

**East of England Affordable Housing Study Stage 2:
Provision for Key Workers and Unmet Housing Need**

**Cambridge Centre for Housing and Planning
Research**

Part B Report

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PART B REPORT

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East of England Affordable Housing Study Stage 2: Provision for Key Workers and Unmet Housing Need

Part B report

Section 1

Context and purpose

The purpose of this stage of the work is to provide support for sub-regions within the East of England region in assessing future requirements for key worker housing.

Part A of this study provided estimates of the current unmet housing need within the region, and of the requirement for key worker housing in the region as a whole.

Section 2 of this short report considers the appropriate definitions and estimates of key worker housing requirements. It highlights common understandings about appropriate definitions, and aims to take these forward so that there can be consistent definitions across the region.

Section 3 describes the emerging trends from the experience of the government's *Key Worker Living* programme within the region, taking account of the lessons learned from the earlier Starter Homes Initiative and focusing on good practice.

Section 4 goes on to develop a methodology for assessing key worker housing requirements in the future, again with the objective that definitions and methods are consistent across the region so that comparisons can be sensibly made between areas as well as over time. It aims to provide advice to sub-regions on problematic issues such as housing market areas and how to decide who should be included when undertaking an assessment. The limitations of the methodology are also discussed.

Section 5 comments briefly on monitoring, including key data sources and how to address the changing dynamics of the housing market.

The report concludes with a set of recommendations for the East of England Assembly, taking account of the relationship between local authority districts, sub-regional groupings, and the policy context at both national and regional levels.

Examples of good practice from the review of the available literature are given in the annex to this report

Section 2

Definitions and estimates of key workers

The key worker issue has come to the fore as house prices and rents have risen steeply in the southern half of the country in recent years. This has made it difficult for people on relatively low salaries or at the lower end of salary scales to afford to live there. These people are not eligible for social rented housing which increasingly has to house those in priority need.

How can key workers be defined?

'Key workers' have two important attributes. First, they are considered essential to the successful functioning of the local economy and to the care and comfort of the community. Second, their jobs are ubiquitous – they can in principle take a post anywhere in the country. Many public sector workers on national pay scales fall into this category, and their salary can therefore buy them a better quality home in cheaper parts of the country. In the more expensive areas, difficulties in recruiting and retaining key public sector workers have led to attempts to address what is primarily a labour market problem through the housing market. The government's Starter Homes Initiative, and the *Key Worker Living* programme which replaced it in April 2004, are examples of this. Both schemes were designed to provide a form of housing subsidy to those key workers who meet the scheme criteria.

Defining key workers is not always straightforward. It is best to start by establishing whether they are indeed 'key', regardless of their salary level or their household income, and only subsequently establishing income criteria for eligibility for housing assistance. On this basis it might be accepted that all health workers, for example, are key workers because they are all essential to the effective running of the health service. The next stage would be to assess whether there were recruitment or retention problems – which might only affect certain posts within the health service. Finally, a household income cut-off in relation to local house prices and rents would need to be established. Salary level alone is not a suitable parameter because household income depends on the salary of other members of the household, not just the key worker.

Part A findings

After reviewing a range of definitions from other studies and from the government schemes, Part A of this study came to the conclusion that there should be two definitions of key workers within the region. The first should follow the official government definition, a pragmatic approach which reflects the funding available. The second should be wider and may not be restricted to the public sector. This would reflect the fact that many public sector posts have been contracted out to the private sector. Also, many posts which remain vacant over long periods of time are filled on a temporary basis using agency workers.

However, it is difficult to put an agreed definition into practice because the available data are inadequate. This is particularly true for the use of agency staff, a widely accepted practice which is not monitored in any national data set. The present study produced an estimate of key worker housing requirements in the region on the basis of the government definition using the Labour Force Survey. The estimate had to be a

compromise because this national survey is not sufficiently robust for regional analysis. While the study argued that there should also be a wider definition to include posts contracted out from the public sector, it proved very difficult to produce an estimate of this wider potential housing requirement using secondary data sources. Such staff are not eligible for assistance through the Key Worker Living programme, and in any case are already included in the estimate of the intermediate housing market (see Part A study), which is approximately 10 percent of the region's total housing requirement.

The current government definition as applied in the East of England is as follows:

- Nurses and other NHS staff;
- Teachers in schools and in further education and sixth form colleges;
- Police officers and some civilian staff in some police forces;
- Prison service and probation service staff;
- Social workers, educational psychologists, planners (in London) and occupational therapists employed by local authorities; and
- Whole time junior fire officers and retained fire fighters (all grades) in some fire and rescue services (currently only in Hertfordshire).

The wider definition recommended by this study would include the following groups

- Contracted out workers in public hospitals;
- Medical secretary/medical receptionist.

