes.

- 1.16 Driving Market Resilience has therefore been identified as a key priority for homes England. This includes access to finance but crucially where HE own sites which are too large to be developed by smaller builders, they will look for opportunities to create smaller parcels which better suit their capacity. They will achieve this improving opportunities for smaller builders to access land, and introduce simpler tender and legal documents on smaller sites to make the bidding process easier.
- 1.17 Furthermore, the strategic report looks beyond the immediate 5-yr plan and identifies a longer term priority to explore opportunities for, inter alia, removing the planning burdens faced by smaller builders on more complex sites.

viii) House of Commons Briefing Paper – December 2018

- 1.18 On 12 December 2018, a House of Commons Briefing Paper titled *‘Tackling the Under-Supply of Housing in England’*⁹ was released. The report addressed all facets of factors influencing the delivery of new homes and addressed in detail ‘Support for SME Developers’.
- 1.19 The Briefing paper recognised the barriers to delivery and the impact that competition for land has on SMEs. The report states that *‘While there is sufficient land to build on, land is scarce in economic terms as its supply is inherently limited and fixed. This leads, it is argued, to developers having to undergo ‘fierce’ competition for land “while remaining uncertain as to what planning permission they will be able to secure.” The price of land is certainly viewed as a barrier to housebuilding. The gain in value that planning permission offers is said to encourage strategic land trading, rather than development, resulting in the most profitable beneficiaries of residential development being the landowner, not the developer. High land prices can, in turn, force down the quality and size of new homes and present difficulties for small and medium sized enterprises (SMEs) when seeking to compete for sites to develop.’* (our emphasis)
- 1.20 The Briefing Paper further acknowledged the over reliance on a small number of developers and considered that *‘This concentration of market power is felt to inhibit competition and can exacerbate the impact of market shocks when all the large firms simultaneously reduce output’.*

⁹ <https://researchbriefings.parliament.uk/ResearchBriefing/Summary/CBP-7671#fullreport>



- 1.21 The briefing paper recognised that housebuilding requires considerable up-front investment, meaning that *‘in most cases, new housing developers need access to finance. For the housebuilding industry, a particular concern is access to finance for SME developers. The Aldermore Group, a bank specialising in finance to small businesses, have stated: ...smaller developers continue to struggle with access to finance, with a recent industry survey showing that more than 50,000 construction and real estate firms have begun the year in ‘significant’ financial distress...unless more is done by lenders to increase funding to smaller regional developers, the potential for the industry to reach... [the Government’s house building target]...will be less likely.’*
- 1.22 Problems accessing finance can have an impact on house builders’ ability to produce high quality housing, as well as on the overall capacity of the house building industry. As far back as the Budget 2014 a commitment was made to support SME access to finance with the government creating a £500 million Builders Finance Fund to provide loans to developers to unlock 15,000 housing units stalled due to difficulty in accessing finance. In July 2015, the then Housing Minister announced that the Fund would be extended. The Spending Review and Autumn Statement 2015 further extended the £1 billion Fund to 2020/22. In October 2016 the launch of a £3 billion Home Building Fund under which builders, including SME builders, can obtain loan finance to assist with development costs and infrastructure work was established.
- 1.23 The Autumn Budget 2017 announced a further £1.5 billion for this Fund “providing loans specifically targeted at supporting SMEs who cannot access the finance they need to build. The 2017 Budget also said: “The government will explore options with industry to create £8 billion worth of new guarantees to support housebuilding, including SMEs and purpose built rented housing.
- 1.24 The briefing continues that SME developers are less able to withstand market shocks. This is illustrated by the fact that their share of total housing starts declined after each of the last two house price crashes (as quantified in the 2017 HBF report). A factor that would reduce risk and improve confidence in the development process is house price stability.

ix) Revised NPPF - February 2019

1.25 In February 2019, the latest version of the NPPF¹⁰ was released. This continues the March 2018 version in respect of the desire to encourage smaller sites to come forward in the planned system. Paragraph 68 of the NPPF 2019 states:

68. Small and medium sized sites can make an important contribution to meeting the housing requirement of an area, and are often built-out relatively quickly. To promote the development of a good mix of sites local planning authorities should:
- a) identify, through the development plan and brownfield registers, land to accommodate at least 10% of their housing requirement on sites no larger than one hectare; unless it can be shown, through the preparation of relevant plan policies, that there are strong reasons why this 10% target cannot be achieved;
 - b) use tools such as area-wide design assessments and Local Development Orders to help bring small and medium sized sites forward;
 - c) support the development of windfall sites through their policies and decisions – giving great weight to the benefits of using suitable sites within existing settlements for homes; and
 - d) work with developers to encourage the sub-division of large sites where this could help to speed up the delivery of homes.

