



# Unlocking Section 106 Funding for Transport

How to release Millions in Unspent Developer  
Contributions







In its pursuit of economic growth – the top priority of this current Labour Government – Prime Minister Keir Starmer and Chancellor Rachel Reeves have promised to ‘back the builders, not the blockers’. But with public finances under severe strain impacting where, when, and how much the Government can invest, policymakers of all parties are under pressure to explain how they will fund new infrastructure projects and propel the UK into the future. In some cases, the Government need look no further than the balances already sitting in local authority accounts across the country.

Through Freedom of Information (FOI) requests, the Urban Mobility Partnership (UMP) can reveal that, as of 31 March 2024 (the most recent comprehensive data available) the responding councils across England and Wales were holding over £5.3 billion in unspent Section 106 (S106) funds, including at least £700 million for transport projects, accumulated up to that point. To put that figure into perspective, at the Autumn 2025 Budget the Chancellor capped National Insurance relief on pension salary sacrifice schemes, a move which is expected to bring in £4.7 billion annually.

Our figure is likely a conservative floor. The total value of Section 106 funds is expected to rise as the government fast-tracks development projects, yet the full picture remains obscured. According to the National Audit Office, councils held at least £5.5 billion as of 2022/23, a figure that excludes the 17% of local authorities in breach of transparency requirements. Regardless of the exact amount, these legally binding developer contributions – designed to support local infrastructure like bus services, cycleways, and road improvements – are critical, yet they often sit idle, delaying sustainable transport solutions.

Of course, there are legitimate reasons why funds may remain unspent. Some are earmarked for large-scale or long-term projects, while others are held until enabling works or capital approvals are completed. However, in many cases, these funds sit dormant for years, and if not used within the agreed timescale, can even be returned to the developers – undermining the very purpose of the scheme.

At a time when the government is searching far and wide for additional funding and support for infrastructure projects, this situation highlights both a challenge and an opportunity: how can we ensure that S106 funds are deployed more quickly, more effectively, and in a way that maximises their impact on local transport networks?





# The impact of failing to deliver

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Much has been written about Britain's ageing infrastructure, and policymakers are spending a great deal of time and energy seeking solutions to reinvigorate it. Polling consistently shows that the public believes infrastructure projects can boost economic growth, create more reliable public services, and improve transport and connectivity[1]. But when projects fail to materialise, the public loses trust in government's ability to deliver, undermining not just political pledges but also confidence in mechanisms.

This cynicism has even begun to slip into mainstream politics, with some modes of transport viewed as more left wing, while others more right wing. The politicisation of something as practical as how people get from A to B is, frankly, unhelpful. Reducing congestion, improving safety, cutting air pollution, and lowering travel costs are outcomes that should unite, not divide, policymakers and the public alike. Integrated, multimodal transport systems benefit everyone, regardless of how they choose to travel.

Beyond public cynicism, however, there are real and immediate consequences when S106-funded transport projects fail to materialise or face years-long delays. For example, when new housing developments are built but transport networks fail to keep pace, local services are put under undue strain – the exact problem that S106 transport agreements are intended to prevent.

What is often overlooked is that developers themselves have a strong interest in these projects being delivered. Far from preferring to see their contributions returned after 5 or 10 years, most developers have “baked in” the costs of S106 agreements from the outset, knowing that improved transport links add long-term value to their properties. New bus routes, safer pedestrian connections to local amenities, and new cycling and scooter infrastructure not only benefit residents but also make developments more attractive to future buyers.

Holding on to S106 funds and delaying their deployment risks creating bottlenecks that weaken public trust, frustrate developers, and, most importantly, deny communities the infrastructure improvements they were promised. Across the country, this has left hundreds of millions of pounds sitting idle at precisely the moment when investment in transport is most urgently needed.

This context underscores the case for updated and improved guidance. While the Ministry of Housing, Communities, and Local Government (MHCLG) has recently set out a policy roadmap for S106 housing agreements, their review should extend to the entire S106 system. To help focus their efforts, this report sets out a series of recommendations that, while focused on transport contributions, could apply more broadly to S106 agreements.

