

FIRST HOMES INTERIM STATEMENT

**To:**

Councillor Mike Todd-Jones, Executive Councillor for Housing
Housing Scrutiny Committee 15/03/2022

Report by:

Jane Wilson, Director of Neighbourhoods & Communities
Tel: 01223 - 457860 Email: jane.wilson@cambridge.gov.uk

Wards affected:

All

Key Decision

1. Executive Summary

1.1 First Homes is a new form of affordable home ownership aimed at first time buyers. National Guidance states that 25% of all new affordable housing provided as developer contributions on section 106 sites should be provided as First Homes. Other requirements also apply although local authorities are allowed some limited flexibilities in how they bring First Homes forward.

1.2 This report recommends how the national policy should be implemented locally through a proposed First Homes Interim Position Statement which is attached at Appendix 1 to the report.

1.3 Implementing the national requirements is likely to present some significant challenges locally. The First Homes Issues and Options paper at Appendix 2 to this report includes more detail on the national policy, the challenges faced and the evidence and options considered in drawing up the Interim Position Statement.

1.4 A letter sent by the Council to the Secretary of State for Levelling Up, Housing & Communities at Appendix 3 to this report gives further information on some of the local concerns, based on evidence available at the time the letter was written.

1.5 The recommendations, the proposed First Homes Interim Position Statement and the Issues and Options paper have been drawn up jointly between Cambridge City and South Cambridgeshire District Councils. Subject to the approval of both councils they will be implemented across the Greater Cambridge area.

1.6 The approach will be reviewed when the Greater Cambridge Housing Strategy is refreshed in 2023. A longer-term position will be considered as part of the work to bring forward the emerging Greater Cambridge Local Plan.

2. Recommendations

The Executive Councillor is recommended to:

2.1 Approve the First Homes Interim Position Statement at Appendix 1 to this report, in particular that:

- a) The preferred split between affordable housing tenures will be: 25% First Homes; 5% shared ownership or other intermediate tenures; and 70% social/affordable rent.
- b) The price cap for a First Home, once the discount has been applied, will be £250,000 in line with the maximum cap allowed within national guidance.
- c) The discount applied to a First Home will be 30% of market value in line with the minimum discount allowed within the national guidance.
- d) The household income cap for eligible applicants for First Homes will be up to £80,000 in line with the maximum income allowed with in the national guidance.
- e) For developments which cross the boundary into South Cambridgeshire, and/or where joint nominations on the affordable homes have been agreed, any purchaser of a First Home will need to have a local connection to either Cambridge City or South

Cambridgeshire District Council; this will apply for the first three months of marketing in line with national guidance.

- f) For developments within Cambridge City which do not cross the boundary into South Cambridge or where no joint nominations on the affordable housing have been agreed, any purchaser of a First Home will need to have a local connection to Cambridge City. This will apply for the first three months of marketing in line with national guidance.
- g) The First Homes local connection criteria to be applied will be as detailed in paragraphs 4.21 to 4.27 of the First Homes Interim Position Statement shown at Appendix 1 to this report.
- h) No specific priority will be given to 'key workers' but the council may work with developers and employer organisations to ensure that marketing is targeted towards particular employers where appropriate.
- i) 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.
- j) The First Homes Interim Position Statement at Appendix 1 to this report will only be used when a development proposal includes reference to First Homes as part of affordable housing provision. If a development proposal does not refer to First Homes, the affordable housing split detailed in Annex 5 of the Greater Cambridge Housing Strategy 2019-2023 (or successor document) will apply.
- k) Any subsequent minor amendments and editing changes to the First Homes Interim Position Statement and/or the First Homes Issues & Options paper, that do not materially affect the content, be delegated to the Director of Housing & Communities in consultation with the Executive Councillor for Housing, the Executive Councillor for Planning and relevant Chairs and Spokes.

3. Background

Applying First Homes locally

3.1 First Homes is a specific new type of affordable housing aimed at first time buyers. It is the government's preferred discounted market tenure housing and national policy requires 25% of the affordable housing provided as developer contributions on section 106 sites to be brought forward as First Homes (with some limited exceptions).

3.2 National requirements for the scheme are set out in National Planning Guidance on First Homes and a Written Ministerial Statement set in the context of the National Planning Policy Framework.