1.26 The NPPF makes it clear that that small and medium sized sites can make an important contribution to meeting housing requirements in an area. To this end and to encourage small and medium sites, para 68 (a) seeks that 10% of small sites no larger than 1ha should be identified.

1.27 WDC needs to respond to this guidance in a proactive way. As detailed above, due to the competition for SMEs to enter the market it is likely that sites being promoted by SMEs will fall into Rural Service Centres or smaller villages away from the main urban areas or areas perceived as having the greatest accessibility. In this respect, paragraphs 77 and 78 (Rural Housing) of the NPPF complement paragraph 68 insofar that they recognise that planning policies need to be responsive to local circumstances and support housing development that reflects local needs. Para 77 continues that to support opportunities for affordable housing,

¹⁰

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/810197/NPPF_Feb_2019_revised.pdf

some market housing should be considered to facilitate this. Para 78 further supports that housing should be located where it will enhance or maintain the vitality of rural communities. Policies should identify opportunities for villages to grow and thrive.

- 1.28 Small and Medium sized sites can make a valuable contribution to these locations principally because the approach of SMEs is more flexible than a volume housebuilder and therefore can at a scale and quality that reflect the characteristics of village locations.

x) Speech by Minister of State for Housing, Esther McVey – September 2019

- 1.29 Most recently, in September 2019, the Minister of State for Housing, Esther McVey gave a speech¹¹ at the convention for the residential property sector. Alongside reaffirming the commitment to 300,000 homes per annum, reference was made to improving the quality of housing and posed the following point *‘and what about the jobs and the careers to build all these homes, we need to think about that. We need to be opening up this house building to SME’s, bringing them onboard, bringing it to communities, bringing it to the self-build and bringing in modern methods of construction.’*

xi) Statement of Minister of State for Levelling Up, Housing and Communities – July 2023

- 1.30 In July 2024, the SoS spoke to the long-term plan for housing. Within this statement, the SoS committed to a new era of regeneration, inner-city densification and housing delivery across England, with transformational plans to supply beautiful, safe decent homes in places with high-growth potential in partnership with local authorities.
- 1.31 In addition to targeted action in a few high-potential areas, the government’s plan delivers a package of reforms to unleash building on underused sites in high-demand regions. As part of the package of reforms, the SoS states that development should proceed on sites that are adopted in a Local Plan with full input from the local community, unless there are strong reasons why it cannot. Local Councils should be pragmatic in agreeing changed to developments where conditions mean that the original plan may no longer be viable, rather than losing the development wholesale or seeing development mothballed.

¹¹ <https://www.gov.uk/government/speeches/resi-convention-2019>



- 1.32 Furthermore, the SoS encouraged the better use of small pockets of brownfield land by being more permission, so more homes can be built more quickly, where and how it makes sense, giving more confidence and certainty to SME builders.

xii) Revised NPPF – December 2023

- 1.33 In December 2023, the NPPF was further revised¹². This continued the previous iterations of the NPPF in respect of the vision to encourage smaller sites to come forward through the plan-making system. The updated para 70 continues to make clear that small and medium sized sites can make an important contribution to meeting housing needs in an area. Para 70 goes on to seek that 10% of small sites are no larger than 1ha should be identified. The revised NPPF adds another requirement for:

“e) work with developers to encourage the sub-division of large sites where this could help to speed up the delivery of homes.”

- 1.34 It is recognised that the delivery of smaller sites can address the immediate housing crisis in the short term. It is understood that smaller sites can come forward quickly, developed by local SMEs with a vested interest in delivering the site within a short timeframe. The larger strategic sites take significant time to be promoted through the Plan-making stage, as well as through the application stage, ensuring the infrastructure requirements to support large scale developments are fully considered before development can commence.

vi) Revised NPPF – December 2024

- 1.35 In December 2024, the NPPF was revised by the recently elected Labour Government¹³. The revised NPPF was introduced following the wide range of changes proposed by the Labour Party throughout their election campaign. This includes but is not limited to, a requirement for all Council's to meet their housing requirement, as calculated via the amended Standard Method unless 'hard constraints' such as flood risk demonstrate that it is not possible. As a result of the amended methodology for calculating housing need, the yearly housing target across the Country has increased to 370,000 homes per annum.

