

# Cabinet Report



Report of Head of Housing and Environment

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Wards affected: All wards, entire district

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To: CABINET

Dates: 31/01/2025

# Purchase of housing using Section 106 funding

## Recommendation(s)

That Cabinet:

- a) recommends to Council the use of up to £2.178 million of Section 106 funds, to invest in the purchase of one/two-bedroom homes to be used as temporary accommodation.
- b) Subject to decision a) that Council delegates authority to the Head of Development and Corporate Landlord, in consultation with Heads of Housing and Environment, Finance and Legal and Democratic, to take the required actions as outlined within this report to purchase homes.
- c) Subject to decision (a), that Council delegates authority to the Head of Housing and Environment, in consultation with Heads of Development and Corporate Landlord, Finance and Legal and Democratic, to determine the use for these properties, with priority being given to use as temporary accommodation to avoid the use of B&B/hotels.
- d) Recommends to Council the use of up to £3.8 million of Section 106 funds to financially support the purchase of temporary accommodation under the Local Authority Housing Fund

Implications (further detail within the report)	Financial	Legal	Climate and Ecological	Equality and diversity
	Yes	Yes	Yes	Yes
Signing off officer	Anna Winship	Harjit Gill	Jessie Fieth	Lorne Grove

## Purpose of report

1. To outline (Part 1) how Section 106 funds can be used to purchase accommodation to be used as temporary accommodation or general needs housing.
2. To outline (Part 2) how Section 106 funds can be used to support the purchase of Local Authority Housing Fund properties (LAHF).

## Corporate objectives

3. This strategy meets the following themes within the Corporate Plan 2020-2024.
  - Providing the homes people need.
  - Building stable finances.

## Background

4. The council can place planning obligations on developers of new sites under Section 106 of the Town and Country Planning Act 1990, and where these obligations cannot be achieved on site the council can receive financial contributions in lieu of the on-site delivery of affordable housing. These contributions are also known as commuted sums and are collated into a Section 106 (S106) Housing grant balance.
5. As of 1 December 2024, the S106 housing balance in Vale was approximately £6.1million and Appendix 3 provides the full details. This is made up of several discreet parcels of funding that each come with conditions on how it can be sent to provide affordable housing, and any allocation of these funds, as determined by the council, must be in line with these agreements.
6. On 10 November 2022, the Cabinet approved a new Housing Delivery Strategy to consider the housing opportunities and challenges for the district. The Strategy recognises our areas as expensive places to buy or rent on the open market and sets out ambitions to deliver more affordable homes as an essential means to balance this and ensure people on lower incomes can live and thrive within the area.
7. On 1 September 2023 Cabinet approved a new S106 Housing Policy to support the delivery of more affordable housing. All Registered Housing Providers were emailed encouraging bids to be forthcoming. Two newsletters have also been sent to RPs promoting Section 106 grant applications.
8. The council's Self Build Officer has been working with Community Land Trusts and small Housing trusts promoting Section 106 grant applications.
9. To date no grant applications have been formally received.
10. The council currently has a small amount of temporary accommodation that it owns and makes available for those that are homeless whilst permanent accommodation is being found.
11. If Housing Needs have need for more temporary accommodation than council-owned units available, or where it would be unsuitable to place a family unit into existing council-owned temporary accommodation (for safeguarding or other reasons), the team use Emergency Temporary Accommodation (ETA).
12. ETA is a range of suitable B&B and hotel rooms, usually within the districts but can be outside if required (due to unavailability in district). Analysis of data since April 2022 shows that in a typical month the council requires a mean average of 12 rooms per night, ranging from 5-27. The data also shows that approximately 80% of these are for singles, couples, or a single person with a small child. The typical stay can be for six weeks or more, with some stays being short, and some longer.
13. There are many reasons why use of ETA is unsuitable for the users and for the council. Unsuitable accommodation and cost being the major factors, with the council having spent approximately £180,000 on ETA in the first 6 months of FY 2024/25

## **Part 1 - Proposed solution to minimise the use of Emergency Temporary Accommodation.**

14. The proposed solution to the issues previously outlined in this report is to use S106 funds to fund the purchase of property that would be used by the council's Housing Delivery Team to reduce the use of ETA by the Housing Needs team. This would increase housing stock and improve the living accommodation of tenants and/or those in temporary accommodation.
15. Based upon the demand seen by the Housing Needs team, and the often-complex nature of the client group this accommodation is needed for, the following specification has been identified.

