

Greater Cambridge – A First Homes Interim Position Statement

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Cambridge City Executive Councillor for Housing through Housing Scrutiny Committee on 15th March 2022

This First Homes Interim Position Statement will only be used when a development proposal comes forward which includes reference to First Homes as part of an affordable housing provision.

If a development proposal does not refer to First Homes, the affordable housing split detailed for each of the councils in Annexe 5 of the Greater Cambridge Housing Strategy 2019-2023 (or successor document) will apply.

Reasons for this approach are set out in the separate First Homes Issues and Options document accompanying this First Homes Interim Position Statement.

1. Introduction

- 1.1. First Homes is a new model of affordable home ownership aimed at first-time buyers. First Homes are a specific form of discounted market sale housing and national guidance states that they should be considered to meet the definition of 'affordable housing' for planning purposes.
- 1.2. First Homes is the government's preferred discounted market tenure. Current national planning policy guidance requires at least 25% of all affordable housing units to be delivered on-site by developers as First Homes, through planning obligations under s106 of the Town & Country Planning Act 1990. (With some limited exceptions).
- 1.3. The national requirements for First Homes are detailed in a Written [Ministerial Statement](#) and [National Planning Practice Guidance](#), set within the context of the National Planning Policy Framework. This Interim Statement details how Cambridge City Council and South Cambridgeshire District Council will implement the model locally but taking into account national guidance together with other issues, such as meeting local housing need and creating mixed and balanced communities.
- 1.4. This Statement has been prepared within the context of the councils' strategic housing objectives as identified in the Greater Cambridge Housing Strategy 2019-23 and both councils' respective Local Plans adopted in 2018. These in turn are set within each council's broader objectives, including

[South Cambridgeshire's Business Plan 2019-2023](#) and Cambridge City Council's [overarching vision for Cambridge](#).

- 1.5. This Interim Statement sets out the councils' expectations in terms of the local criteria to be followed and will be a material consideration in dealing with planning applications.
- 1.6. This Interim Statement will be reviewed when the Greater Cambridge Housing Strategy is refreshed in 2023 and as part of the process for securing the adoption of the proposed Greater Cambridge Local Plan. It may be reviewed sooner if it becomes apparent that there are major barriers to implementing it or if superseded by an adopted local plan document.

2. Local Affordable Housing Planning Policies

- 2.1. Both councils seek affordable housing on qualifying sites through their respective Local Plans, each adopted in 2018; policy 45 for Cambridge City seeks 25% on sites of 10-14 dwellings and 40% on sites of 15 dwellings or more; and policy H/10 for South Cambridgeshire District seeks 40% on sites of 10 dwellings or more.
- 2.2. Policy 45 for Cambridge City states: "*Developments should include a balanced mix of dwelling sizes, types and tenures to meet projected future household needs within Cambridge. The mix of dwellings and tenure types shall have regard to the differing needs for the different unit sizes of affordable housing and market housing*".
- 2.3. Policy H/10 for South Cambridgeshire states: "*To address evidence of housing need. An agreed mix of affordable housing tenures will be determined by local circumstances at the time of granting permission*".
- 2.4. Paragraph 014 of the National Planning Policy Guidance states that once a minimum of 25% of First Homes has been accounted for social rent should be delivered in the same percentage as set out in the local plan. The remainder of the affordable housing tenures should be delivered in line with the proportion set out in the local plan policy.
- 2.5. As there is no specific tenure split set out within the councils' respective adopted Local Plans, the councils will use this flexibility to ensure that the overall tenure mix meets local needs and provides a balanced community as far as the First Homes requirement allows.
- 2.6. Evidence clearly points to social/affordable rent being the main priority for both councils to meet housing needs for those on the lowest incomes. The £250,000 price cap for First Homes also means that First Homes are unlikely to come forward as anything other than one-bedroom homes in Cambridge City, and although some two-bedroom homes may be deliverable in parts of

South Cambridgeshire District there would be no larger family-sized homes for the intermediate market. Therefore, the councils wish to secure as much social/affordable rent as possible as well as some larger homes through intermediate tenures other than First Homes, taking into consideration viability and Local Plan requirements around providing a mix of sizes and tenures to promote resident choice.

