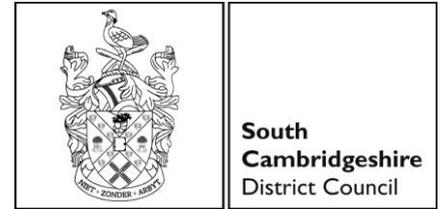


South Cambridgeshire Hall
Cambourne Business Park
Cambourne
Cambridge
CB23 6EA

t: 01954 713000
f: 01954 713149
www.scambs.gov.uk



24 February 2022

To: Chair – Councillor Grenville Chamberlain
Vice-Chair – Councillor Judith Rippeth
Members of the Scrutiny and Overview Committee – Councillors
Anna Bradnam, Dr. Martin Cahn, Nigel Cathcart, Sarah Cheung Johnson,
Graham Cone, Dr. Claire Daunton, Peter Fane, Sally Ann Hart,
Geoff Harvey, Steve Hunt, Dr. Aidan Van de Weyer, Dr. Richard Williams
and John Batchelor

Quorum: 4

Substitutes:	Councillors Heather Williams, Mark Howell, Sue Ellington, Bunty Waters, Gavin Clayton, Henry Batchelor, Alex Malyon, Jose Hales, Dr. Ian Sollom and Paul Bearpark
--------------	---

There is a pre-meeting session at 4pm the day before the meeting, for members of the Committee only, to plan their lines of enquiry.

Dear Councillor

This supplement contains replacement appendices A and B to Item 7 (First Homes) of the agenda for the meeting of the **Scrutiny and Overview Committee**, which will be held in the **Council Chamber, South Cambs. Hall** on **Thursday, 3 March 2022** at **5.20 p.m.**

Members are respectfully reminded that when substituting on committees, subcommittees, and outside or joint bodies, Democratic Services must be advised of the substitution ***in advance of*** the meeting. It is not possible to accept a substitute once the meeting has started. Council Standing Order 4.3 refers.

Yours faithfully
Liz Watts
Chief Executive

The Council is committed to improving, for all members of the community, access to its agendas and minutes. If you have any specific needs, please let us know, and we will do what we can to help you.

Agenda

- 7. Greater Cambridge First Homes Interim Position Statement**

Pages
1 - 34

Agenda Item 7

APPENDIX A

Greater Cambridge – A First Homes Interim Position Statement

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.

This page is left blank intentionally.

First Homes Interim Position Statement - Issues and Options

1. Introduction

- 1.1. Cambridge City and South Cambridgeshire District Councils have produced an Interim Position Statement on how they will deal with applications for the governments' new preferred affordable home ownership tenure, First Homes.
- 1.2. The model as it is designed presents some serious challenges locally. In particular around: delivering an appropriate balance of affordable housing tenures to meet local housing needs; providing appropriate housing options that are affordable for those who wish to get on the housing ladder; affordability compared with other intermediate tenures; and providing a suitable mix of property sizes on new developments.
- 1.3. This Issues and Options paper provides background to the approach taken in the Interim Statement. It outlines some of the issues and risks for Greater Cambridge in implementing the new model, how any risks will be mitigated and the options which were considered in developing the councils' approach.

2. National Guidance

- 2.1. On 24th May 2021 the government announced its First Homes policy through a [Written Ministerial Statement](#) and accompanying changes to the [National Planning Practice Guidance](#) to include First Homes.
- 2.2. First Homes contributes to the [National Planning Policy Framework](#) requirement to provide 10% of all new homes as affordable home ownership. This followed consultation carried out on the proposed model the previous year.

3. Local Policy

- 3.1. Policy 45 of [Cambridge City Council's Local Plan 2018](#) and Policy H/10 of [South Cambridgeshire's Local Plan 2018](#) require 40% of homes on qualifying sites to be provided as affordable housing.
- 3.2. Cambridge City Council's Local Plan requires a balanced mix of dwelling sizes, types and tenures to meet future housing needs; and South Cambridgeshire District Council's Local Plan states an agreed mix of affordable house tenures will be determined by local circumstances at the time of granting planning permission.
- 3.3. Neither councils' Local Plan specifies the percentage breakdown between social rent, affordable rent and other 'intermediate' tenures.

