Maximising Returns for Landowners

Section 106, CIL & Development Land Value

A Practical Guide for Landowners

How affordable housing, infrastructure contributions, CIL and delivery triggers can influence the net value of development land.

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What Are Section 106 and CIL?

Section 106 agreements and the Community Infrastructure Levy are different mechanisms used to address the affordable housing, infrastructure and mitigation requirements created by development. A planning permission may also contain planning conditions and depend on a separate highway agreement.

For landowners, the important issue is not simply the headline development value. The amount, timing and drafting of obligations can affect residual land value, cash flow, phasing, marketability and the price a purchaser is prepared to pay for the site.

Planning permission should be assessed as a complete package. Section 106, CIL, conditions and highway works can all affect what may be built, when it may be occupied and the net value available for the land.

Why are Section 106 and CIL used?

New development can create demand for affordable housing, transport, schools, open space, healthcare and other infrastructure. Planning obligations and CIL help ensure that appropriate measures are delivered or funded alongside development.

- **Secure affordable housing and site-specific mitigation**
- **Fund or deliver transport, education and community infrastructure**
- **Provide open space, ecological measures and long-term management**
- **Address impacts that cannot properly be controlled by a planning condition**
- **Support an implementable development while protecting the public interest**

Where do they sit in the planning process?

Development concept → policy review → planning application → Section 106 / CIL assessment → permission → commencement and compliance

Read the full online Section 106 & CIL Guide

Why Landowners Should Pay Attention

Obtaining planning permission does not mean that every part of the completed development value is available to the landowner. Affordable housing, CIL, financial contributions, highways, open space and other requirements are development costs that must be allowed for in the appraisal.

The complete permission package should therefore be reviewed before land terms are agreed. A headline consent can look valuable while trigger dates, indexation, occupation restrictions or major on-site works materially affect the amount and timing of the value that can be realised.

Headline planning value is not net land value

Development land is generally valued by taking the completed value of the scheme and deducting construction, infrastructure, affordable housing, CIL, finance, professional costs and the return required to deliver it. The residual amount available for the land depends on the actual obligations attached to the scheme.

Trigger dates can affect delivery and finance

Payments or works may be required before commencement, before occupation of a stated number of homes or before a later phase can proceed. Even a manageable total contribution can create difficulty where it falls due before the development has generated sufficient receipts.

The whole planning package matters

Section 106, CIL, planning conditions and highway agreements perform different roles and can apply at the same time. The landowner, promoter and purchaser should understand how the documents interact, who is responsible for compliance and whether any obligation continues to bind retained land.

The commercial question is not simply whether planning permission exists, but what it permits and what must be delivered or paid to use it.

Compare Planning Application Costs

What Can Section 106 and CIL Require?

The exact requirements depend on adopted policy, the charging schedule, the proposed use and scale of development, and the site-specific effects that must be addressed. A development can be affected by both financial liabilities and land or works that reduce the net saleable area.

Affordable Housing Residential schemes may need to provide affordable homes with specified tenure, mix, standards, phasing, transfer and occupancy arrangements.	**Financial Contributions** Payments may be required for education, transport, healthcare, community facilities, open space or other site-related infrastructure.
On-Site Infrastructure The agreement can secure roads, open space, play, drainage, habitat, community facilities, land transfers and long-term management.	**Highway Works** Junctions, crossings, footways, cycle routes and other public-highway works may require a separate highway agreement, design approval and security.
Environmental & Open Space Measures Ecology, biodiversity, landscape, sustainable transport and environmental mitigation may require works, land and ongoing management.	**Management & Occupation Controls** Obligations can restrict occupation until payments, affordable housing, infrastructure or other measures have been delivered.

What should a landowner assess?

- The current CIL charging schedule, rate, use and charging zone
- Affordable housing policy, tenure, mix and transfer assumptions
- Likely Section 106 contributions and on-site infrastructure
- Trigger dates, indexation, occupation restrictions and instalments
- Land required for highways, drainage, open space, habitat or facilities
- Planning conditions, highway agreements and utility requirements
- Residual value, cash flow, finance and overall deliverability

The correct assessment considers both the amount of each obligation and the practical effect of its timing, drafting, land requirements and relationship with the construction programme.

What Makes a Strong Obligations Review?