2.7. The preferred tenure split shown in Table 1 below will be sought on new developments where there is an affordable housing requirement as part of a policy compliant scheme.

2.8. Table 1: Preferred tenure split, allowing for provision of some shared ownership and/or other intermediate tenures in addition to First Homes

Tenure	Cambridge City	South Cambridgeshire
Social/affordable rent	70%	70%
First Homes	25%	25%
Shared Ownership	5%	5%

2.9 Note that this is in line with South Cambridgeshire District’s current policy of a 70/30 split between social/affordable rent and other tenures but will require a 5% reduction in social/affordable rent compared with Cambridge City’s current policy position.

2.10 In the event of First Homes being provided as a component of any affordable housing provision this preferred tenure split will supersede that published within the [Greater Cambridge Housing Strategy 2019-2023](#).

3. National First Homes Criteria

3.1. At least 25% of affordable homes delivered should be delivered as First Homes. Some exemptions apply, including developments that provide solely for Build to Rent homes, 100% affordable housing schemes, rural exception sites, developments that provide specialist accommodation for a group with specific needs such as older people and self-build developments.

3.2. Local authorities are encouraged to be flexible and allow developers to introduce First Homes to the tenure mix on schemes approved prior to 28th March 2022 if they (developers) wish to do so.

3.3. A purchaser (or, if a joint purchase, all the purchasers) must be a first-time buyer as defined in paragraph 6 of schedule 6ZA of the Finance Act 2003, and it must be the purchaser’s only home.

3.4. The discount must be at least 30% of open market value.

- 3.5. The discount and first-time buyer eligibility requirement will be held in perpetuity and secured through a legal restriction on the title of the property, i.e., when any First Homes are sold to subsequent purchasers the same level of discount and the same first-time buyer eligibility criteria will apply.
- 3.6. There will be a maximum price cap of £250,000 for first sales of First Homes. This means that once the discount has been applied, First Homes cannot exceed a sale price of £250,000, even where the discount applied would result in a higher value. The price cap will not apply for subsequent resales.
- 3.7. Purchasers outside of London must have a household income of no more than £80,000.
- 3.8. At least 50% of the discounted value of the property must be financed via a mortgage or other similar form of finance.
- 3.9. Provisions should be included in a section 106 agreement which allow a developer or owner to sell on the open market if a suitable buyer cannot be found, so long as certain conditions are met. The developer or subsequent seller is required to compensate the relevant local authority for any loss of a First Home as an affordable housing unit.

4. First Homes Local Criteria

- 4.1. There is some flexibility to provide local eligibility criteria. Councils can: lower the price cap; increase the discount level to 40% or 50%; and/or reduce the income cap, provided there is local evidence to justify doing so. They can also apply eligibility restrictions through local connection and/or work-based criteria.
- 4.2. Any local criteria will apply for the first three months; if a suitable buyer has not been found within this period the restrictions will be lifted, and the national requirements will be applied for another 3 months.
- 4.3. The councils will need to be satisfied that all reasonable steps have been taken to find a buyer before any local or national restrictions are lifted. This includes demonstrating that significant marketing has taken place and the dates during which the marketing for that property was active. This requirement will be secured in the S106 agreement.
- 4.4. The First Homes local criteria will apply to all First Homes sold in Greater Cambridge unless specific local requirements are set out within a specific Neighbourhood Plan.
- 4.5. Further information, including issues and risks, as to how the councils have approached the local criteria can be found in the separate Issues and Options paper.

Property Price Cap on first sale

- 4.6. The maximum property price cap is set nationally at £250,000.
- 4.7. Lowering the price cap would make homes affordable to a wider range of applicants.
- 4.8. However, because of high land values in Greater Cambridge and high build costs, it is not considered financially viable to reduce further the property price cap. It would also make it difficult to deliver a mix of property sizes and to provide more energy efficient homes.
- 4.9. Therefore, the **price cap for Greater Cambridge is set at the maximum allowed of £250,000**. This applies only to the first sale.

Discount to Market Value

4.10. Local authorities can also apply a higher discount of either 40% or 50% if they can demonstrate a need for this. [The Cambridgeshire and West Suffolk Housing Needs of Specific Groups](#) published by GL Hearn as an evidence base to support the preparation of the Greater Cambridge Local Plan estimates the following discount percentages required to achieve affordability.

