

Report to: Cabinet



Date of Meeting 4 June 2025

Document classification: Part A Public Document

Exemption applied: None

Review date for release N/A

Use of S106 funding to support delivery of affordable housing alongside the Local Authority Housing Fund

Report summary:

The report provides an overview of the Local Authority Housing Fund (LAHF) and sets out a proposal to use £760,497 of S106 monies alongside funding from the LAHF to deliver additional affordable homes for rent in the district.

Is the proposed decision in accordance with:

Budget Yes ☒ No ☐

Policy Framework Yes ☒ No ☐

Recommendation:

1. That Cabinet approve the proposal to use LAHF funding to acquire a minimum of four properties for initial use as temporary accommodation (3 properties) and Afghan refugee resettlement (1 property).
2. That Cabinet approve the use of £760,497 of S106 fundings held from Green Close, Drakes Avenue, Sidford (application number 18/1779/MFUL) alongside LAHF funding to support delivery of new affordable council homes for rent across the district.

Reason for recommendation:

1. Combining S106 funds with the LAHF grant will enable us to deliver a greater number of high quality, energy efficient homes than would be possible using S106 monies in isolation.
2. This proposal will deliver additional good quality council housing for local people.
3. If we do not spend S106 receipts within the required timescale we may have to pay them back to the developer with interest.

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Portfolio(s) (check which apply):

- ☐ Assets and Economy
- ☐ Communications and Democracy
- ☐ Council, Corporate and External Engagement
- ☐ Culture, Leisure, Sport and Tourism
- ☐ Environment - Nature and Climate
- ☐ Environment - Operational

- ☐ Finance
- ☐ Place, Infrastructure and Strategic Planning
- ☒ Sustainable Homes and Communities

Equalities impact Low Impact

Climate change Medium Impact

Risk: Low Risk; If this proposal is not agreed, it is likely that the LAHF funding set aside for this proposal will need to be returned to central government. There is also a time limit on the S106 funds to be spent. There is a risk that this limit will expire before other proposals can be developed and agreed resulting in these funds being return to the developer unspent.

Links to background information [060923 Cabinet agenda Item 13: Local Authority Housing Fund round 2](#)

Link to [Council Plan](#)

Priorities (check which apply)

- ☐ A supported and engaged community
- ☐ Carbon neutrality and ecological recovery
- ☐ Resilient economy that supports local business
- ☒ Financially secure and improving quality of services

Report in full

1. Background

- 1.1 The Local Authority Housing Fund is a government programme that provides funding to local authorities to primarily support the delivery of resettlement accommodation to Afghan refugees arriving in the UK. The fund also supports local authorities to deliver general needs temporary accommodation to meet local needs.
- 1.2 We have previously successfully bid for funding for round 2 of the LAHF, details of which can be found in the Cabinet report from 6th September 2023 (see link above).
- 1.3 Early in 2024, MHCLG announced the allocation of round 3 of the Local Authority Housing Fund (LAHF), and we submitted a successful application for £683,800 from the fund to refurbish eleven long term or major void properties from within our own housing stock.
- 1.4 Unlike previous rounds of the LAHF, there is no requirement to match fund the allocation in round 3, and we are able to deliver all eleven properties without the need to top up using HRA capital funding or borrow against the HRA.
- 1.5 Out of the eleven properties brought into use with this funding, six will initially be used as resettlement accommodation for Afghan refugees, with the remainder used as general needs temporary accommodation.
- 1.6 As things stand, there will still be over £250k of our LAHF allocation remaining once all works are completed on the eleven properties. It should be noted that this is based on

estimated costs rather than actual costs and includes contingency funding that may not be required.

- 1.7 We have agreed with MHCLG that we would look to acquire two further properties with the remaining funds as we currently have no more existing void properties that meet the funding criteria. These homes would be initially set aside for general needs temporary accommodation.
- 1.8 Whilst we expect there to be sufficient funds remaining within the LAHF grant to cover the purchase of these properties, we have a contingency plan to cover any shortfall, should it occur. This is set out as part of section 3 in this report.
- 1.9 In December 2024, MHCLG invited local authorities to submit an Expression of Interest (EOI) for additional unallocated funds from round 3 of the LAHF, which we submitted in January 2025. MHCLG have now presented us with an offer.
- 1.10 This report sets out our proposal in relation to the additional LAHF funding, including our intention to use S106 monies alongside the grant to maximise the number of affordable homes that can be delivered to meet local needs, whilst meeting the LAHF grant criteria. The report seeks member approval of this proposal, and the use of S106 funds to support it and to deliver additional affordable housing to meet local need.