3.3 The national Guidance expects Local Authorities to plan for First Homes through their Local Plans but allows for other approaches in the meantime including the use of interim statements whilst new Local Plans are being developed.

3.4 Applying the national requirements to all section 106 developments will present significant challenges locally, including challenges for mixed tenure developments brought forward through the council's own housing development programme.

3.5 Providing 25% of all affordable housing as First Homes would mean that, if Cambridge City continued with its current policy as set out in Annex 5 of the Greater Cambridge Housing Strategy 2019-2023, no other forms of affordable housing would be available for the 'intermediate' market (i.e. those who are unlikely to be able to access social/affordable rent housing through the council's housing register or who will struggle to rent or buy on the open market).

3.6 Evidence suggests that this could present serious risks to the ability to meet Cambridge City Council's Local Plan 2018 requirement to deliver 40% affordable housing on sites of 15 or more homes. (See Financial Implications at Section 4(a) below).

3.7 The national scheme requires the cost of a First Home, after discount, to be capped at a maximum of £250,000. It also requires the discount to be set

at no less than 30% of market value. The cost of new homes in Cambridge means that only one-bedroom homes are likely to be brought forward in this scenario. This will seriously impact on the council's ability to deliver a balanced mix of dwelling sizes and tenures to meet future housing needs as required in the Local Plan. Particularly as the greatest need for social and affordable rent housing for those on the council's housing register is also for one-bedroom homes.

3.8 The price cap can be lowered but not raised. The discount can also be raised to 40% or 50% where there is evidence to justify it, which would make the homes more affordable for applicants and, in theory, could allow larger homes to come forward. However, implementing either of these options would further impact on scheme viability.

3.9 Due to the risks that the national policy presents, particularly in delivering the council's Local Plan requirements and meeting locally evidenced housing need, the recommendation is to only apply the Interim Position Statement where First Homes are brought forward by a developer as part of their affordable housing obligations.

Proposed tenure split where First Homes are provided

3.10 The National Planning Policy Framework states that once the minimum 25% First Homes requirement has been accounted for, social rent should be delivered in the same percentage as set out in councils' Local Plans, with the remainder of the affordable housing delivered in line with the proportion set out in the Local Plan policy.

3.11 There is no reference to social rent or an affordable housing tenure split in the Cambridge Local Plan.

3.12 Applying this approach to the 75/25 split between social/affordable rent and shared ownership/other intermediate tenures which is required in the Greater Cambridge Housing Strategy would provide considerably more affordable home ownership and less social/affordable rent than local evidence indicates is needed.

3.13 The recommendation for a 70/30 split between social/affordable rent and other intermediate tenures including First Homes would still provide some

shared ownership, and is therefore considered to be a reasonable balance between what is expected through national policy and the need to bring forward viable affordable housing schemes to meet locally evidenced need.

Local eligibility criteria

3.14 The maximum household income for purchasers of First Homes is £80,000, which is in line with the national income for other intermediate housing tenures. The cap can be lowered although there is limited evidence to justify doing this, particularly in the current climate of rising living costs. It would also shrink the pool of households eligible to apply for a First Home.

3.15 The recommendation that applicants will be required to have a local connection with either Cambridge City or Greater Cambridge as a whole, depending on the location of the site, will ensure that people living or working locally will get first priority for any First Homes which come forward.

3.16 It is not recommended that any locally defined categories of keyworkers are given priority as defining particular groups of workers as 'key' workers is not the council's current approach. Developing and implementing eligibility criteria that are fair and transparent and sufficiently precise would also be complex and could be difficult to administer if it is not clear whether particular individuals meet the criteria.

Summary

3.17 This Interim Position Statement has been developed jointly with South Cambridgeshire District Council and will apply to the Greater Cambridge area. It will be a material consideration in dealing with planning applications for housing delivery on section 106 sites.

3.18 The First Homes requirement presents some significant risks for both councils in relation to the delivery of affordable housing and meeting local housing needs. The proposals within the Statement are aimed at striking a balance between meeting the national First Homes requirement and mitigating some of these risks.