- 3.4. The Greater Cambridge Housing Strategy 2019 to 2023 has been developed in the context of the council's broader strategic objectives. It recognises there is a need for homes for those who cannot access social housing through the housing register but who also cannot afford to buy on the open market. The Strategy says that the councils will continue to prioritise social housing for rent but that we also want to offer choice for those aspiring to own their own home.
- 3.5. Both councils' preferred affordable housing tenure split is detailed in Annex 5 of the Strategy. Cambridge City Council aims for 75% of affordable housing on qualifying s106 sites to be social/affordable rent, and 25% to be shared ownership or other intermediate tenures. South Cambridgeshire aims for 70% social/affordable rent and 30% shared ownership or intermediate tenure.

4. Local Housing Need

- 4.1. Latest housing needs evidence commissioned through GL Hearn to inform the emerging joint Local Plan recognises the acute need for social/affordable rent housing across Greater Cambridge and indicates that around 10% of all new homes across the housing market area should be for affordable home ownership. (10% of all homes equates to 25% of each council's affordable housing requirement).
- 4.2. Although the evidence indicates that the need for affordable home ownership may be greater in Cambridge and South Cambridgeshire than in other parts of the Housing Market Area, it states that there is limited evidence to suggest any district should exceed the National Planning Policy Framework requirement of 10% of new homes on s106 sites to be provided as affordable home ownership.
- 4.3. The research also states that resources for subsidised housing are finite, and the greater the discount on individual dwellings the fewer affordable homes overall may be delivered. It highlights that policy should reflect a balance between the needs of the most vulnerable, the needs of people in housing need but not vulnerable, and delivering as many affordable rented homes on the ground as possible, subject to viability.
- 4.4. See [GL Hearn, Housing Needs of Specific Groups Cambridgeshire and West Suffolk, October 2021](#) for more detail.

5. Affordability of First Homes

- 5.1. The GL Hearn research referred to above considers an appropriate discount to be applied to open market values to make homes affordable to those households who are caught between the rent/buy gap. Their assessment of the percentage discount required from open market value to make a discount market sale home affordable is shown in Table 1 below.

Table 1: Estimated percentage discount required from Open Market Value to make Discount Market Sale affordable

Location	1 bedroom	2 bedroom	3 bedroom	4+ bedrooms
Cambridge	28%	30%	34%	34%
South Cambs	22%	28%	31%	33%

Source: GL Hearn, *Housing Needs of Specific Groups, Cambridgeshire and West Suffolk*

5.2. However, this estimation is based on 2020 property price data and on lower quartile prices. Other evidence available suggests that prices are likely to have increased over the last two years.

5.3. Another way to consider affordability is to look at the cost of First Homes compared with income or earnings.

5.4. Data from the [Office for National Statistics Annual Survey of Household Earnings](#) indicates that average full-time household earnings are around £43,900 in Cambridge and £47,000 in South Cambridgeshire. Tables 2 & 3 below provide rough illustrations of the affordability of purchasing a home in Greater Cambridge based on a 10% or 20% deposit, with housing costs being no more than 35% of average net full-time household earnings.

Table 2: Affordability of a home purchase at £250,000 with a 10% deposit based on housing costs being no more than 35% of average full-time household earnings

	Mortgage	Monthly payment	Annual payment	Average full-time household earnings	Estimated take home earnings 2021-22	35% of full time take-home earnings
Cambridge City	£225k	£1,070	£12,840	£43,900	£33,500	£11,725
South Cambridgeshire	£225k	£1,070	£12,840	£47,000	£35,600	£12,460

Source: Government Money Advice mortgage calculator (3% mortgage rate), Annual Survey of Household Earnings gross full-time household earnings by place of residence 2020, Government take home pay calculator & Greater Cambridge Housing Strategy

Table 3: Affordability of home purchase at £250,000 with a 20% deposit based on housing costs being no more than 35% of average full-time household earnings

	Mortgage	Monthly payment	Annual payment	Average full-time household earnings	Estimated take home earnings 2021-22	35% of full time take-home earnings
Cambridge City	£200k	£950	£11,400	£43,900	£33,500	£11,725
South Cambridgeshire	£200k	£950	£11,400	£47,000	£35,600	£12,460

Source: Government Money Advice mortgage calculator (3% mortgage rate), ASHE gross full-time household earnings by place of residence 2020, Government take home pay calculator & Greater Cambridge Housing Strategy.

5.5. This suggests that households on average household earnings should just about be able to afford a First Home in South Cambridgeshire with a 10% deposit but that a higher deposit is likely to be needed for a household resident in Cambridge City, based on a mortgage rate of 3%.

5.6. This presents a significant concern in terms of potential future financial hardship for those purchasing a First Home who are already stretching their budgets. Some purchasers on average earnings could risk homelessness if they are no longer able to afford to pay for their home.

