

Enquiries to:

Cllr Mike Todd Jones, Executive Councillor for Housing

T: 07580 764586

E: mike.todd-jones@cambridge.gov.uk



The Rt Hon Michael Gove
Secretary of State for Levelling Up, Housing & Communities
2 Marsham Street
London
SW1P 4DF

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Dear Mr Gove,

First Homes Policy

I am writing to advise you of Cambridge City Council's concerns about the government's new First Homes affordable home ownership model.

Cambridge City Council is, in principle, supportive of supporting first time buyers to get on the housing ladder. This is clearly reflected in our [Greater Cambridge Housing Strategy](#) (developed jointly between Cambridge City and South Cambridgeshire District Councils), which recognises the need for providing choice to those aspiring to own their own home.

However, the compulsory nature of First Homes, and the additional restrictions imposed by the Planning Guidance and the Written Ministerial Statement, fail to recognise the very different circumstances of authorities up and down the country.

As a bit of context, Cambridge is an area of high land values, with high demand for housing. Affordability issues are significant compared with most of the rest of England, and similar to those experienced in some parts of London. There are also over 1,900 applicants on the council's housing register.

In our response to the government consultation on planning reform carried out in 2020 the council expressed concerns about the proposed scheme, including the blanket requirement for 25% of new affordable housing to be First Homes and the likely reduction in delivery of social/affordable rent for those in greatest need.

We are now working through the implications in more detail and our main concerns are as follows.

The requirement for 25% of affordable housing to be First Homes.

Our Local Plan 2018 seeks 40% of new homes on s106 sites to be social/affordable rent, and our Housing Strategy requires a 75/25 split between social/affordable rent and other 'intermediate' tenures. This is backed up by recent evidence to support our emerging Greater Cambridge Local Plan which identifies a need for around 10% of new homes (i.e. 25% of the affordable housing on a 40% affordable policy-compliant scheme) to be for affordable home ownership, with a preference for shared ownership.

Whichever way we split the remaining 75% once First Homes are accounted for is problematic and fails to meet identified local housing need.

Splitting all of the non-First Homes element in line with our current policy would lead to a reduction in the social/affordable rent housing which is identified as our greatest need, and an over-supply of affordable home ownership.

On the other hand, continuing to require 75% of affordable homes to be provided as social/affordable rent would lead to no shared ownership or other 'intermediate' provision at all. It would remove the opportunity for Registered Providers to cross-subsidise social/affordable rent with shared ownership. It would impact on cash flow for developers. It would put affordable home ownership out of reach for those who could afford a 10% share of a shared ownership property but not the deposit and mortgage required to purchase a home at 70% of market value. Because of the price cap, at a 30% discount it would provide only one-bedroom homes for the affordable home ownership market and nothing at all for families. At the same time it is difficult to see how raising the discount to 40% or 50% to allow some larger homes would allow the same value-capture as there would be under the council's currently policy.

Even a 'blended' approach would lead to a reduction in both social/affordable rent and shared ownership and would still leave a gap in provision for those most in need.

Whichever approach we take will lead to an over-supply of one-bedroom affordable housing on new developments as our greatest need for social/affordable housing is for one-bedroom homes; a situation exacerbated by lack of supply and the 'bedroom tax' policy. This in turn will affect our ability to create mixed and balanced communities.

There is also the question of whether the higher cost of delivering First Homes over shared ownership might impact on land values and/or trigger viability appraisals, leading to a reduction in the overall level of affordable housing provided on some sites.

The £250,000 price cap

As you will be aware, for a property to be sold at the maximum of £250,000 including a 30% discount, a home would have to be worth up to £357,000 on the open market.

New-build one-bedroom apartments currently for sale in Cambridge on Rightmove start at around £300,000 (so some, but not all, are within the price cap); but two bedroom apartments are starting at over £400,000. Therefore, as already highlighted, First Homes in Cambridge at a 30% discount are likely to be deliverable solely as one-bedroom units.

The main demand for shared ownership locally is for two-bedroom homes. Restricting First Homes to one-bedroom homes through the price cap, as well as providing no family-sized affordable home ownership, could affect both demand and the longer-term suitability of the homes for growing households.

Other concerns around an imbalance in property sizes created by the price cap have already been highlighted.

Impact on our council house-building programme

The First Homes requirement is also likely to affect the council's own house-building programme. The high level of need for social housing in Cambridge has already been recognised through grant awarded to the council via the Greater Cambridge Combined Authority to build 500 new council homes. This programme is well on target for completion within the agreed timescales.

This has successfully demonstrated the council's ability to play a significant role in meeting housing need, particularly social housing need, and a programme of at least 1,000 further social homes for rent is planned.

Unlike developers more generally our priority is to maximise affordable housing provision, providing a tenure mix which meets our identified affordable housing need. Requiring 25% of the affordable homes within this programme to be First Homes will undermine the fundamental objective of this programme which is to deliver these 1,000 much needed social/affordable rent homes.

Other flexibilities

As stated earlier, we agree that local flexibility is important to meet local needs. However, most of the optional local criteria are unlikely to be appropriate for Cambridge.

As already mentioned, offering a higher discount and/or lowering the price cap would further impact on viability, which in turn could affect the overall amount of affordable housing which can be delivered. In addition, local evidence has identified between 28% and 34% as an appropriate level of discount for new build discounted market housing in Cambridge; suggesting lack of evidence for increasing the discount to the permitted 40% or 50% levels.

Lowering the income cap would also impact on viability, and again there appears to be limited local evidence to support this.

The council is considering whether local connection/local worker criteria may be appropriate to help meet local needs. However, this is likely to be complex for us as most of our s106 housing delivery is carried out jointly with South Cambridgeshire District Council on the fringes of Cambridge. The likely need for a council-wide approach (following advice received by South Cambridgeshire as part of a pilot First Homes scheme currently under way in their area) could, in our case, mean the need for a similar approach across the two councils. This fails to recognise that there are likely to be very different needs across the area – particularly in view of the mix of small infill, urban fringe sites, large-scale stand-alone developments and First Homes exception sites coming forward across Greater Cambridge.

Administration

The pilot scheme being carried out with DLUHC in South Cambridgeshire clearly shows that the resource required to administer the scheme should not be underestimated. Their experience is that understanding the regulations and requirements has so far fallen to the local authority, rather than the onus being on the developer. There would need to be further education for developers if this was to be rolled out at scale.

Councils will also need to have to have robust systems in place for the long-term to deal with administration of subsequent resales. This will have resource implications for local authorities, including likely staffing and IT costs.

Conclusion

We would urge you, as Secretary of State, to rethink the First Homes model as it is currently designed. We recognise that it may have a role in helping to meet the housing needs of first-time buyers. However, making it compulsory, and with blanket restrictions applied to the scheme, it is unlikely to work for us in Cambridge. The 'one-size fits all' approach outside of London will have a considerable impact on our ability to meet locally evidenced housing need and to deliver mixed and balanced communities.

We would also ask you to consider supporting local authorities with the cost of administering the scheme.

We understand that South Cambridgeshire District Council have also written to you with their concerns and I would ask that you consider the two letters together.

We look forward to receiving your reply.

Yours sincerely

Cllr Mike Todd-Jones
Executive Councillor for Housing

Cllr Katie Thornborrow
Executive Councillor for Planning Policy &
Transport

Cllr Anna Smith
Labour Leader and Executive

Councillor for Communities

Cc Local Government Association; District Councils Network; Chartered Institute of Housing