Section 3

Emerging trends from experience of the Key Working Living Programme

The ODPM Key Worker Living programme commenced on 1st April 2004. The programme is designed to help up to 12,000 key workers into home ownership over the next two years, and to keep NHS staff, teachers and other key workers in the job that they have trained for.

Key Worker Living succeeds the Starter Homes Initiative. There are three elements to the scheme in the East of England:

- Equity loans of up to £50,000 to help key workers buy a home on the open market or a new property built by a registered social landlord;
- Shared ownership (Homebuy) of newly built properties (you buy at least 25 per cent of the home and pay a reduced rent on the remaining share);
- Intermediate renting, where the rent is set at a level between that charged by social and private landlords.

In the East of England region there are 4 'zone agents' each of which aims to provide a one-stop shop advice and help service for people looking for affordable housing in their local area. The zone agents in the East of England are shown in table 1.

Table 1: Zone agents in the East of England Region

Zone agent	Area of operation	Web site
Lea Valley	Hertfordshire	http://www.leavalleyhomes.co.uk/
Moat	Essex	http://www.moat.co.uk/moatweb/
Keyhomes East	Bedfordshire and the Cambridgeshire sub-region	http://www.keyhomes-east.org.uk/Keyhomes_content.html
Orbit	Norfolk and Suffolk	http://www.orbit.org.uk/newsite/enter.htm

All zone agents have been involved in the collation of data on the number of enquires for Homebuy, Shared Ownership and Intermediate Rent, applications, exchanges and completions. This data is currently available for the period April to September 2004.

Findings

Table 2 shows that there have been significant numbers of enquiries for Homebuy across the East of England region but that none of these had turned into completions in the first 3 months of the scheme. There were nearly 1000 enquires in Bedfordshire and the Cambridgeshire sub-region and over 600 enquiries in Hertfordshire. In total across the East of England there have been 63 completions and 27 exchanges.

Table 2: Homebuy

Zone agent	Area of operation	Enquiries to date	Applications to date	Properties found	Out looking	App roved to exchange	Exchanged	Completions
Lea Valley	Hertfordshire	632	524	12	145	27	6	16
Moat	Essex	209	270	55	46	11	4	15
Key Homes East	Bedfordshire and Cam sub-region	937	-	50	118	-	13	24
Orbit	Norfolk and Suffolk	409	133	23	27	2	4	8
	Total	2187	-	140	336	-	27	63

There has been considerably less interest in shared ownership and intermediate rental schemes, with the highest levels of interest in Hertfordshire (tables 3 and 4). In Norfolk and Suffolk interest has been good. However, no applications have been made for shared ownership and only 8 have been made for intermediate rent.

Table 3: Shared ownership

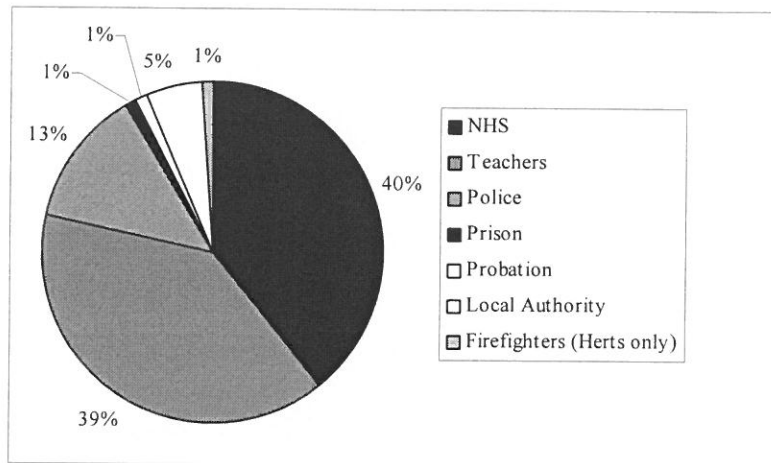
Zone agent	Area of operation	Enquiries to date	Applications on waiting list
Lea Valley	Hertfordshire	71	92
Moat	Essex	0	0
Keyhomes East	Bedfordshire and Cam sub-region	37	23
Orbit	Norfolk and Suffolk	58	0

Table 4: Intermediate rent

Zone agent	Area of operation	Enquiries to date	Applications on waiting list
Lea Valley	Hertfordshire	81	89
Moat	Essex	0	0
Keyhomes East	Bedfordshire and Cam sub-region	46	47
Orbit	Norfolk and Suffolk	50	8

Figure 1 illustrates the breakdown of enquiries. The majority of enquiries are from workers in the NHS and teachers at 40 per cent and 39 per cent of the total respectively. Police are the next largest group at 13 per cent of the total.