5.7. Therefore, based on current estimates, those benefiting most from First Homes are likely to be those who earn above the average full-time earnings for Greater Cambridge but cannot afford to buy on the open market.

5.8. Table 4 below shows that to purchase a First Home capped at £250,000 with a 5% deposit, households would need an income of around £55,000 to be able to afford a mortgage based on 35% of their income. Those earning around £50,000 would need around a 10% as a deposit.

Table 4: Affordability of a First Home capped at £250,000

Price (capped)	Deposit	Mortgage	Monthly payment	Annual payment	Income	Estimated take home income	35% of income
£250,000	5% £12,500	£237,500	£1,130	£13,560	£55,000	£40,590	£14,207
£250,000	10% £25,000	£225,000	£1,070	£12,840	£50,000	£37,600	£13,160

Source: Government Money Advice mortgage calculator (3% mortgage rate) & Government take home pay calculator

5.9. However, according to the government's mortgage advice calculator, a 3% increase in mortgage rates would increase monthly payments by around £380 on a mortgage of £225,000 and around £340 on a mortgage of £200,000. The increase in cost of living currently taking place, and the anticipated increase in fuel bills and National Insurance from April onwards, will put a further squeeze on incomes. So even households earning above average earnings, who may be able to afford a First Home now, may find it more difficult if mortgage rates rise and as living costs continue to increase.

6. Splitting the remaining tenures once First Homes are accounted for

National guidance

6.1. Paragraph 015 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.

6.2. Paragraph 014 of the Guidance says that a policy compliant planning application should seek to capture the same amount of value as would be captured under the local authority's up-to-date published policy.

6.3. Section U2 of the [National Design Guide](#) refers to the need for a mix of home tenures, types and sizes, and paragraph 115 states that '*Well-designed neighbourhoods provide a variety and choice of home to suit all needs and ages*'.

Options, Issues and Risks

6.4. As there is no specific reference to an affordable housing tenure split in either council's adopted Local Plan, three options have been considered. All of these are problematic; particularly in relation to meeting housing need and providing an appropriate mix of sizes and tenures of homes on new developments.

Option 1: Split the remaining affordable housing in line with council policy

6.5. Splitting the remaining affordable housing in line with the percentages in the Housing Strategy would lead to the breakdown shown in Tables 5 & 6 below. (Based on a 100-home scheme providing 40% affordable housing).

Table 5. Cambridge City: Example scheme of 100 homes, 40 of which are affordable: 25/75 split between remaining intermediate and social/affordable rent.

Cambridge City	Current council policy		With First Homes	
	Number	% of affordable	Number	% of affordable
First Homes	0	0%	10	25%
Shared ownership/other intermediate	10	25%	7.5	18.75%
Social/affordable rent	30	75%	22.5	56.25%
Total	40	100%	40	100%

Table 6. South Cambridgeshire: Example scheme of 100 homes, 40 of which are affordable: 30/70 split between remaining intermediate and social/affordable rent.

South Cambridgeshire	Current council policy		With First Homes	
	Number	% of affordable	Number	% of affordable
First Homes	0	0%	10	25%
Shared ownership/other intermediate	12	30%	9	22%
Social/affordable rent	28	70%	21	53%
Total	40	100%	40	100%

6.6. For Cambridge City option 1 would lead to an approximate 19% reduction in social/affordable rent units compared with current policy and around a 6% reduction in shared ownership/other intermediate tenures in favour of First Homes. Around 44% of new provision would be for affordable home ownership through a combination of First Homes and shared ownership,

6.7. For South Cambridgeshire option 1 would lead to an approximate 17% reduction in social/affordable rent units compared with current policy and around an 8% reduction in shared ownership/other intermediate tenures in favour of First Homes. Almost half of the new homes provided (47%) would be for affordable home ownership.

Option 1 Issues and risks

6.8. This option:

- Follows the ‘spirit’ of the national guidance which seeks for the remaining affordable housing, after First Homes, to be split in line with current Local Plan policy.

- Enables a wider choice of intermediate tenures than just providing First Homes and helps meet the councils' Local Plan policies around providing a mix of dwelling sizes, types and tenures.
- Enables a wider mix of intermediate tenure property sizes than the other options, as shared ownership allows delivery of more larger family sized homes, whereas First Homes in Cambridge City at least are expected to only come forward as one-bedroom homes due to the price cap.
- This would lead to a reduction in cash-flow to developers through up-front sale to RPs, although early modelling suggests that any loss would not be significant taking into account the direct sale of First Homes by the developer.