### Location

- The often-vulnerable nature of homeless singles/couple households requires that they have easy access to support networks and services, public transport, and local amenities. Therefore, larger towns best meet the need.
- Properties would ideally be dispersed to allow geographically flexible placements that can consider local support networks.
- The amenities need to include access to public transport, GP services, food stores, job centres and advice centres.

### Clustering

- Vale already has two hostels available for one-bedroom need households in Wantage and Faringdon. Therefore, any additional provision should focus on self-contained units that are not located in the same building. This will allow flexibility of accommodation offers that can consider the individual needs of the household.

### Property type

- The preferred type of property are self-contained units that are either flats or houses. The 'my own front door' approach promotes individual security and independence.
- Self-contained accommodation is normally easier to manage than clustered properties with communal areas and shared facilities.
- The type of property can be either one-bedroom flats or one-bedroom houses.

16. Several options were considered when deciding how to provide this accommodation. This is detailed in Appendix 1.
17. Based upon the need to deliver this accommodation relatively quickly, it is proposed that the council follows the Option 1 as recommended within Appendix 1, which is the same as the mechanism used for the provision of LAHF accommodation.

18. To complete these property purchases the council would allocate up to £2.178 m of applicable S106 housing balance to a budget that would be used to purchase housing units, focussing on, but not restricted to, one-bedroomed accommodation. It is anticipated that officers could purchase one bedroomed properties (or possible two-bedroom depending upon availability) as based on market prices summarised in Appendix 1, although it is noted by the Strategic Property team that five months on the market has shifted with prices increasing, partly as a consequence of the change in stamp duty thresholds effective 1 April 2025. Officer costs associated with the purchase will be funded from the capital sum, together with any associated purchase costs, and capital costs that need to be applied to properties after purchase to make them safe and secure for tenancy, and be provided to EPC rating C as a minimum.

## **Legal Implications for Part 1**

### 19. Recycled Subsidy

The HMRC Stamp Duty Land Tax Manual SDLTM27510 provides:- “Where a public subsidy is granted, there are certain conditions that can apply to how that subsidy is to be used. This may include a requirement to repay the subsidy on the disposal of housing acquired with that subsidy. A relevant housing provider may enter into agreement with the government department responsible for granting that subsidy to allow on the disposal of such housing, to instead recycle that subsidy to be used to acquire new housing. Land transactions entered into which are funded with the assistance of that recycled grant will be treated as being funded with the assistance of a public subsidy where that subsidy falls within the list of public subsidies in (FA03/S71)”

20. Therefore, the capital receipts being used must effectively be a recycling of funds which would have permitted relief to be claimed.

21. The council should have identified the funds being used have come from the disposal of a property/properties which were purchased using a qualifying public subsidy (one listed in s71(4) Finance Act when they acquired the property) and check the conditions of that funding. If the grant conditions require repayment of the subsidy on disposal, then there should be an agreement with the relevant government department to recycle that original subsidy on disposal of that original housing (instead of having to repay it). Records should be maintained to evidence this and that those funds have been used towards the purchase for which the relief is claimed.

## **Part 2 – Funding the purchase of LAHF properties.**

22. In 2023 the council began a programme of purchasing properties under the government’s Local Authority Housing Fund (LAHF). Details of the scheme can be found within this decision reports [17 July 2024](#), [03 July 2023](#)

23. Under the LAHF 1,2 & 3 schemes the council are expecting to purchase 22 properties The total cost of acquisition for the first 14 properties was £4,830,500 of which £1,934,914 was provided as grant by the LAHF scheme. The remaining £2,895,586 was to be funded by the council. For the remaining 8 properties, some of which have yet to be purchased, the anticipated council-share of the capital funding is anticipated to be approximately £900,000

24. Reflecting an earlier decision by Cabinet, the council's share of the purchase costs of all housing bought under the Local Authority Housing Fund (LAHF) is proposed to be funded from Section 106 affordable housing contributions. Therefore subject to council approval, upto £3.8million will be allocated from the S106 balance to support the council's capital share of the purchases
25. It is proposed that this figure is transferred from the S106 balance to support the purchase of LAHF properties.
26. Taking both Part 1 and Part 2 schemes together, the council would use approximately £5.978 million from the S106 balance to support the purchase of properties to be used as temporary accommodation for those who are homeless. If there became a time that there was insufficient demand for either sets of properties from the identified cohorts, the properties could be switched to being used as general needs social housing. This is a decision that would be made by the Head of Housing and Environment, in conjunction with the Heads of Finance, Development and Corporate Landlord and Legal and Democratic