A strong review moves from the adopted policy position to a site-specific development concept and then tests the complete cost and delivery package. It should not rely on a generic deduction per acre or assume that obligations will later be negotiated away.

1. Confirm the policy and charging position — Identify the planning authority, adopted affordable housing and infrastructure policies, current CIL schedule and any relevant supplementary guidance.

2. Prepare a credible development concept — Establish the proposed use, scale, density, floorspace, housing mix, phasing and land required for access, drainage, open space and infrastructure.

3. Calculate initial liabilities — Apply the likely indexed CIL rate, affordable housing assumptions, policy formulas, financial contributions, highway works and on-site mitigation.

4. Test the Section 106 requirements — Check that each obligation is necessary, directly related to the development and fairly and reasonably related in scale and kind.

5. Model timing and cash flow — Identify commencement, occupation and phase triggers, instalments, indexation, finance effects and dependencies between different parts of the site.

6. Protect the landowner’s position — Ensure promotion, option or sale terms provide transparent appraisal assumptions, expenditure controls, approval rights and responsibility for obligations.

A strong review explains the policy basis, calculates realistic liabilities and shows how obligations affect development capacity, cash flow and residual land value.

Read the Planning Conditions Guide

Evidence That Can Strengthen the Assessment

The level of work should be proportionate to the planning stage. Early evidence does not need to fix every contribution, but it should identify the obligations capable of materially affecting capacity, value, timing or the ability to deliver the proposed development.

Planning Policy & Guidance Review

Identify the adopted affordable housing, infrastructure and obligation policies, supplementary documents and any emerging changes relevant to the site.

CIL Schedule & Charging Map

Confirm whether CIL operates, the applicable use and zone, current indexed rate, instalment policy and any potential relief or exemption.

Development Capacity & Floorspace

A credible concept should establish use, density, housing mix, gross internal area, phasing and the land needed for infrastructure and mitigation.

Affordable Housing Appraisal

Model the policy percentage, tenure, transfer values, mix, grant assumptions, standards and phasing rather than using a simple headline deduction.

Infrastructure & Highways Evidence

Access design, transport mitigation, schools, utilities, drainage, open space and other infrastructure can materially affect cost and programme.

Title & Land Requirements

Review ownership, retained land, easements, third-party rights, land transfers and whether obligations could bind land outside the development parcel.

Residual Valuation & Cash Flow

The appraisal should include affordable housing, CIL, Section 106, highway works, abnormal costs, finance, timing and developer return.

Draft Heads of Terms & Legal Review

Early heads of terms can identify likely triggers, indexation, occupation restrictions, review mechanisms, security and compliance responsibilities.

The strongest evidence converts broad policy requirements into a site-specific appraisal showing what must be provided, when it becomes due and how it affects the net development opportunity.

How Section 106 and CIL Are Assessed

Section 106 and CIL are normally refined as the planning application, masterplan, consultant evidence and legal drafting progress. The following sequence shows how an initial assumption develops into an implementable planning and delivery package.

1. Authorities identified — Confirm the local planning authority, charging authority, highways authority and infrastructure providers relevant to the site.

2. Development concept prepared — Define use, capacity, floorspace, tenure, access, open space, drainage, infrastructure and phasing.

3. Policy requirements reviewed — Identify affordable housing, CIL, infrastructure, mitigation and other adopted requirements likely to apply.

4. Initial costs and liabilities tested — Estimate CIL, Section 106 contributions, on-site works, highway measures, land take and abnormal costs.

5. Heads of terms negotiated — Agree the principal obligations, formulas, trigger dates, indexation, management arrangements and occupation controls.

6. Permission and legal documents completed — Finalise the decision notice, Section 106 agreement, CIL liability position and any separate highway agreement.

7. Commencement and compliance managed — Submit required notices, satisfy pre-commencement matters, monitor triggers and obtain evidence that obligations have been discharged.

Planning permission, the Section 106 agreement, CIL notices, conditions and highway arrangements must be read together before the development is commenced or valued.

Read: Planning Conditions & Land Value

Read: Land Value With Planning Permission

What If the Obligations Affect Viability?