3.19 The Statement will be reviewed and consulted on as part of a planned refresh of the Greater Cambridge Housing Strategy in 2023, and both the First Homes Interim Position Statement and the Greater Cambridge Housing

Strategy will help to inform what is included in the emerging Greater Cambridge Local Plan. The Interim Position Statement may be reviewed earlier if major barriers arise in implementing it.

3.20 The proposed First Homes Interim Position Statement is at Appendix 1 to this report. The Issues and Options Paper attached at Appendix 2 to this report gives further details on the potential impacts of First Homes for Greater Cambridge and the options which have been considered.

3.21 A letter sent to the Secretary of State for Levelling Up, Housing & Communities expressing some of the council's concerns is attached at Appendix 3 to this report. Please note that some of the detail used to formulate the Interim Statement may differ from that in the letter as further evidence has been identified since the letter was written.

3.22 The recommendation for delegated authority to make minor changes to the Interim Statement and/or Issues & Options papers is to allow for any last-minute requests from South Cambridgeshire District Council as the proposals go through their decision-making processes. It also allows for any minor changes identified as necessary once the policy starts to be implemented.

3.28 A similar recommendation around delegated authority is being made to South Cambridgeshire District Council's Cabinet.

4. Implications

a) Financial Implications

Page: 7

Some modelling has been carried out on one of the schemes currently being worked on as part of the council's own housing development programme. This looked at likely costs and income if shared ownership was provided compared with costs and income likely to be incurred through replacing the shared ownership with First Homes.

On that particular scheme, introducing a 25% First Homes requirement in place of shared ownership would lead to around 4.5% reduction in developer profit, particularly through increased interest due to reduced cash flow and through loss of rental income from the shared ownership element.

Impacts will vary from scheme to scheme. However, this, together with feedback from Registered Providers that they would have to reduce their bids for affordable housing if they were unable to cross-subsidise social/affordable

rent homes with shared ownership, indicates that replacing all of the shared ownership with First Homes is likely to have an impact on scheme viability and could present risks around delivering housing schemes which meet local affordable housing policy requirements.

b) Staffing Implications

The introduction of First Homes may have staffing implications as, although developers will be required to select applicants, the council will be responsible for verifying that applicants meet the First Homes eligibility criteria. This will also apply to subsequent resales.

Early indications from a pilot scheme being worked on between South Cambridgeshire District Council and the Department of Levelling Up Housing and Communities, is that this can generate significant amounts of work.

Whether this will require additional staff if First Homes come forward at scale remains to be seen.

c) Equality and Poverty Implications

An Equality Impact Assessment has been carried out. This policy allows for First Homes to be brought forward where required whilst protecting, as far as possible, the provision of social and affordable rent housing. Other than younger people, those with protected characteristics and those on low incomes are less likely to benefit from First Homes than other groups. Even younger people as first-time buyers could be impacted if only one-bedroom homes are available to them.

d) Net Zero Carbon, Climate Change and Environmental Implications

There are no Net Zero Carbon, Climate Change or Environmental Implications from the proposals.

e) Procurement Implications

There are no procurement implications.

f) Community Safety Implications

There are no community safety implications.

5. Consultation and communication considerations

No public consultation has been carried out at this stage. The position will be reviewed and consulted on as part of a refresh of the Greater Cambridge Housing Strategy in 2023.

The Interim Statement, once approved, will be published on Cambridge City Council and South Cambridgeshire District Councils' websites.

A news release will be published and information released through Facebook and Twitter.

6. Background papers

Background papers used in the preparation of this report:

- National Planning Policy Framework
- National Planning Guidance on First Homes
- First Homes Written Ministerial Statement, May 2021
- Cambridge City Council's Local Plan 2018
- Greater Cambridge Housing Strategy 2019-2023

7. Appendices

Appendix 1: Greater Cambridge First Homes Interim Position Statement

Appendix 2: Greater Cambridge First Homes Interim Statement – Issues and Options

Appendix 3: Letter to Secretary of State for the Department of Levelling Up, Housing and Communities, 22 February 2022.

8. Inspection of papers

To inspect the background papers or if you have a query on the report please contact Helen Reed, Housing Strategy Manager, tel: 01223 - 457943, email: helen.reed@cambridge.gov.uk.