However:

- The local evidence referred to above demonstrates that the greatest need locally is for social and/or affordable rent. This option would be in clear conflict with that evidence and create an over-supply of home ownership/other intermediate tenures compared with social and affordable rent.

Option 2: Count First Homes within the 'intermediate' requirement

6.9. Tables 7 & 8 below show what counting First homes in with the 'intermediate' housing requirement would look like compared with current council policy

Table 7. Cambridge City: Example scheme of 100 homes, 40 of which are affordable: No additional intermediate housing.

Cambridge City	Current council policy		With First Homes	
	Number	% of affordable	Number	% of affordable
First Homes	0	0%	10	25%
Shared ownership/other intermediate	10	25%	0	0%
Social/affordable rent	30	75%	30	75%
Total	40	100%	40	100%

Table 8. South Cambridgeshire: Example scheme of 100 homes, 40 of which are affordable: No additional intermediate housing.

South Cambridgeshire	Current council policy		With First Homes	
	Number	% of affordable	Number	% of affordable

First Homes	0	0%	10	25%
Shared ownership/other intermediate	12	30%	2	5%
Social/affordable rent	28	70%	28	70%
Total	40	100%	40	100%

6.10. For South Cambridgeshire 5% of the affordable home ownership would be shared ownership or other intermediate tenures.

6.11. For Cambridge City this option would provide no shared ownership or other intermediate housing over and above First Homes.

Option 2 Issues & Risks

6.12. This option:

- Appears on the face of it to be more favourable than option 1 in terms of protecting the amount of social/affordable rent delivered to meet locally identified housing need.

6.13. However:

- It is recognised that this option is, for Cambridge City at least, unlikely to enable planning applications to capture the same value as under the council's current policy.
- Registered Providers operating locally have confirmed that the bids they submit to developers for the affordable housing on new developments will be lower if they are unable to cross-subsidise the delivery of social or affordable rent with sales of shared ownership properties. This option would, for Cambridge City, allow no shared ownership at all and therefore provide no cross-subsidy. In consulting with registered providers in the area, based on this scenario, the difference in offers to the developer could be anything between 2% to 8% of open market value in Cambridge City and 0.6% to 7% of open market value in South Cambridgeshire District Council, dependent on each housing provider's financial business plans. It is difficult to estimate what this would mean in monetary terms because of the wide range and it is suggested that further viability work will need to be undertaken as part of the development of the Joint Local Plan.
- Some modelling has also been carried out on a scheme currently being considered as part of Cambridge City Council's own development programme. This suggests that, for the particular development modelled, if all the 'intermediate' housing was replaced with First Homes the profit loss

would be around 4.5% compared with a scheme coming forward under the current policy of 75% affordable rent and 25% shared ownership. The main potential issues identified were: loss of cross-subsidy from Registered Providers from shared ownership to fund the social/affordable rent; higher interest payments due to loss of cash-flow from Registered Providers; and increased costs for a developer in relation to sales and marketing.

- This also reflects national research by Savills, First Homes Affordability and Viability published in October 2020 which states: *“At a 30% discount the Gross Development Value (GDV) generated from a First Home will typically be lower than the equivalent property provided through Shared Ownership.”*
- This concern around viability means there may be risks around how much social/affordable rent could be delivered and whether 40% affordable housing could be achieved overall. It could impact on land values, potentially preventing land from coming forward. It could also impact on section 106 contributions towards other infrastructure, facilities and services.
- Viability concerns also present risks around design quality. They are likely to affect the councils’ ability to ensure that new homes provide high levels of energy efficiency and sustainability and that they help to meet national and local carbon reduction targets.
- Viability issues could also impact on rental affordability in both council areas. Although Registered Providers currently operating locally have said that they would still try to keep rents within levels stated within our Affordable Rents policy at [Annexe 5 to the Greater Cambridge Housing Strategy](#) (60% of market rents for Cambridge City and 70% of market rents for South Cambridgeshire), option 2 could lead to higher rents being charged than currently (up to 80% of market).
- No shared ownership in Cambridge would mean no other intermediate housing options on new developments. This includes options for those who could not access the deposit and/or mortgage to buy a 70% share under First Homes, but could afford a 10% or higher share of a shared ownership property.
- Due to the £250,000 price cap, at a 30% discount the only ‘intermediate’ tenure properties likely to come forward in Cambridge City would be one-bedroom homes, although some two-bedroom homes should be

deliverable in some parts of South Cambridgeshire. There would be no larger affordable home ownership options available for families.