An appraisal may show that policy-compliant affordable housing, CIL, infrastructure and abnormal costs place pressure on the scheme. That does not mean the obligations can simply be ignored. The policy basis, statutory tests, development assumptions and genuine site costs must be examined carefully.

Where a departure from policy is proposed on viability grounds, proportionate and transparent evidence will normally be needed. A realistic response may also involve a revised layout, changed phasing, a different delivery strategy or a review mechanism rather than the removal of all obligations.

A focused response can include:

- Reviewing adopted policy, contribution formulas and the three obligation tests
- Checking density, floorspace, tenure and affordable housing assumptions
- Separating ordinary development costs from genuine abnormal costs
- Testing phasing, trigger dates, instalments, indexation and cash flow
- Preparing proportionate viability evidence where a policy departure is justified
- Considering design changes, review mechanisms and alternative delivery options

Realistic appraisal matters

An over-optimistic land bid that assumes obligations will later be reduced can create delay, price renegotiation or a scheme that cannot proceed. The stronger strategy begins with a policy-compliant appraisal and identifies any genuine viability issue before land terms or the planning approach become fixed.

A viability concern should be tested through realistic evidence and a deliverable planning response — not an assumption that adopted obligations will simply disappear.

How Can Section 106 and CIL Affect Land Value?

Planning obligations can reduce the residual amount available for land when compared with a theoretical scheme containing no affordable housing, infrastructure or mitigation. They can also help create an acceptable and implementable permission that produces a substantial uplift over existing-use value.

Affordable housing affects receipts and mix; CIL and financial contributions are direct costs; and highways, drainage, open space, habitat and community infrastructure can require both capital expenditure and development land. Trigger timing and indexation can add finance and programme effects.

The value outcome is site-specific

Two permissions for the same number of homes can generate different residual land values because their tenure, infrastructure, conditions, abnormal costs, payment triggers and net developable areas differ. A generic development-land rate cannot replace an appraisal of the actual permission.

Understand the complete planning package before sale

Before agreeing an option, promotion agreement, conditional contract or sale, the landowner should understand how bidders will treat affordable housing, CIL, Section 106, highways, retained liabilities and later planning variations. Better information supports clearer terms and more comparable bids.

For landowners, the relevant figure is the net value of the actual implementable permission after affordable housing, CIL, infrastructure, mitigation, finance and other delivery costs.

Read the Land Value Guide

How Value My Land Can Help

Value My Land can review the planning and policy position, likely development capacity and the obligations that may influence the net value of a site. Where further promotion is justified, the strategy can coordinate specialist evidence, development appraisal, planning submissions and a competitive sale process.

Initial Planning & Policy Review
We review the planning authority, development opportunity, likely use and capacity, policy position and principal obligations that may affect the site.

Development Concept & Capacity
We can help establish a realistic development concept that allows for access, affordable housing, infrastructure, open space, drainage and mitigation.

Consultant Team Coordination
Where evidence is needed, we can coordinate planning, highways, drainage, ecology, landscape, utilities, valuation and other specialist work.

Obligations & Viability Appraisal
We can consider likely CIL, affordable housing, Section 106, infrastructure and abnormal costs within a realistic residual-value assessment.

Promotion & Planning Strategy
The planning route can be structured to pursue a policy-compliant, deliverable permission while preserving appropriate flexibility as evidence develops.

Competitive Sale Preparation
Clear planning, legal and technical information can reduce purchaser uncertainty and support stronger, more comparable bids for the land.

Promotion Agreements

Where we enter into a Promotion Agreement, we fund and manage the agreed planning process at our own cost and risk. This can include consultant evidence, appraisal work and negotiations needed to pursue a deliverable planning permission. If planning permission is not secured, the agreed promotion costs are written off.

The landowner retains ownership and control of the land throughout the promotion process. Because our return is linked to the sale proceeds, our objective is aligned with securing an implementable planning package and maximising the net value achieved for the land.

Request a Free Development Potential Assessment

Understand the Net Development Opportunity

If you own land and want to understand how affordable housing, Section 106 obligations, CIL, infrastructure or delivery triggers may affect its value, contact Value My Land for a free, no-obligation initial assessment.

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Value My Land

Delivering Sustainable Development

Further reading: Section 106 & CIL Guide | Planning Conditions Guide | Land Value With Planning Permission | Promotion Agreements

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