While existing S106 regulations allow for at least a degree of flexibility – including the potential to pool contributions or reallocate funds within categories such as transport – this flexibility is not consistently realised in practice. Our research suggests many agreements are drafted narrowly, often due to unclear guidance, limited local capacity, or risk-averse negotiation processes. As a result, funds are frequently tied to small, site-specific interventions rather than being used for larger, networked transport improvements that could deliver greater long-term value. When projects stall or become unfeasible, this lack of flexibility can leave contributions sitting unused for years. Further still, the administrative and legal specificity of Section 106 agreements can mean authorities prioritise other, more readily deployable funding sources before drawing on developer contributions.

Addressing this challenge does not require fundamental reform of Section 106 itself. Instead, we believe clearer national guidance, stronger local support, and more consistent agreement drafting could significantly improve how developer contributions are deployed.

To that end, the Urban Mobility Partnership proposes five practical actions to ensure S106 funds are deployed faster, more strategically, and with greater impact across local transport networks.

## Standardised accounting requirement for S106/CIL funds

One recurring issue identified by local authority officers during our research is the lack of a standardised internal accounting system for S106 funds. While the government mandates the publication of an annual Infrastructure Funding Statement (IFS), this only regulates the output of the data. The internal management of that data remains inconsistent, varying drastically from one council to the next.

In practice, this can mean that detailed knowledge of a local authority's Section 106 accounts rests with a small number of individuals. When staff move roles or leave the organisation, important institutional knowledge can be lost. Where tens or even hundreds of individual Section 106 contributions accumulate – as is common in many authorities – the rationale for allocating funds to one project rather than another can become unclear over time. The bespoke nature of individual agreements only increases this complexity.

To address this, we recommend the creation of a National Digital Section 106 Monitoring Standard, potentially supported by a subsidised and mandatory software framework for local authorities. This would ensure consistency in monitoring developer contributions, reduce the risk of data loss, improve transparency, and mitigate the impact of staff turnover.





## Central government support for councils

Closely related to the recommendation above is the need for targeted support to help overstretched local authorities strengthen their Section 106 capacity.

Some authorities have successfully assigned staff to manually review historic agreements, often identifying millions of pounds in unspent contributions for relatively modest staffing costs. However, many councils – particularly those with fewer resources – cannot afford to dedicate staff time or commission external support to undertake this work. As a result, potentially valuable funding remains unallocated or underutilised.

Government could provide time-limited national support, for example through small regional teams tasked with helping authorities self-audit Section 106 accounts, clean and standardise data, and establish robust monitoring processes. This would help ensure all authorities start from a stronger and more consistent baseline before transitioning to any new national accounting framework.

This support could also extend to drafting and negotiating new Section 106 agreements. Skills and experience vary widely across authorities, particularly when dealing with complex or large-scale developments. Without sufficient expertise, authorities may unintentionally under-negotiate contributions or agree to overly restrictive terms that limit how funds can be used.

A centrally funded pool of specialist Section 106 expertise, deployed regionally, could help address this imbalance. Even a relatively modest investment in specialist staff could help local authorities recoup millions of pounds in community benefits that are currently being lost at the negotiation table.

## Reallocating stalled S106 funds

The Government and MHCLG should update and better communicate national guidance to councils and elected officials, clarifying that agreements can, and should, be written with greater flexibility built in from the outset. This guidance should encourage councils to include provisions enabling the reallocation of unspent funds after a reasonable period – such as three to five years – if a specific project stalls. This timeframe allows for enabling works or collation of other contributions from other developments if required, while ensuring timely use of funds and delivery of community benefit.

Crucially, reallocated funds should remain within the same category as originally intended. For example, transport funds must stay within transport, preventing them from being diverted to other S106 categories such as housing or health. Funds must stay in the same geographic region too.