- With the greatest social housing need being for one-bedroom homes, an over-provision of one-bedroom homes could make it difficult to design them into and to create mixed and balanced communities.

Option 3 Allow for provision of some shared ownership/other intermediate tenures in addition to First Homes

6.14. A third option is to provide some shared ownership/other intermediate tenures across both council areas but at a lower level than in option 1.

6.15. Tables 9 & 10 below show how the same development scenario would look for each district if both districts provided 5% or 10% of new affordable homes as shared ownership. (Note that for South Cambridgeshire Option 2 would already provide 5% shared ownership).

6.16. Other percentages have been considered but between 5% and 10% is considered to provide a balanced approach.

Table 9. Cambridge City: Example scheme of 100 homes, 40 of which are affordable: balance between options 1 & 2 - retaining 5% or 10% shared ownership.

Cambridge City	Current council policy		With First Homes	
	Number	% of affordable	Number	% of affordable
First Homes	0	0%	10	25%
Shared ownership/other intermediate	10	25%	2 or 4	5% or 10%
Social/affordable rent	30	75%	28 or 26	70% or 65%
Total	40	100%	40	100%

Table 10. South Cambridgeshire: Example scheme of 100 homes, 40 of which are affordable: balance between options 1 & 2 - retaining 5% or 10% shared ownership.

South Cambridgeshire	Current council policy		With First Homes	
	Number	% of affordable	Number	% of affordable
First Homes	0	0%	10	25%
Shared ownership/other intermediate	12	70%	2 or 4	5% or 10%
Social/affordable rent	28	30%	28 or 26	70% or 65%

Total	40	100%	40	100%
--------------	-----------	-------------	-----------	-------------

Note that 5% for South Cambridgeshire is in line with option 2

Option 3 Issues and risks

6.17. This option would:

- Enable a wider choice of tenures than option 2 for Cambridge City and the same or higher proportion of shared ownership in South Cambridgeshire.
- Provide a more affordable option than First Homes for those wanting to purchase a property through shared ownership. Some shared ownership at a 10% share could also benefit some housing register applicants which First Homes is unlikely to do.
- Allow for a wider mix of property sizes than option 2 in Cambridge City, including some two-bedroom intermediate homes. This would help to support development of mixed and balanced communities.
- Allow some cross-subsidy through shared ownership and some cash-flow from shared ownership for developers.

6.18. However:

- This would present similar risks to option 2, although for Cambridge City the risk would be reduced. For South Cambridgeshire the risk would be the same or reduced depending on the shared ownership percentage settled on.

Preferred option

Splitting the remaining tenures once First Homes are accounted for:

Cambridge City Council policy position: The preference will be for 70% affordable/social rent; 5% shared ownership; 25% First Homes.

South Cambridgeshire District Council: The preference will be for: 70% affordable/social Rent, 5% shared ownership, 25% First Homes

Rationale: This seeks to achieve the same amount of Affordable/Social Rent on a scheme in South Cambridgeshire and a 5% reduction in Cambridge City compared with current policy. It allows a small amount of shared ownership which in South Cambridgeshire in particular will be targeted at family sized accommodation. This is felt to present a fair balance of property types and tenures within the national policy context, to provide homes that meet a variety of household affordability and needs. It is also considered to be a viable option at this time.

7. Price Cap

National Guidance

7.1. Paragraph 005 of the Guidance says that Initial sale of a First Home cannot be at a price greater than £250,000 (outside of London) once the discount has been applied. However, there is discretion to set lower price caps if a need can be demonstrated. Local price caps should be determined through the local plan making process with regard to local income levels, related to local house prices and mortgage requirements.

7.2. The price cap does not apply to subsequent resales.

7.3. Paragraph 008 of the Guidance says that any local eligibility criteria will apply for a maximum of 3 months from when a home is first marketed. If a suitable buyer has not reserved a home after 3 months, the eligibility criteria (including income caps) will revert to the national criteria, to widen the consumer base.

Options, Issues and Risks

7.4. Assuming that the discount is capped at 30%, the maximum open market value before discount would be around £357,000. The affordability data in section 5 above demonstrates the affordability problems with First Homes, even more so in a climate of rising household costs.

7.5. Most if not all First Homes are expected to be delivered at the maximum price cap. Therefore, for affordability reasons there could be an argument for lowering the cap.

7.6. However, this is likely to present viability challenges.

7.7. [National residential land value estimates](#) put land values in Greater Cambridge well within the top 10% nationally outside of London.

