

Section 106 Planning Obligations

Good Practice Guide

Revised
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What are section 106 planning obligations?

- Under section 106 of the Town and Country Planning Act 1990, as amended by the Planning and Compensation Act 1991, any person interested in land in the area of a local planning authority may, by agreement or unilaterally, enter into an obligation (commonly known as a section 106 planning obligation) -
 - (a) restricting the development or use of land in any specified way;
 - (b) requiring specified operations or activities to be carried out on the land;
 - (c) requiring the land to be used in any specific way;
 - (d) requiring a sum or sums to be paid to the authority on a specified date for an agreed purpose.
- Planning permissions can therefore be subject to conditions or planning obligations enabling proposals to go ahead which might otherwise be refused.

What is the good practice guide for?

- Since planning obligations may involve developers making a financial contribution to the local authority, it is essential that such arrangements are operated in a way which is seen to be fair, open and reasonable in order to retain public confidence in the fundamental principle that planning permission cannot be bought or sold.
- This good practice guidance note explains the use of, and procedures for the preparation of section 106 planning obligations in Oldham.

When may Planning Obligations be used?

- Government policy, as expressed in Circular 05/05, requires the use of planning obligations to meet 5 tests. They must be:
 - ⇒ necessary;
 - ⇒ relevant to planning;
 - ⇒ directly related to the proposed development;
 - ⇒ fairly and reasonably related in scale and kind to the proposed development;
 - ⇒ reasonable in all other respects.
- A vital test of proposed planning obligations is therefore that they must be *necessary* to make a proposal acceptable in land-use planning terms. They should not be sought where the connection does not exist or is too remote.
- Acceptable development should never be refused because an applicant is unwilling or unable to offer benefits. Likewise, unacceptable development should never be permitted because unnecessary or unrelated benefits are being offered.
- Planning obligations should not duplicate conditions. If a local authority has a choice between overcoming a potential reason for refusing planning permission by entering into a planning obligation with an applicant or imposing conditions, then

conditions are preferred. This is because applicants retain an immediate right of appeal, whilst the terms of an obligation may only be appealed against after five years.

What can be included in a planning obligation?

- Planning obligations may relate to any matter, provided they satisfy the government's 5 tests, as described above. In some cases the developer signing the obligation agrees directly to provide certain facilities or to refrain from certain activities. For example, the obligation may involve an agreement to restrict the use of certain premises, incorporate mobility or affordable housing in new residential developments, or provide crèche facilities in a shopping development.
- Alternatively, an obligation may involve payment by a developer of a sum of money to be used by a local authority to overcome a genuine potential reason for refusal of a planning application. Common examples of this type of planning obligation arise when a proposed development creates additional demand for public open space, parking spaces, transportation infrastructure or local traffic calming measures. In such cases, payment of an appropriate sum of money to the local authority can enable the authority to provide the new or replacement facilities, which are outside the developer's control.
- The Oldham Metropolitan Borough Unitary Development Plan (adopted 14th July 2006) refers to a variety of circumstances in which planning obligations may be used, either in the text of certain policies or in the justification, which follows the policies. However, planning obligations may be appropriate in certain circumstances even if these particular policies are not relevant, provided that the government's five tests are satisfied.
- The Council is currently preparing a number of Supplementary Planning Documents (SPD's) which will cover many of the circumstances in which there may be the potential to require developers to enter into a planning obligation. These are being prepared over the next 2 years. Please see your case officer for up to date information.

How will an applicant know if a planning obligation is required?

- Applicants for planning permission will be informed as soon as possible if it is likely that there is a potential reason for refusal, which could be overcome through a planning obligation. This should occur well before the application is reported to the Council's Planning Committee, to enable the applicants to express their willingness or otherwise to enter into an agreement.
- The applicant may choose to submit a Unilateral Undertaking, which will be taken into consideration when determining the application. However if the details do not meet the Council's minimum requirements and the proposed development is unacceptable, the planning application should be refused. (If an alteration to the undertaking would overcome the reason for refusal then the Council will advise the developer).
- If a planning obligation is considered essential to render a proposed development acceptable in planning terms and an applicant is unwilling to enter into a legal

agreement then the planning application should be refused stating clearly the planning objections that the agreement is needed to overcome.

