

Section 106 Funding: Section 106 Agreements and Commuted Sums

Overview

A “commuted sum” (or payment in lieu) is an amount of money, paid by a developer to a local authority, where the size or scale of a development triggers a requirement for affordable housing, but it is not possible to achieve appropriate affordable housing on site. Such monies can be used to provide affordable housing on an alternative site.

What follows are examples of how these arrangements can be used in support of funding the refurbishment of vacant dwellings. Other local authorities could also be persuaded to adopt similar strategies to assist local self-help housing projects procure housing, which can also create training and employment opportunities.

- **Commuted Sums Loans:**

Leeds City Council: have provided a local self-help housing organisation with a £200k Commuted Sums Loan, at zero interest, over 18 years to cover the majority of the cost of renovating seven long term empty houses over a period of 24 months. The properties are owned by Leeds CC and leased to the organisation on a peppercorn rent and will be available for homeless families. This is part of Leeds CC's *'Filling The Void'* Empty Homes Strategy 2016-2019. The full cost of the renovation will be met by using a combination of the loan itself, earned income and grant aid from trusts. Repayment will be from rental income.

- **Commuted Sums Grants:**

South Ribble BC: have put in place a policy for allocating funding received via Commuted Sums which makes it possible for eligible organisations (both registered and non-registered providers) to apply for up to 30% of the total development costs or £40,000 per unit, for either new build or refurbishment of existing properties. Subject to expenditure being in line with the Council's Affordable Housing Priorities Document.

[https://southribble.moderngov.co.uk/Data/Cabinet/20161026/Agenda/\\$att5774.doc.pdf](https://southribble.moderngov.co.uk/Data/Cabinet/20161026/Agenda/$att5774.doc.pdf)

Preston City Council : put aside £455k in December 2016 from their Commuted Sums, which they resolved to make available to organisations willing to lease long term empty private sector properties, of which there were estimated to be 866, and bring them back into use.

<https://clhtoolkit.org/snapshots/preston-city-council-extract-cabinet-report>