¹² https://assets.publishing.service.gov.uk/media/65a11af7e8f5ec000f1f8c46/NPPF_December_2023.pdf

¹³ <https://www.gov.uk/government/publications/national-planning-policy-framework--2>

- 1.36 A significant change as part of the 2024 revised NPPF is the removal of the amendments published within the 2023 revised NPPF. This includes the removal of 4-year housing land supply.
- 1.37 Furthermore, in an attempt to meet their housing need, the Government have introduced the concept of Grey Belt, whereby poorly performing Green Belt is deemed appropriate for development, where it meets the identified 'golden rules' of the NPPF, i.e. 50% affordable housing.
- 1.38 There is a clear drive from Government to increase house building across the country, improve affordability through the building of 370,000 homes per annum, with a particular focus on delivering affordable homes.

B. Pace of Delivery of an SME

- 1.39 SME's help diversify the market and deliver choice and quality, but they can also deliver at a quicker pace than larger sites. This means that by supporting SME's into the housing market, LPAs can strengthen its Housing Delivery and ensure a steady supply of deliverable sites.
- 1.40 Typically, Esquire Developments aim to take no more than 6 months from receipt of detailed consent to start on site.
- 1.41 The SME business model is usually set up differently to volume housebuilders. SME's are more flexible in matters such as design and landowner negotiations. In addition, SME's also try to limit their financial risk/exposure. As a result, there are a number of factors that affect an SME's approach to delivering a site. This includes:

1. Cash Flow

- SMEs tend not to land bank as a return on their financial exposure/risk is critical to maintaining a profitable business. In this respect Cash Flow is critical and due to the time lag involved in the return of funds from a development (i.e. once homes begin to be sold), it is essential SMEs seek to reduce the time taken from the point of receiving a planning permission to the point of the sale of a house. This means once an implementable planning consent is secured, SMEs commence as quickly as possible to start on site. Larger PLCs can better carry this risk through multiple sites



and numerous pipeline of completions - whereas SME's will have fewer outlets and therefore less regular returns in this respect.

2. Infrastructure Requirements

- Infrastructure requirements on small to medium sized sites are less onerous. This means discussions/contracts with utility providers are less complicated and time taken to implement the required infrastructure is less allowing this element of the build to be quicker.

3. Land Negotiations

- Often small and medium sized sites have fewer legal complications. This includes fewer land registry titles and fewer landowners and as a result fewer negotiations/legal complications that larger sites or larger PLC companies require. This often makes the 'land deal' more straightforward and thus quicker.

4. Flexibility in Product and Process

- Due to an SME's flexible approach to design quality and that standard house types tend not to be adopted, SME's have the ability to be more flexible when it comes to product choices. This not only allows the SME to offer a variety of product or specifically address local characteristics/design requirements, but it also means the SME can respond quickly to any delays or changes to the supply. This is mainly due to the decision makers being involved in the process and being 'hands-on'. As a result, there is a less hierarchal structure and decisions can be made quickly and efficiently – again reducing time.

5. Working relationships

- SMEs tend to work with a close number of trusted consultants and suppliers who also tend to be SMEs. This not only ensures quality of service and product but allows for open communication when it comes to availability of supplies and delivery of products. This means any potential delays are anticipated and the ability to successfully work through solutions. In addition, the sale of the dwellings tends to be on a more bespoke basis meaning the dialogue and communication between SME and Buyer is also on an open and communicative basis.

6. Sales Rates

- Once construction has commenced, completion rates, which follows sales rates matches the market demand and therefore an SME can build out at the same pace as larger volume housebuilders who adopt the same approach.

- 1.42 Whilst there is little literature addressing the delivery of small sites, there is a significant amount relating to the delivery of large-scale sites. Nathaniel Litchfield & Partners (NLP) produced a research paper titled ‘Start to Finish – How quickly do large-scale housing sites deliver? (November 2016)’¹⁴. The report recognised that *‘Large-scale sites can be an attractive proposition for plan-makers. With just one allocation of several thousand homes, a district can – at least on paper – meet a significant proportion of its housing requirement over a sustained period..... But large-scale sites are not a silver bullet. Their scale, complexity and (in some cases) up-front infrastructure costs means they are not always easy to kick start. And once up and running, there is a need to be realistic about how quickly they can deliver new homes’*.
- 1.43 The report continues that *‘past decades have seen too many large-scale developments failing to deliver as quickly as expected, and gaps in housing land supply have opened up as a result’*. NLP suggest that if authorities’ Local Plans and five-year land assessments are placing reliance on large-scale developments, including Garden Towns and Villages, to meet housing need, then *“the assumptions they use about when and how quickly such sites will deliver new homes will need to be properly justified.”*