- The Council will require the developer to contribute towards the legal costs of preparing the planning obligation. This will be a minimum of £500 and depend upon the complexity of the agreement, anything over this amount will be charged on a time/cost basis. Your solicitor will be advised of this cost at the time the agreement is first drafted.

What is the procedure for financial contributions?

- Planning obligations may involve the payment of a financial contribution to the Council. This is most likely to occur where a development is creating a need for, or placing an additional strain on, public parking facilities, transport infrastructure, public open space or children's play areas.
- In such cases, applicants will be made aware by the case officer of at least the approximate level of the contribution, and what the contribution may be spent on, during negotiations and well in advance of the application being considered by the Planning Committee. Preferably, the level of the contribution and details of how and where it is to be spent should be finalised before Committee, or as a minimum the heads of terms of the obligation will be agreed with the applicant.
- Once an application has been approved subject to a planning obligation being signed, the Council will send a draft legal agreement to the applicant's legal representatives. The agreement will normally entail payment of the contribution as a lump sum, after which the planning permission will be issued.
- The need for and calculation of financial contributions should be applied consistently but may, in very exceptional circumstances, be subject to negotiation with the Development Control case officer dealing with your application. Where any departure from standard practice is being contemplated, this will be made explicit and fully justified.
- Where a developer proposes to submit a Unilateral Undertaking, it will be expected that any undertaking will meet the requirements outlined in this Guidance Note. Therefore, the Council may require alterations to the undertaking if this is necessary or appropriate.
- Financial contributions through planning obligations are most commonly made in relation to transportation matters or in lieu of public open space provision (POS) and occasionally affordable housing.
- **Transportation Contributions** - Contributions to overcome issues relating to transportation will be dependant on the scale and type of development proposed and the highway implications of the development, and as such there are no fixed tariffs for calculating such payments.
- **POS Contributions** - The methods for calculating the contributions for POS which may be payable, are detailed in the Council Open Space, Sport and Recreation Provision Supplementary Planning Document.

- **Affordable Housing Contributions** – The methodology of calculating affordable housing contributions can be found in Appendix 3 of the Council’s Interim Affordable Housing Strategy 2007/08 approved July 2007. You can view the summary and full report on the Councils website or by clicking [minutes - July 30th 2007 Cabinet Meeting](#). The Council are in the process of preparing an Affordable Housing Planning Position Paper which will set out the policy for affordable housing within the borough of Oldham and the mechanisms for securing affordable housing as part of a planning application for residential development.

How long does the Council have to spend the financial contributions?


- The Council has adopted an approach of including time limits for the expenditure of financial contributions within planning obligations. The agreed timeframe will depend on the purpose and amount of contribution received.
- It is appropriate to have contributions to public open space time limited to a minimum of 5 years from receipt of the S106 monies as it is reasonable for the Council to develop and/or improve an area of public open space within a 5 year time period. The maintenance contribution will still be calculated over 12 years and will not be time limited.
- However, for contributions relating to more complex issues such as transportation infrastructure and affordable housing where there is a much longer lead in time and where other factors greatly influence implementation timescales, a longer time limit than 5 years is necessary. In these circumstances, the Council will require a longer time frame i.e .a minimum of 10 years.

Who can see the details of planning obligations?

- Once signed, obligations and Unilateral Undertakings form part of the planning permission. This is a public document and anyone may see a copy of it and any correspondence connected to it by contacting or visiting the Development Control group at the address below.
- To increase transparency and maintain public confidence in the system for collecting and spending sums acquired through planning obligations an annual report will be presented to the Planning Committee, summarising the number and types of planning obligations which have been connected to planning permissions up to that time and the ways in which any financial contributions have been spent.

For more information regarding this good practice guide or general enquiries regarding planning obligations, contact:

Planning Services
 Environmental Services
 Level 12
 Civic Centre
 West Street
 Oldham
 OL1 1UQ

 planning@oldham.gov.uk
 www.oldham.gov.uk
 0161-770-4105