Figure 1: Breakdown by key worker group for applications for any of the Key Worker Living Schemes



* Does not include data for Keyhomes East for July-Sept, 2004

There is some concern on the part of the zone agents responsible for delivering the scheme across the region that key workers are being excluded because they do not earn enough to sustain both rent and a mortgage repayment. This is particularly the case in the Health sector. This issue may become more important in the future as the implementation of the programme unfolds.

Total provision

Moat, the Essex zone agents have around 170 units for key worker Homebuy units over the next 2 years which are available immediately. In addition Moat has 13 units of new build intermediate rent and 11 units of new build shared ownership for key workers. Other housing associations in Essex also have funding for 23 intermediate rent and 16 shared ownership units.

Lea Valley homes in Hertfordshire have an allocation for 276 units of Homebuy over 2 years (146 in this financial year) which they believe will be achieved. Currently there are around 450-500 units in the pipeline for shared ownership and intermediate rent. Many of these will not be available until early 2006.

Keyhomes East which covers Bedfordshire and the Cambridgeshire sub-region have 156 key worker Homebuy units over the next 2 years in addition to 61 new build shared ownership and 19 intermediate rent. This does not include other RSLs in the sub-region which have 39 shared ownership and 40 intermediate rent units in total.

Orbit, the zone agent for Norfolk and Suffolk, does not currently have any properties set aside specifically for key workers in the region and none are currently being developed.

In total therefore there are 600 Homebuy units in the pipeline over the next two years and 690 shared ownership and intermediate rent. This amounts to 1,295 or approximately 650 key worker units a year.

Marketing the scheme

All the zone agents use a wide range of methods to market their key worker properties. Moat has carried out radio, TV and local media advertising but have concluded that the most effective means is via employer groups such as hospital presentations, drop in sessions and head teacher forums which are much better at getting directly to the source of applications. Lea Valley Homes uses newspapers and targets employers directly through advertising on their payslips. They point out that they were criticised for using radio in the past by a minister because it was deemed a waste of funds. The ODPM ran a radio advertising campaign for key worker housing in the summer. Keyhomes East agrees that the most effective method is direct marketing to key workers and uses the methods mentioned above together with employer consortiums in Cambridgeshire and Bedfordshire. They also launched the programme with a Key Worker Employers Conference.

Section 4

Methodology for assessing key worker housing requirements in the future

The purpose of this section is to support consistent sub-regional collection and analysis of data and advise on a robust methodology that can be used to estimate housing requirements for key workers.

Part 1 of this study reviewed three methodologies for estimating key worker housing requirements and the literature review (see annex) demonstrates that there is currently no definitive methodology available. A wide variety of different methodologies are in use, with varying degrees of robustness.

On the basis of this review, Part 1 of this study concluded that a capacity-based approach was not appropriate because it did not allow for change. A 'top down' demographic approach was considered to be the most robust and was used to estimate the requirement for social rented housing and for intermediate market housing (such as low cost home ownership) of which key worker housing is a part. It was not possible to estimate the requirement for key worker housing separately using the demographic approach. Of all the estimates of key worker housing requirements that were reviewed, the Llewellyn Davies/ELSE approach appeared to be the most robust. Therefore that approach was used to estimate the key worker housing requirement for the East of England.

Below we set out an approach that local authorities and sub-regions should use in order to provide greater consistency across the region. It is based on the Llewellyn Davies approach but incorporates primary survey data which should improve robustness. It is important to avoid double counting and many key worker households will already be counted in estimates for social rented housing and in projections of market demand.

(a) Defining the spatial extent of the study

Key worker housing studies have been carried out at the sub-regional level (Roger Tym & Partners, 2002; Greater Norwich Housing Partnership, 2003), at the county level (David Couttie Associates, 2003), for roughly defined 'housing market' areas (Fordham, 2003) as well as for particular organisations and employers (Lyall Grant et al, 2002; Monk et al, 2001).

EERA has commissioned research to determine the extent to which it is possible to establish a durable set of sub-regions to serve economic, housing and regional planning interest. Whatever the findings of this research, it is important that future key worker studies can be related to planning sub-regions emerging from the Regional Spatial Strategy. The Local Housing Assessment Guidance sets out the data collection requirements for key worker households that live within the sub-region. These include household income levels, tenure and place of work. All the sub-regional key worker studies should draw upon these core data sources.

Sub-regional studies should also include a focus on a particular employer or employers within the housing market area where an analysis of vacancy rates suggests a significant potential requirement for housing from its employees. This will establish

how far current vacancy rates might be reduced by the provision of suitable affordable housing for key workers. Talking to local employers will also establish whether there are likely to be changes in patterns of employment. Data may also be available from strategic bodies such as the Strategic Health Authorities which will give an indication of planned large scale changes in health service provision.

