

**Castell Group – Written Evidence
Local Government & Housing Committee
Follow-up Inquiry into Social Housing Supply (January 2026)**

Castell Group is an SME partnership housebuilder delivering social housing across South Wales for Registered Social Landlords and Local Authorities.

Castell Group is currently delivering over 300 social homes across multiple Welsh local authorities and has a pipeline of over 1,000 homes. We are actively engaged in land origination, planning, pre-construction, and construction delivery.

Castell provided a paper in 2024 with challenges the sector is facing, and have since contributed to the affordable housing taskforce paper. Most of the issues raised in 2024 have been recognised, however they are still prevalent in the sector.

Below are some of the key issues we believe are affecting areas within the committee's published interests:

1. Progress towards the 20,000 target and pipeline post-2026

- While there has been strong policy intent, delivery remains constrained by planning throughput, statutory approvals, and early-stage scheme viability.
- The current system does not provide sufficient certainty or speed to sustain a pipeline, particularly for SME developers who carry disproportionate upfront risk.
- There remains no effective presumption in favour of affordable housing, even on brownfield or policy-compliant sites, which undermines confidence in forward investment.
- A delayed plan-led system causes pipeline risk:
 - Wales operates a firmly plan-led planning system, with development decisions required to accord with adopted Local Development Plans unless material considerations indicate otherwise. However, a significant proportion of Welsh local planning authorities are currently operating with out-of-date, delayed, or withdrawn LDPs. The absence of up-to-date plans is materially undermining confidence to invest in new land today. This is constraining the forward pipeline and risks a sharp fall-off in affordable housing delivery post-2026, as sites not identified, allocated, or progressed now will not be available for delivery in future years.

2. Progress on implementing Affordable Housing Taskforce recommendations

- The Taskforce correctly identified planning complexity, land supply, finance, and skills as systemic blockers.
- However, from an operator's perspective, most of the recommendations that affect this are classed as 'medium term'.
- Key issues still prevalent today:
 - Planning prioritisation for affordable housing remains inconsistent between authorities.
 - SAB and technical processes still require excessive upfront detail at too early a stage and are not working alongside planning.
 - SME access to finance remains constrained, especially in the construction sector or social housing sector where funding appetite is low due.

3. Policy goals undermining delivery of social housing

- There is a growing policy overload on schemes:
 - Biodiversity
 - Net zero requirements
 - Nitrates
 - MMC encouragement
 - Building safety reforms
 - Social value obligations
- Priorities can also be introduced without corresponding funding, programme flexibility, or transitional support – Ecology prioritisation was brought in with a PPW amendment with immediate effect, stalling sites already in the planning process. Nitrates have stalled sites in West Wales with immediate effect.
- The cumulative effect is reduced viability, slower delivery, and increased risk, particularly for SMEs.

4. Planning system issues

a) Policy balance and ecology

- Planning Policy Wales is now heavily weighted toward ecology, often at the expense of deliverability.
- This disproportionately impacts small and medium sites, even where housing need is clear.
- The lack of clear, objective ecological thresholds leads to uncertainty and subjective decision-making.

b) Timeframes and process

- Average timelines from pre-application to start on site remain circa 18–24 months.
- Key delays arise from:
 - Consultees not responding within statutory consultation period
 - S106 drafting delays
 - Pre-commencement planning conditions
 - SAB approvals

c) Technical scrutiny

- The Welsh Government technical scrutiny process requires information that would ordinarily be prepared at RIBA Stage 3–4. For a ‘concept’ or ‘pre-application’ stage, the level of detail is very high.
- This front-loads cost, delays decision-making, and discourages SME participation as there is a risk planning is not granted, and the cost is at risk.

5. Availability of finance

- Upfront costs for planning, technical design, ecology, and surveys are increasing and largely unfunded.
- Performance bonds and retention requirements place significant strain on SME balance sheets and cashflow, affecting both main contractor and sub-contractor.
- There is a strong case for reviewing bond or surety mechanisms for social housing delivery as tied-up retention can starve SME’s of vital cashflow.
- Business funding for construction companies

7. Risk allocation and commercial behaviour

- Social housing contracts increasingly include:

- Reduced Extension of Time entitlement
- Removal of Relevant Matters
- Disproportionate LAD exposure
- Fixed price, all risk approach.
- This leads to:
 - Higher tender prices
 - Reduced competition
 - Disputes
 - SME failures and supply-chain instability
- Lack of grant flexibility and the need for a fixed-price drives the above behaviours.

8. Workforce and skills

- Skills shortages persist across the construction sector, both in trades and professionals
- Delays are compounded by capacity constraints within statutory bodies.

9. SME engagement and support

- SMEs find it difficult to access support when projects are under pressure.
- There is a perceived stigma in asking for help, rather than a culture of early intervention.
- A more transparent, proactive SME support channel would materially improve outcomes.
- SMEs deliver a significant proportion of social housing, but operate with the least resilience.
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Closing observation

Wales has the intent, demand, and expertise to deliver significantly more social housing. What is missing is prioritisation, certainty, alignment and across policy, planning, finance, and delivery.