## Legal Implications for Part 2

27. The additional guidance sheet from the government on LAHF1, 2 and 3 states that whether other sources of funding can be used in conjunction with LAHF grants will depend on the specific objectives and rules around those funds. Local authorities will need to satisfy themselves that the funding can be used in this way. In terms of specific sources of funding:
28. **S106 cash contributions** whether cash contributions secured by local authorities' S106 can be used alongside LAHF funding will depend on the specific wording of the S106 agreement. Local authorities should check the requirements of their S106 agreement and see if the agreement stipulates for what purpose the funding can be used. The local authority will need to be satisfied that use of S106 funds in this way is legally permitted under the agreement. If the LA does use S106 funding they should ensure that this still delivers a net increase in the combined number/value of affordable and LAHF properties (reflecting the number of units funded via this programme), on top of the number which would have been delivered otherwise without this grant.
29. The delegated authority (DA) decisions on the properties already purchased have been signed off and so would need to be revisited. Therefore, even if it is considered legal to grant the S106 funds it will be necessary to review decisions which have already been made and consider how to deal with the change of funding.

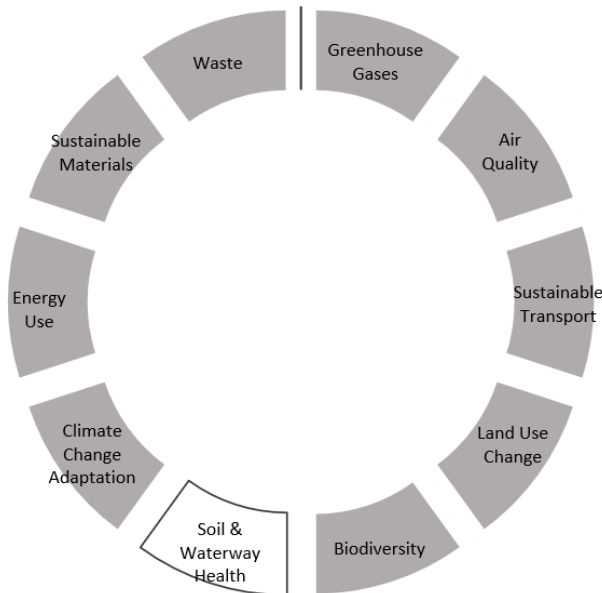
## Financial Implications

30. A financial appraisal has been undertaken and identifies that the most appropriate approach is to use S106 funds to support 100% of the capital purchase of properties for Part 1 of this report. This is estimated to deliver a return on investment of approximately £3,000 per property per year. This would require a total S106 funding amount of c£2.178 million (based on eight properties at an average purchase price of £260,000 per property plus costs, based on August 2024 property prices) to fund the purchase from open market. It should be noted that five months on the market has shifted with prices increasing, partly as a consequence of the change in stamp duty thresholds effective 1 April 2025.

31. The figures presented above have been prepared by the Finance Team. The officer responsible for managing the funds held under S106 agreements has been confirmed that funds are available and suitable for both the LAHF funding along with the purchasing the properties as detailed above.

## Climate and ecological impact implications

32.



KEY	
	Significant and/or long-term positive impact identified. No changes needed.
	Slight or short-term positive impact identified. No changes needed but could be reviewed to improve.
	No net change/not applicable
	Slight or short-term negative impact identified. Review to identify possible improvements.
	Significant and/or long-term negative impact identified. Changes needed before proceeding.

33. The change of ownership of property itself does not have any climate or ecological implications, as shown in the climate wheel above. Individual climate impact assessment tools will be prepared for each property.

34. If any of the properties currently have an EPC rating below C, the council's ambition for all the properties to have a minimum of EPC C will reduce greenhouse gas emissions and energy use.

35. As these properties will be used for emergency temporary accommodation, the council will be paying the energy bills. Although there will be no increase in greenhouse gas emissions, there will be an increase to the council's own carbon footprint. This will be reflected in the council's annual greenhouse gas emissions report.