7.8. Also, as an example, through Cambridge City Council's own 500-home development programme development costs have in some cases exceeded £250,000 per unit.

Option 1: Retain the price cap

7.9. Retaining the price cap would:

- Help with scheme viability, although even the current price cap is likely to present significant challenges.

Option 2: Lower the price cap

7.10. A lower price cap would:

- make homes affordable to a wider range of applicants

7.11. However:

- This would make provision of anything other than one-bedroom homes even less likely and would not help to promote a mix of property sizes.
- It is likely to raise significant viability issues, which could impact on a reduction overall of affordable housing or fewer Affordable Rented/social rented homes.
- Even the current price cap will make it extremely difficult to deliver more energy efficient homes, particularly homes built to zero carbon standards.
- If a home is not sold within three months of marketing the cap would be disregarded anyway. Regardless of monitoring compliance with the section 106 agreement would developers be incentivised to sell quickly?

8. Discount to market value

National Guidance

8.1. Paragraph 004 of Planning Guidance requires the discount to market value to be set at a minimum of 30%. This cannot be lowered, but there is local discretion to raise it to either 40% or 50% of market value where authorities can demonstrate a need. The guidance refers to housing needs assessments

required to be carried out as part of the local plan process, to enable an evidence-based planning judgment to be made about the need for a higher local minimum discount.

Options, Issues and Risks

8.2. For a property to cost the maximum of £250,000 at a 30% discount, it would have to be worth up to £357,000 on the open market. A 40% discount would, subject to viability, allow homes worth up to £416,700 to be provided, and 50% up to £500,000.

8.3. The Housing Needs of Specific Groups for Cambridgeshire and Suffolk study referred to in paragraph 4.4 above identifies between 28% and 34% as an appropriate level of discount for lower quartile new build discounted market housing in Cambridge, and 22% to 33% in South Cambridgeshire), depending on property size.

8.4. Research by Savills, [First Homes: Affordability and Viability October 2020](#), found that, in Cambridge, a 40% discount would be required to bring a 700 square foot 2-bedroom flat within the £250,000 price cap.

Option 1: Keep the discount at 30%

8.5. Keeping the discount at 30% would:

- Be more or less in line with the evidence produced to support the emerging Greater Cambridge Local Plan. (See paragraph 8.2 above).

8.6. However, retaining the discount at 30% would:

- Restrict the number of applicants for First Homes to those who can afford to pay 70% of market value.
- With the price cap at £250,000, mean that only one-bedroom homes would be made available in Cambridge City; and no family size homes larger than two-bedrooms in Greater Cambridge as a whole.

Option 2: Raise the discount to 40% or 50%

8.7. Other evidence above suggests an argument for raising the discount to 40% or 50%.

Option 2 Issues & Risks

8.8. Option 2 could:

- Allow a wider range of applicants to be able to afford a First Home.

- Allow larger homes to be provided, particularly in Cambridge City. This would provide a wider range of choices for applicants and make the homes more saleable.

8.9. However:

- Raising the discount will inevitably impact further on scheme viability, with potential serious consequences as referred to in section 6 above.

Discount to market value: Interim Policy Position:-
First Homes will be sold with a discount of 30% from full open market value.

9. Eligibility - Income cap

National policy

- 9.1. Under Paragraph 007 of the Guidance the maximum household income for First Homes purchasers is £80,000 outside of London.
- 9.2. Under Paraph 008 Local authorities can apply lower income limits if it can be justified with reference to local average first time buyer incomes, mortgage requirements and loan-to-income ratios for the area's target market for First Homes. They 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.
- 9.3. Paragraph 008 of the Guidance states that income criteria should not limit the eligible customer base to the point that homes become difficult to sell. Any local income cap will apply for a maximum of three months from when the home is first marketed and will revert to the national criteria, to widen consumer base.

Options, Issues & Risks

- 9.4. As shown in tables 2 & 3 above, average full-time household earnings for residents in Cambridge City is £43,900 and in South Cambridgeshire is £47,000 so the threshold is well above this. And someone on an £80,000 income could potentially afford to buy a reasonable market home based on monthly payments alone, although the size of deposit required is often a major barrier.
- 9.5. Local research for the Greater Cambridge Housing Strategy identifies that the main gap in housing provision is for those with incomes of £30,000 to

£50,000; and Savills in their report Detailed Affordability Analysis, Cambridge & South Cambridgeshire 2017, identified a similar gap of around £25,000 to £45,000

9.6. Evidence from the Help to Buy register around households wishing to access intermediate tenure housing in Cambridge and/or South Cambridgeshire also suggests that the majority of those interested in intermediate tenure housing have incomes of around £30,000 to £50,000.