vii) Revised NPPF – July 2021

- 1.44 The NPPF was revised in July 2021¹⁵ to accommodate a number of changes. This included a change in emphasis to good design and how good design was fundamental to what the planning and development process should achieve. Furthermore more, it confirmed development that is not well designed, should be refused and conversely, significant weight should be given to developments which reflect local design policies and/or promote high levels of sustainability or help raise the standard of design more generally in an area. SME’s as well placed in this regard to meet these challenges successfully.
- 1.45 The updated NPPF also amended the numbering of paragraph 68 to paragraph 69, but made no text changes to the 2019 version.

¹⁴ <https://lichfields.uk/media/1728/start-to-finish.pdf>

¹⁵ <https://www.gov.uk/government/publications/national-planning-policy-framework--2>

viii) The Bacon Review (August 2021)

- 1.46 In August 2021, the Prime Ministers Independent Review into scaling up self build and custom housebuilding was published¹⁶. Led by Richard Bacon MP. Whilst primarily dealing with recommendations to government on how to support growth in all parts of the custom and self build market, helping to boost capacity and overall housing supply in our housing market, the review touched on the plight of smaller building firms.
- 1.47 The report outlined how smaller firms now account for only 12% of new housing stock and *'have been largely squeezed out by very big companies who can afford the time and cost involved in negotiating a path through the complex thickets of the planning system'*.
- 1.48 The review continues that *the SME sector has nearly been destroyed as a direct consequence of a regulatory environment which is both exceptionally complex and fraught with risk, so that the gaining of planning consents requires both very deep pockets and the ability to bear significant risks over very long periods of time.*

ix) Meeting Housing Demand, House of Lords Select Committee (January 2022)

- 1.49 In January 2022, the House of Lords Select Committee released its report 'Meeting Housing Demand'¹⁷. A series of recommendations to Government about addressing housing demand. This included recommendations on the planning system as well as the role of SMEs (Chapter 4). The report confirmed:

'In this report, we call on the Government to take action and remove the administrative and other blockers which, at present, make increasing the number of homes built much more difficult. We recognise that these challenges play out differently across the country as a whole. London and the South East face different challenges to other regions, as do those at different ends of the affordability scale.'

Small and Medium-sized Enterprises (SMEs)

The role of SMEs in the housebuilding industry has collapsed: in 1988, SME housebuilders built 39% of new homes; now they build just 10%. If housing

¹⁶ <https://www.gov.uk/government/publications/independent-review-into-scaling-up-self-build-and-custom-housebuilding-report>

¹⁷ <https://committees.parliament.uk/work/1328/meeting-the-uks-housing-demand/publications/reports-responses/>

demand is to be met, SMEs should be supported through reduced planning risk, making more small sites available, and increased access to finance. We also provide options for a fast-track planning process for SMEs to reduce delays and planning risk.

1.50 In terms of summary of conditions, in respect of SME's the report made the following:

SMEs

12. The role of SMEs in the housebuilding industry has seen a sharp decline: in 1988, SME housebuilders built 39% of new homes, by 2020 this had dropped to 10%. The Government should encourage SME housebuilders in order to diversify the market and maintain competition. (Paragraph 103)

13. Local authorities should support SME housebuilders to navigate the planning process. One focus of the Government's planning reforms should be to reduce planning risk by making decisions more predictable and reducing delays, which will benefit SMEs. The Government should work with local planning authorities to create a fast-track planning process for SMEs. (Paragraph 104)

14. Wider adoption of the 'master developer' model, where larger sites are built out by a number of different housebuilders, would help SME housebuilders bid for more secure developments. The Government should require local planning authorities and Homes England to increase the percentage of homes on larger sites each year which are built by SME housebuilders. (Paragraph 108)

15. Access to finance is one of the key barriers for SME housebuilders. The Government should work with lenders to encourage them to provide more support to SME housebuilders on commercial terms. (Paragraph 112)

1.51 In March 2022, the Government published its response to the report¹⁸. In response to matters relating to SME's, the Government responded in the following ways:

'We agree with the Committee that there remain some specific barriers to increasing housing supply. To alleviate these, we are continuing to drive up the supply of good quality new homes that people need and want, including by diversifying the market and supporting SMEs through the Government's Levelling Up Home Building Fund'

¹⁸ <https://committees.parliament.uk/publications/9234/documents/159940/default/>



The Government wants to increase competition in the housebuilding market, supporting SME housebuilders to deliver the choice of housing consumers need and want in this country. We agree with the Committee's report that SMEs have a vital role in making the housing market more diverse, competitive and resilient, and we are committed to ensuring the right support is in place. SMEs have a vital role in training and retaining their workforce, including delivering apprenticeships.

As stated in the Committee's report (p. 43), Government is aware that historically the three main barriers SMEs identify as facing are planning, land and finance. We have put in place a package of measures, including financial initiatives to help SMEs grow and develop, such as the Home Building Fund and the ENABLE Build Guarantee scheme. The Home Building Fund will see up to £3 billion of funding or short-term development loans provided to SMEs, custom builders and developers using modern methods of construction. It has supported many new sector entrants, with two thirds of the SMEs who have utilised funding existing for less than three years. We have committed 91% of the initial £2.5 billion development finance allocated to the Home Building Fund, and 94% of contracted transactions are with SMEs, two-thirds of which had existed for less than three years when accessing the fund. Home Building Fund development finance is now expected to support close to 70,000 homes once fully committed.

Funding has contributed to interventions like the Housing Accelerator Fund, a lending alliance between Homes England and United Trust Bank which provides SMEs with development finance at up to 70% Loan to Gross Development Value, and the Housing Delivery Fund, set up with Barclays, which provides £1 billion of loan finance to help support small and medium sized developers, speeding up the delivery of thousands of new homes across England.

To build on the success of the Home Building Fund, we have now launched a £1.5 billion Levelling Up Home Building Fund. This will provide loans to small and medium sized builders and developers to deliver 42,000 homes, with the vast majority going outside London and the South East.



We welcome the Committee's suggestions on planning and land. The Government is considering how to best take forward proposals around changes to the planning system, including how they align with and support our wider mission to level-up the country and regenerate left-behind places. Within this, we are exploring further options to support prompt and faster build-out of sites as part of our proposed changes. These changes will support diversification by providing small builders with more speed and certainty in the planning process.

x) Levelling Up and Regeneration Bill: Reforms to National Planning Policy (Dec 2022) Consultation

1.52 In December 2022, the Government consulted on the 'Levelling-up and Regeneration Bill: reforms to national planning policy'¹⁹. This proposed a suite of amendments to the NPPF. Specifically, in relation to SME'S, the consultation made the following statement:

More small sites for small builders

10. Small sites play an important role in delivering gentle density in urban areas, creating much needed affordable housing, and supporting small and medium size (SME) builders. Paragraph 69 of the existing National Planning Policy Framework sets out that local planning authorities should identify land to accommodate at least 10% of their housing requirement on sites no larger than one hectare; unless it can be shown, through the preparation of relevant plan policies, that there are strong reasons why this 10% target cannot be achieved. The Framework also asks local planning authorities to use tools such as area-wide design assessments and Local Development Orders to help bring small and medium sized sites forward; and to support the development of windfall sites through their policies and decisions. Local planning authorities are asked to work with developers to encourage the sub-division of large sites where this could help to speed up the delivery of homes.

11. We have heard views that these existing policies are not effective enough in supporting the government's housing objectives, and that they should be strengthened to support development on small sites, especially those that will

¹⁹ <https://www.gov.uk/government/consultations/levelling-up-and-regeneration-bill-reforms-to-national-planning-policy/levelling-up-and-regeneration-bill-reforms-to-national-planning-policy#chapter-4--planning-for-housing>



deliver high levels of affordable housing. The government is therefore inviting comments on whether paragraph 69 of the existing Framework could be strengthened to encourage greater use of small sites, particularly in urban areas, to speed up the delivery of housing (including affordable housing), give greater confidence and certainty to SME builders and diversify the house building market. We are seeking initial views, ahead of consultation as part of a fuller review of national planning policy next year. Alongside this, the government has developed a package of existing support available for SME builders, including the Levelling Up Home Building Fund which provides development finance and Homes England's Dynamic Purchasing System which disposes of parcels of land.