2. LAHF Additional Funding Criteria and Offer

- 2.1 Allocation of the additional unallocated funds is based on an amount per property depending on the type of property delivered. An additional 10% premium is offered should we acquire new build properties from developers. On top of this, we would also receive £21,000 per property for any additional costs associated with bringing the property up to a lettable standard for temporary accommodation.
- 2.2 There is an expectation that at least one of the properties acquired using this funding should be allocated to resettlement accommodation for Afghan Refugees.
- 2.3 As stated in 1.7 above, we have established that we currently have no more void properties that fit the LAHF funding criteria, so we decided to submit our proposal for the additional funding based on property acquisitions only.
- 2.4 Our submitted proposal was to purchase five properties, four of which would be new build. We aimed to deliver one property for the Afghan Cohort with the remaining four properties set aside for general needs temporary accommodation. These properties would be purchased within the financial year 2025/26 in line with LAHF requirements, using section 106 funding to support the delivery.
- 2.5 MHCLG have considered our proposal alongside those submitted by other local authorities and have now presented us with an offer of £686,000 to deliver **four** properties, three of which would be new build properties. Table 1 below sets out the funding formula and calculations.

Table 1: How funding offer is calculated

MHCLG Offer for 4 properties	Standard grant level	Premium grant level (for new build)	Additional funding for property	Total
Funding level Per property	£140,000.00	£154,000.00	£21,000.00	
No. properties where funding applies	1	3	4	
Funding received	£140,000.00	£462,000.00	£84,000.00	£686,000.00

- 2.6 Of the four properties delivered, three would be allocated as general needs temporary accommodation, with one set aside to provide resettlement accommodation for Afghan refugees.
- 2.7 Under the terms of the agreement with MHCLG, all four properties should be delivered before 31st March 2026.
- 2.8 Once the need for resettlement and temporary accommodation has been fulfilled, these properties will revert to general needs council housing for allocation in line with the Devon Home Choice policy.

3. Match funding with S106 funding

- 3.1 The level of funding offered from MHCLG is insufficient to acquire new build properties from the open market, meaning that additional funding is required. We are proposing to use Section 106 funds for this purpose. This is because the LAHF fund does not allow us to use Right to Buy receipts as match funding. Given the projected additional expenditure required in relation to the maintenance and improvement of our existing housing stock, it is not felt that further borrowing against the HRA for this proposal is appropriate either.
- 3.2 We have raised this proposition with the Assistant Director for Planning Strategy and Development and have been assisted by the council's S106 officer. We are currently holding £1.94m in S106 monies for affordable housing. Within the £1.94m there is £760,497 held from Green Close, Drakes Avenue, Sidford (application number 18/1779/MFUL) that could be used as match funding, and which needs spending in the next 2 years.
- 3.3 Unlike some other agreements, the S106 associated with Green Close, Sidford does not require the funds to be spent in that parish alone or even in East Devon. The S106 stipulates that the money should be spent on 'social rented, affordable rented and intermediate housing, provided to eligible households whose needs are not met by the market and as defined in NPPF March 2012 or any such successor national planning policy'. This is important as our main areas of need for temporary accommodation are around Exmouth and Honiton.
- 3.4 In addition, there is the issue of timescales for spending the S106 funds. Under the agreement for Green Close, the S106 money needs to be spent or committed to be spent within 5 years of receipt otherwise it would be returned to the developer with interest. The 5-year period started in February 2022, meaning that funds need to be spent by 2027 or a commitment made to spend them on a specific proposal.

- 3.5 We will look to maximise the number of properties we can deliver using the combined total of LAHF and S106 funding set out in this report. As a result, it is likely that we will purchase more than the four properties required as part of the additional funding as well as covering any shortfall that could arise as set out in 1.8 above. Any additional properties over and above this would be added to our council housing stock for social or affordable rent.
- 3.6 We have consulted with the 3 ward members for Sidmouth/Sidford. Cllr Stuart Hughes has responded to confirm his support for releasing the S106 monies. No comments were received from the other 2 ward members.

4. Risks and issues

- 4.1 Under the terms of the agreement with MHCLG, we would be required to deliver 1 property for refugee resettlement. The S106 funds may not be eligible for properties bought for this purpose as it is not serving a local need, although the property would still fall under the definition of affordable housing.
- 4.2 There are mechanisms within the LAHF agreement that would allow us to “swap out” properties if it speeds up delivery. This means that we could use an existing council property to meet the need of the LAHF and then move the LAHF funded acquisition into general needs stock. We could use this approach to ensure that any properties purchased would meet local need.
- 4.3 As highlighted in paragraph 3.4 above, there is a time limit to spend the S106 contribution from Green Close or have a commitment to spend it.
- 4.4 Using this money in tandem with the LAHF funding would enable us to deliver more affordable properties than would be possible using the S106 funding alone.

Financial implications:

Up to £760,497 of S106 money may be spent as a result of this work. This proposal does not require any Housing Revenue Account (HRA) funds or the requirement to borrow against the HRA.

Legal implications:

There will be a resource requirement in terms of the legal work to purchase the properties and the potential for SDLT to be payable. The impact of the Right to Buy legislation in terms of general needs housing will also need to be taken into account.