9.7. However, the affordability of a First Home for households with an income of less than £50,000 per year has already been highlighted.

Option 1: Keep the current maximum household income at £80,000

9.8. Keeping the £80k discount for the first three months of marketing would:

- Provide a larger pool of households who are able to afford to buy a First Home.
- Help to mitigate against households on lower incomes running into financial difficulties, particularly within the current climate of increased household costs and the potential impact of potential mortgage interest rises.
- Be in keeping with the national household income cap for shared ownership which is set at £80,000.

Option 2: Lower the maximum household income

9.9. Lowering the maximum household income would.

- Help to target First Homes at those in the income brackets that the councils have identified as the target market for intermediate housing.

9.10. However:

- It would restrict the number of applicants able to afford a First Home, particularly in Cambridge being an area of high house prices. This could lead to homes being sold to applicants who do not meet other local eligibility criteria or even to not being sold at all as a First Home if a buyer cannot be found who meets both the national eligibility criteria and the local income threshold.
- It could lead to a higher proportion of First Home buyers running into financial difficulties than if those on higher incomes were eligible.

Household income cap: Interim Policy Position

The national household income cap of £80,000 per annum will apply to purchasers of First Homes in Greater Cambridge

10. Eligibility – Local connection Criteria

National guidance

- 10.1. Paragraph 008 of the National First Homes Guidance states that Local Authorities can set their own local connection or employment-based criteria for the sale of First Homes. These will apply for the first three months of marketing and will be removed if the property cannot be sold within that time.
- 10.2. Local connections may include, for example, current residency, employment requirements, family connections or special circumstances such as caring responsibilities. (The guidance details how local connection criteria should be disapplied for members of the Armed forces and their families).
- 10.3. As with lowering the income cap, eligibility requirements such as local connection and employment-based requirements should not limit the eligible consumer base to the point that homes become difficult to sell.
- 10.4. Any local connection requirements will apply for a maximum of three months from when the home is first marketed and will be disapplied if the home cannot be sold within that period.

Options, Issues & Risks

Option 1: Allow anyone to apply for First Homes locally, wherever they live or work

- 10.5. This would:
 - Maximise the number of potential applicants for First Homes.But could:
 - Prevent people living or working locally from accessing the scheme.

Option 2: Restrict first sales of First Homes to people who have a local connection locally

- 10.6. There is high demand for housing in Greater Cambridge, evidenced by high rents and house prices. Housing affordability is a key issue locally, and various consultations and community engagements have identified frustration amongst local people that they cannot afford to access appropriate housing in

Greater Cambridge. The actual scale of demand is not clear, but applying a local connection criteria to households would help First Time buyers to get on the housing ladder and remain living locally.

10.7. Evidence of the need for housing for local workers includes recent research carried out by Cambridge University Hospitals and by Cambridge Ahead, both of which identified the need for affordable housing in Greater Cambridge to meet the needs of local workers.

10.8. Both councils already apply local connection criteria for applicants on the councils' housing registers and these are proven to work effectively. It is proposed to apply similar criteria to applicants for First Homes.

Local connections: Interim Policy Position

Local connection criteria will be applied.

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.

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 Council district for 16 hours or more per week. (See further details below).
- The applicant has lived in the 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 local authority area for a period of 5 years or longer and are currently resident in the 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.

Applicants will be considered to have employment in the relevant district 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 district; or
- They are working within the district 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 District, even if their work requires them from time to time to work outside of the district.

The employment must be the actual place of work in the district and not employment based on a head office or regional office situated in the district but from which they do not work.

The relevant council reserves the right to waive the 16-hour requirement if necessary to avoid discrimination.

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.

Developers may be required to target marketing towards particular employers where appropriate.

11. Eligibility – Priority for key workers

National guidance

11.1. The guidance encourages authorities to prioritise key workers, especially if they have 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.

11.2. As with other eligibility criteria, any priority for key workers will apply only for the first three months of marketing.

Options, Issues and Risks

11.3. Neither council has developed a definition of key workers to date on the basis that all workers are seen as key to supporting the local economy.

11.4. Although it is not standard practice locally to give housing priority to particular groups of workers in allocating homes for social/affordable rent or shared ownership, the councils will often give some priority for social housing on new developments to applicants who work within a given radius of the development. One of the reasons for this is to help promote carbon reduction and tackle climate change by preventing people from having to travel long distances to work.