4.11. **Table 2: Estimated percentage discount required from Open Market Value to make Discount Market Sales affordable [GL Hearn – Cambridgeshire & West Suffolk Housing Needs of Specific Groups]**

Location	1 bedroom	2 bedroom	3 bedroom	4 bedroom
Cambridge	28%	30%	34%	34%
South Cambridgeshire	22%	28%	31%	33%

- 4.12. There is no flexibility to apply a different discount for a different property size or any middle ground for a discount between 30% and 40%.
- 4.13. Raising the discount would allow a wider range of applicants to be able to afford a First Home and could enable larger homes to be available to applicants.
- 4.14. However, viability will be a challenge, and a higher discount will further impact on viability. Therefore, given the evidence available, **the discount to be applied in Greater Cambridge will be set at 30%**.

Household Income Cap

- 4.15. The national criteria set at no more than £80,000 household income, is the same as the national qualifying criteria for shared ownership housing outside of London. Local authorities can set a different income cap based on mortgage requirements and loan-to-income ratios for appropriate homes within the area's identified market for First Homes. Income caps should not be set at a level which would prevent a borrower from obtaining a 95% loan-to-value mortgage for the discounted price of suitable properties.
- 4.16. Evidence shows that to purchase a property priced at £250,000, with a 5% deposit, a household would need an income of around £55,000 per year.
- 4.17. Whilst a lower income cap than £80,000 could be applied, this would reduce the pool of purchasers able to buy a First Home. It could also present more affordability issues further down the line if only lower income applicants purchased First Homes, particularly in light of cost of living increases anticipated nationally from Spring 2022. The councils are also concerned that with potential rising rates, this could lead to risks of increased homelessness through repossessions for those on already stretched budgets. It would also be out of sync with the shared ownership criteria set nationally. **Therefore, the household income cap to be applied in Greater Cambridge will be up to £80,000.**

Key worker Housing.

- 4.18. National Planning Guidance states that First Homes are designed to allow people to get on the housing ladder in their area, and to ensure that key workers providing essential services can buy homes in the areas where they work. Local authorities can therefore prioritise key workers for First Homes, and are encouraged to do so, especially if they have an identified local need for certain professions. The definition of a key worker should be determined locally and could be any person who works in any profession that is considered essential for the functioning of a local area.
- 4.19. Whilst it is acknowledged that there are recruitment issues in some of the main professions in the area, such as in health and education, the current position of both local authorities is that any local worker is essential to the functioning of the area. Therefore, this is best dealt with through the local connection criteria of work, rather than specifying any certain profession. This also supports the councils' carbon reduction aims through workers being able to live close to their place of work.
- 4.20. There may be schemes that are better positioned due to their location to be promoted to certain organisations. Where this is the case, we will work with the developers and the organisations concerned to ensure that First Homes are marketed through targeted promotions.

Local Connection Criteria

- 4.21. Local authorities may apply local connection criteria to First Homes to enable people to get on the housing ladder in their local area. The criteria set out below details how a potential purchaser's local connection will be assessed. A purchaser will be required to have a local connection with the relevant local authority area within which the development is located. Where schemes are cross-boundary, or where joint nominations on the affordable homes have been agreed, a purchaser's local connection may be with either Cambridge City or South Cambridgeshire District.
- 4.22. The local connection criteria will apply via a Section 106 Agreement upon the first and every successive sale of a First Home. This will be applied for the first 3 months of marketing. If a suitable buyer has not reserved a home after 3 months, the eligibility criteria will revert to the national criteria set out above, to widen the consumer base.
- 4.23. An applicant will be considered to have a connection to the area if they meet one or more of the following criteria:
- The applicant is in full time or part time employment in the relevant local authority area for 16 hours or more per week. (See paragraph 4.25- 4.27 below for more detail).
 - The applicant has lived in the relevant local authority area for at least 6 of the last 12 months, or 3 of the last 5 years.
 - The applicant has family members who have been resident in the relevant local authority area for a period of 5 years or longer and are currently resident in the relevant local authority area. Family members are defined as parents, adult sons and adult daughters or brothers or sisters. Other family associations will be considered on a case-by-case basis.
 - There are special circumstances that the council considers give rise to a local connection.
- 4.24. Applicants will be considered to have employment in the relevant local authority area and therefore may meet the local connection criteria if they meet one of the following criteria:
- They are in paid full or part time permanent employment for 16 hours or more per week and their actual working location is within the relevant local authority area; or
 - They are working within the relevant local authority area on a temporary or zero-hour employment contract that has been in place for at least 6 months and can demonstrate they have worked at least 16 hours per week since starting the employment contract; or
 - Self-employed applicants are required to demonstrate that their permanent base of operations is within the relevant local authority area, even if their work requires them from time to time to work outside of the relevant local authority area.