## Equalities implications

36. In preparing this report, due consideration has been given to the councils' statutory Equality Duty to eliminate unlawful discrimination, advance equality of opportunity and foster good relations, as set out in Section 149(1) of the Equality Act 2010. As this report is partly for information and partly to accept DHLUC grants there are no direct equality implications as this stage. If agreed, and once we move to the delivery phase, a full equality impact assessment will be undertaken.

## Risks

37. There are several risks associated with entering into acquisition program adding to current number of properties held by the council. These will be managed by officers and reported on as appropriate through normal democratic routes.

No	Risk	Proposed mitigations
1	Availability of property in the market to meet delivery targets and timescales.	Extend timescales for delivery to wait for additional properties to become available on the market.
2	Successfully purchasing properties and making them safe and fit for occupation.	Set clear criteria for safe occupation of properties and have arrangements and procedures are in place to ensure that these are met.
3	Tenancy agreements not in line with the council's current allocation policy.	Take appropriate professional advice to ensure appropriate delivery model and tenancy arrangements.
4	Financial - exposure to unbudgeted expenditure - resources required to deliver scheme (significantly) exceed allocated funding. .	Set up clear budget allocation and governance procedures for programme delivery.
5	Breach of statutory duty – safety/quality of housing provided.	Set clear criteria for safe occupation of properties and have arrangements and procedures are in place to ensure that these are met.
6	Ensuring adequate resources are in place to deliver and manage schemes including fulfilment of the landlord function	Set up clear budget allocation and governance procedures for programme delivery.
8	Council inadvertently acquires liabilities /financial obligations that it is insufficiently equipped to manage.	Take appropriate professional advice from subject matter experts and set up clear governance arrangements and procedures for programme delivery.
9	Insufficient time to investigate options and approaches and take informed decisions regarding the most appropriate delivery method.	Take appropriate professional advice from subject matter experts and set up clear governance arrangements and procedures for programme delivery.
10	Insufficient resources with the Council	The Strategic Property team, Legal team and Property Operations team to ensure that there is sufficient resource to manage the acquisition program, which may require recruitment of additional resource.

## Other Implications

38. None



## Conclusion

39. The proposed use of Section 106 (S106) funds to purchase housing addresses a critical need for temporary accommodation while reducing reliance on expensive and unsuitable emergency housing options such as B&Bs and hotels. This approach aligns with the council's strategic objectives by enhancing access to affordable housing, promoting better living conditions, and supporting vulnerable populations.
40. Through careful selection and acquisition of one-bedroom (possibly two bedroom), self-contained units, the council can ensure flexible, safe, and secure accommodations that meet the diverse needs of those requiring temporary housing. Additionally, leveraging S106 funds not only maximises financial resources but also creates long-term value, as these properties can later transition to general social housing if demand shifts.
41. By focusing on areas with access to essential services and public transport, the initiative also promotes social inclusion and minimises environmental impacts, contributing to the council's broader sustainability goals. This strategy represents a prudent and impactful investment in both housing and community well-being.
42. If approved, the process to begin purchase of property would begin in Spring 2025. Based upon the recent experience of the Strategic Property team, the time taken to purchase property, have them made ready for occupation and then occupied can be variable but as outlined in Appendix 1 likely to be a 6–9-month process. Therefore, any financial benefits to the ETA spend would be small and difficult to predict in 2025/26, but would be revisited as part of the budget setting process for 2026/27
43. The allocation of Section 106 (S106) funds to support the Local Authority Housing Fund (LAHF) purchases represents a strategic and fiscally responsible approach to addressing housing needs. By reallocating the council's share of funding from the S106 balance, the council can offset previous expenditure and strengthen its financial position while ensuring compliance with funding conditions.

## Appendices

### 1 – Market appraisal of housing options

### 2 - Section 106 balances

## Background Papers

- Local Authority Housing Fund and Service Family Accommodations housing schemes  
<https://democratic.southoxon.gov.uk/mglIssueHistoryHome.aspx?IId=18481&Opt=0>
- Delivery and management arrangements for council-provided Local Authority Housing Fund housing  
<https://democratic.southoxon.gov.uk/ieDecisionDetails.aspx?ID=828>
- Grant funding affordable housing  
<https://democratic.southoxon.gov.uk/ieDecisionDetails.aspx?ID=895>