Option 1: Provide a local definition of key workers and restrict applications for First Homes to those meeting the definition.

Option 2: Provide a local definition of key workers and give some priority for applicants identified as key workers

11.5. Options 1 & 2 would:

- Restrict the number of applicants eligible for First Homes which could make them more difficult to sell.
- Be contrary to the councils' current approach around recognising that all workers are important to the economy.
- Make it complex to identify whether some individual applicants were eligible; leading to lack of transparency for applicants and more complexity in administering the scheme, both for the councils and developers.

Option 3: Do not give priority to any particular groups of workers, but require developers to prioritise marketing to employers in the near vicinity where appropriate.

11.6. Option 3 would:

- Ensure that particular groups of workers are targeted where appropriate.
- Help support national and local carbon reduction ambitions through promoting sale of homes close to people's place of work, with the aim of helping to reduce carbon emissions generated through travel to work.

Key workers: Interim Policy Position

No specific priority will be given to key workers at this point in time, but the council may ask for marketing to be targeted towards particular employers where appropriate dependent on the scheme's location.

12. First Homes Exception Sites Policy

National Guidance

- 12.1. Para 024 of the First Homes PPG Guidance states that 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.
- 12.2. Para 025 – First Homes exception sites can come forward on unallocated land outside of a development plan. They cannot come forward in areas designated as Green Belt, or designated rural areas as defined in Annex 2 of the National Planning Policy Framework. In designated rural areas rural exception sites are the sole permissible type of exception site.

Options, Issues & Risks

- 12.3. As a rural area, South Cambridgeshire District Council have a successful record of delivering rural exception sites. Rural exception sites provide affordable housing specific to village needs, often providing a mix of tenures and house types. As part of delivering rural exception sites, housing needs surveys have continually identified that local need in villages is predominantly for rented tenures.
- 12.4. Rural exception sites have been successful in South Cambridgeshire because the land values for such schemes are much lower than for a residential development within the village framework. This means that schemes are generally viable and provide a high standard of housing delivered by registered providers. There is some concern that First Homes Exception Sites will achieve a higher land value and be particularly attractive for private developers because there will be no need to engage with a housing provider or undertake specific housing needs assessments.
- 12.5. Whilst the councils cannot stop developers coming forward with a First Homes Exception Site, our preference in South Cambridgeshire will be for rural exception sites to be brought forward with an element of First Homes to provide a better tenure mix and balanced scheme.
- 12.6. The Interim Position Statement sets out local criteria that South Cambridgeshire District Council would seek to achieve on any First Homes Exception Site coming forward to ensure schemes are proportionate to the scale and character of the village and that there is not an over-supply of affordable home ownership products in the local area.
- 12.7. To ensure that local villages benefit from any First Homes exception sites coming forward, we will seek to apply a village connection to the scheme for the first 4 weeks of marketing to give priority to local people. Whilst this is not recommended as part of the National Planning Practice Guidance, a

village connection was applied to the pilot First Homes scheme in Great Abington which has not impeded sales.

13. Applying the First Homes requirement

- 13.1. As can be seen from above the national First Homes policy requirement presents significant issues and risks in Greater Cambridge.
- 13.2. Both councils have expressed concerns about the First Homes requirement to the Department for Levelling Up, Housing and Communities (DLUHC). They have confirmed that there is no requirement to update local plans early to accommodate First Homes, so a plan adopted before the transitional arrangement can continue to apply until such time as it is due for an update.
- 13.3. They further confirm that there is no specific legislative requirement to deliver First Homes, but it is a requirement of national planning policy. Where local plans are at odds with national policy it is for local decision-makers to consider the relative weight to assign to each material consideration.
- 13.4. Also, from Officer discussions with housing providers, other local authorities and developers, there does not seem to be an appetite amongst them to deliver First Homes.
- 13.5. Therefore, whilst it is important to consider the First Homes requirement as a material consideration if a developer wishes to bring them forward, the councils' current Local Plan remains sound and up to date. As a result it is proposed that the councils take a flexible approach in terms of considering First Homes.
- 13.6. 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. This is considered the most appropriate course of action until such time that there is further detail from government on how First Homes will work in practice.
- 13.7. 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.
- 13.8. The position will be further reviewed when the Greater Cambridge Housing Strategy is refreshed in 2023 and as part of the work on the emerging Greater Cambridge Local Plan.

This page is left blank intentionally.