- 4.25. The employment must be the actual place of work in the relevant local authority area and not employment based on a head office or regional office situated in the local authority area but from which they do not work.
- 4.26. The relevant council reserves the right to waive the 16-hour requirement if necessary to avoid discrimination.
- 4.27. In line with the national guidance, the local connection requirement will not apply to active members of the Armed Forces, divorced/separated spouses or civil partners of current members of the Armed Forces, spouses or civil partners of a deceased member of the armed forces (if their death was wholly or partly caused by their service) and veterans within 5 years of leaving the armed forces.

5. First Homes Exception Sites Policy

National Criteria

- 5.1. A First Homes exception site is an exception site (that is, a housing development that comes forward outside of local or neighbourhood plan allocations to deliver affordable housing) that delivers primarily First Homes.
- 5.2. The Written Ministerial Statement and Planning Policy Guidance have introduced a First Homes exception sites policy which replaces the pre-existing national Entry-Level exception sites policy.
- 5.3. Local authorities are encouraged to support the development of these First Homes exception sites, suitable for first-time buyers, unless the need for such homes is already being met within the local authority's area. Local connection criteria may be set where these can be supported by evidence of necessity and will not compromise site viability.
- 5.4. The location of First Homes exception sites should be adjacent to existing settlements, proportionate in size to them, not compromise the protection given to areas or assets of particular importance in the National Planning Policy Framework, and comply with any local design policies and standards.
- 5.5. First Homes exception sites cannot come forward in areas designated as Green Belt.
- 5.6. A small proportion of market homes may be allowed on the site at the local authority's discretion, for example where essential to enable the delivery of First Homes without grant funding. Also, a small proportion of other affordable homes may be allowed on the sites where there is significant identified local need.

Local Criteria

- 5.7. South Cambridgeshire District Council have a successful record of delivering rural exception sites and it is the council's preference to continue to deliver these where possible. Rural exception sites provide affordable housing specific to the village needs, often providing a mix of tenures and house types. Therefore, the preference would be for rural exception sites to be brought forward with an element of First Homes to provide a better tenure mix and balanced scheme. It should also be noted that housing needs surveys continually demonstrate that local need in villages is for predominantly rented tenures.
- 5.8. Where developers wish to bring forward a First Homes exception site in South Cambridgeshire District, they will need to demonstrate why a First Homes exception site is better suited than a rural exception site. In particular, they must demonstrate that the availability of First Homes or other affordable home ownership tenures is insufficient within the village of the proposed development to cater for the needs of first-time buyers.
- 5.9. The size of the scheme must be proportionate to the scale and character of the village if the proposed scheme is within South Cambridgeshire District. In determining this, consideration should be given to the local population of the village and the local facilities available to sustain such a scheme. As a point of reference, First Homes exception sites should generally be no larger than a typical rural exception site of between 10-20 homes, bearing in mind that they are likely to be all one tenure and smaller homes.
- 5.10. Where developers wish to bring forward a First Homes exception site in Cambridge City, they will need to demonstrate that the availability of First Homes or other affordable home ownership tenures is insufficient within Cambridge City to cater for the needs of first-time buyers.
- 5.11. In terms of applying a local connection, the criteria at paragraphs 4.21 – 4.27 above will apply. However, for First Homes exception sites within South Cambridgeshire District, a further village connection will be applied for the first 4 weeks of marketing to give priority to local people.
- 5.12. Developers who are seeking to deliver First Homes exception sites should engage early with the relevant local planning authority, the local housing authority, and the parish council (if within South Cambridgeshire District) in order to determine local need and the merits of any proposed scheme.