- 1.53 Two important questions were asked as part of the consultation:

Q.24 Do you have views on the effectiveness of the existing small sites policy in the National Planning Policy Framework (set out in paragraph 69 of the existing Framework)?

Q.25 How, if at all, do you think the policy could be strengthened to encourage greater use of small sites, especially those that will deliver high levels of affordable housing?

- 1.54 Notwithstanding the above, in December 2023 a revised NPPF was released that made no change to the position of SME Housebuilders. Shortly thereafter, a General Election was called and in July 2024, Labour won the majority of Parliament.

The New Labour Governments Position on SME House builders

- 1.55 A key component of Labours manifesto and pledge was that it would deliver 1.5 million new homes in the 5 year term and radically seek to overhaul the planning system. Labour recognises the important role housebuilding plays in the countries economic success and wants to get 'Britain Building again and deliver economic growth'. Alongside the planning and infrastructure bill a revised NPPF was consulted on and released in December 2024.
- 1.56 The consultation version was consulted on in September 2024. It provided positive steps towards improving the planning system and seeking to ensure homes were delivered. This included simplifying the plan making process. The consultation acknowledge the issue

surrounding SME Developers, but suggested that no immediate amendments to the NPPF were identified to be implemented at that time.

Revised NPPF – December 2024

1.57 The December 2024 NPPF did indeed make radical changes to the planning system. It introduced the concept of Grey-Belt, amended the standard methodology for calculating housing need and made those figures mandatory and sought to place greater emphasis on delivery of infrastructure, affordable homes and Local Plans.

1.58 As anticipated, the SME component was left unchanged.

1.59 However, in May 2025, a planning reform working paper relating to Site Thresholds was released. This consultation acknowledges the need to support SME's recognised the strength of feeling that current policy around smaller developments is not working for local planning authorities or SME developers. It further states:

The paper primarily explores the simplification of planning requirements for the smallest of sites and the introduction of a medium-sized site threshold within the planning system – in recognition of the particular needs of this scale of development. These changes aim to provide certainty to the sector, ensure the planning system is more targeted and proportionate across different scales of development, and help small and medium builders (SMEs) deliver the homes our communities need.

1.60 The introduction continues:

SME builders play a crucial role in driving up housebuilding rates – by bringing diversity and competition to the market and supporting faster build out rates. SMEs build out the majority of small sites, which supports the efficient use of land, maximises opportunities for gentle densification, and responds to local housing needs. They also contribute to thriving, successful places through the provision of associated infrastructure which supports new development. That is why supporting SMEs forms a key pillar of the upcoming Long-Term Housing Strategy.

However, this part of the sector has faced significant challenges in recent years – a third of SME developers have ceased operating over the last two decades, and the largest developers have become increasingly dominant – accounting for roughly 90% of volume growth. Recent analysis from the Federation of Master Builders (FMB) highlights ongoing

challenges, with the proportion of planning permissions granted on sites with 1 to 9 units having steadily declined over the past 13 years, falling from 21% in 2010-11 to 9.3% in 2023-24 – a marked reduction from previous contributions by SMEs. Addressing this trend, reducing risks and costs, and removing barriers to entry is key to supporting the government’s ambitions for a reformed housebuilding system, with SMEs playing a leading role.

- 1.61 Whilst the final outcome of the consultation is not yet known, there are a number of proposals which would seek to support the SME sector, including minor, small and medium size sites. The recognition of simplifying the process, reducing burden and costs is welcomed and long overdue. These reforms do represent a major step change in support of SMEs and if SMEs are to be the backbone of the housebuilding industry, need to be implemented and delivered.

C. Conclusion

- 1.62 The role of SMEs has been fully recognised by successive Central Governments (both in the House of Commons and House of Lords) and the wider Industry (HBF, NLP) in how important their role is to helping deliver the now 1.5m homes in the next term target. Constraints to SMEs have been identified, including that the plan-led system is orientated away from encouraging SMEs into the market and access to finance.
- 1.63 The 2024 NPPF has some provision within it to specifically address this issue with a clear direction to Local Planning Authorities that 10% of all its housing requirements should be on sites that are 1ha or less i.e. approx. 35 dwellings and under per site. This is aimed at SME developers who deliver at or around this scale.
- 1.64 Most recently the Government's consultation to reform small and medium size sites is welcomed and acknowledges the commitment to supporting SMEs and recognising their role in meeting housing demand.

The Kent SME Developers Network

June 2025