As a practical illustration, if funds were earmarked for a docked bike scheme on a specific street but the project stalled, the council could instead use those funds for nearby cycling or pedestrian improvements. This approach would keep money working towards its original purpose while avoiding years of unnecessary delay. The focus here is on empowering councils to write better agreements, which current policy often allows but poorly-drafted agreements prevent.





## Strategic pooling for bigger impact

Where feasible, councils should be encouraged to pool S106 contributions for ambitious, networked projects that deliver better value through economies of scale. While developers will rightly want their contributions to add value to the new site, this is not mutually exclusive with pooling funds from multiple, nearby developments to create larger transport corridors. In fact, larger, cross-network projects could add even more value to a developer's site. Achieving this requires a clearly agreed local strategy – for example at town-centre, corridor, or community level – so developers and authorities understand in advance how pooled contributions will be used and what schemes are being funded.

At present, there remains uncertainty across local authorities about whether pooling contributions is permitted under existing guidance. Government should therefore update national guidance to make clear that pooling Section 106 contributions is allowed, and provide best-practice guidance on drafting sufficiently flexible agreements to support this approach.

Going a step further, government could also explore enabling cross-boundary pooling between neighbouring authorities, particularly as devolution and mayoral combined authorities create new opportunities for regional coordination. Pooling contributions across councils could help deliver integrated transport corridors – such as regional bus priority routes or cycling networks – reducing fragmentation and ensuring developer contributions support coherent, long-term infrastructure delivery.



## Standardised 'Transport Categories' in S106 agreements

Our final recommendation to improve the effectiveness of S106 agreements is for the MHCLG, supported by transport experts at DfT, to create standardised 'transport categories' and provide template agreements to replace overly prescriptive clauses and contracts. This change would help the officers writing the agreements build in flexibility and pooling ability from the outset. DfT could provide training to authorities, or otherwise lend resources and guidance to authorities to ensure officers and councillors understand best practices and are able to translate these to their own agreements.

From our FOIs we found one example from Hertfordshire County Council that national policymakers could use as a best practice template for what these categories could look like. The agreement, at least in so far as it was reported by the council, allowed the funds in question:

*'to be used for carrying out improvements to public transport to serve Buntingford and/or such measures as will encourage occupiers of the Development to travel to and from the Development by means of transport other than the private car and/or such other works or measures in relation to the transportation network that will have this effect (including any associated traffic studies or assessments needed to inform the nature and extent of the measures required for these purposes).'*

This agreement is written in such a way that its intent is clear: the project(s) must encourage non-private car use for the area. But the exact mix of transport modes, options, and projects is flexible. The projects do not need to be in a narrowly defined location but rather within a general geography. This gives project managers the opportunity to develop an integrated transport plan for the funds, including multimodal solutions tailored to local geography, nearby amenities, and existing transport links.

Going forward, guidance could be issued to encourage and support local councils in drafting flexible agreements like the one above. This approach would not only improve the quality and coherence of the projects themselves but also speed up their delivery: by reducing the need to renegotiate or amend overly narrow clauses, by making it easier to pool funds across developments, and by enabling councils to adapt to changing local transport priorities over time.

In short, by standardising transport categories and embedding flexibility from the outset, Government and DfT could ensure that S106 agreements consistently deliver more timely, integrated, and sustainable transport outcomes.

Overall, these findings highlight the opportunity to improve how existing mechanisms are applied rather than replace them. With refreshed national guidance, closer collaboration between DfT and councils, and better local understanding of flexibility, S106 funds can deliver greater impact for communities without structural overhaul.

With around £700 million in S106 transport funds unspent at the end of the 2023–24 financial year, there is a clear and pressing opportunity to unlock these resources for the benefit of local communities. By providing better guidance and support, introducing greater flexibility in fund allocation, enabling strategic pooling for larger projects, and standardising transport categories in agreements, the Government can ensure that these contributions are deployed more efficiently, transparently, and effectively. Reforming S106 agreements in this way would not only accelerate delivery of much-needed transport improvements but also restore public trust, support sustainable travel, and maximise the value of developer contributions. The time to act is now – these funds are already available and, if used wisely, could make a real and lasting difference for communities across England and Wales.





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