Further guidance on methodology is outlined below.

(b) Identifying the key workers

The first task is to identify the occupational groups that are considered to be key workers. Although there will be different priorities in different sub-regions over which groups are to be housed, it is essential that all the sub-regions initially collect directly comparable data based on the same occupational categories. Having collected data for all these groups it will be possible to identify which, if any, should be given priority. It is therefore recommended that sub-regions use the broader definition of key workers outlined in Section 2. This is based on the government's Key Worker Living definition but with the addition of two groups that fall outside it:

- Contracted out workers in public hospitals;
- Medical secretary/medical receptionist.

(c) Estimating the requirement

The literature review has shown that the central justification for assisting key workers with their housing costs is because of difficulties recruiting and/or retaining these staff, which means that key local services are threatened.

As a result, any estimate of key worker housing requirements should attempt to distinguish between the effect of housing affordability on key worker shortages, and the impact of labour market factors which could be addressed through personnel policies, such as hours, working conditions, relative pay and stress.

Other studies have pointed towards an estimated 50 percent of shortages that can be associated with housing problems (Llewellyn-Davies, 2004). However, sub-regional studies should attempt to provide a robust reasoning for using this figure or an alternative figure. This could be achieved by including questions in the Local Housing Survey which is carried out as part of the Local Housing Assessment. The questions would aim to identify key workers who are likely to change occupation or leave the area because of housing affordability problems.

Recommended topics for questions are given below:

Table 5: Topics for questions to key workers

1. Does your occupation fall into one of the following categories? (insert groups)
2. Have you worked in any of these occupational groups in the past? If so, why did you leave? Tick boxes: have a baby /leave area / pay /conditions /housing problems /other (please write in)
3. Have housing problems affected your choice of occupation / location of work?
4. Are they likely to do so in the future? If so, how?

5. Would the provision of affordable housing (defined as – give range such as social rented, low cost home ownership, discounted market) affect whether or not you leave the occupation / leave the area?
6. If you have a partner, what is their occupation?
7. What is the size of your household?
8. What is the size of your preferred type of property?
9. How far do you agree with the following statement: Home ownership is the tenure of choice – fully agree / partially agree / partially disagree / wholly disagree
10. How far do you agree with this statement: Home ownership is financially risky and renting provides a more secure home – agree etc.
11. How far do you agree with this statement: home ownership is an investment and renting simply throws money down the drain – agree etc.
12. What is your main location of work? (give postcode)
13. What is your current tenure? Need to identify those living with parents.
14. Which of these categories does your annual household income fall into?

Some of these topics are likely to be part of any Local Housing Survey.

This information can be analysed for the different key worker groups to establish what proportion of current vacancies might be reduced by the provision of affordable housing.

The next stage is to collate information on key worker vacancy rates from employers across the sub-region. For the NHS the annual Department of Health Vacancy Survey provides useful information. Similarly the Employers Organisation undertakes an annual Survey of Teacher Resignation and Recruitment. For other groups it may be harder to obtain vacancy data and employers will need to be contacted directly.

Using vacancy rate data and information from the Housing Survey on key worker aspirations (see questions 6 to 8 above), the number of vacancies attributable to housing can be calculated for each key worker category. A decision should then be made on how far vacancy rates should be reduced (a fifty percent reduction in vacancy rates will require only 50 percent of the identified need to be met).

Once an overall figure has been reached, it should be fine-tuned using data from the Local Housing Assessment. This should include an attempt to assess the need spatially by looking at patterns of affordability across the sub-region.

Table 6: Stages involved in estimating the requirement for key worker housing

1. Ensure Local Housing Assessment area can be related to the planning sub-regions identified in the Regional Spatial Strategy.
2. Use the wider definition of key workers outlined in Section 2.
3. Collate data from the LHA to identify the number of key workers living in the sub-region, their ability to afford market housing, their characteristics and their aspirations. Use this to assess the proportion of vacancies attributable to housing.
4. Identify the vacancy rate for each group of key workers in the sub-region using data from employers.
5. Calculate the overall number of vacancies in the sub-region attributable to housing
6. Fine-tune the figures by area and location.

Section 5

Monitoring outcomes

It is important that the region, sub-regions and individual local authorities monitor their local housing markets. Monitoring is the ongoing review of key indicators to assess how they are changing over time. Detailed government guidance will be published later this year, but in the meantime the following information should be collected and analysed on a regular basis, annually or more frequently if desired.

There are three main areas of analysis:

1. Key external drivers of housing market change;
2. Changes in the owner occupied sector;
3. Changes in the key worker problem.

Table 7: Key external drivers of housing market change

Variable	Source
Key external drivers of housing market change	
Demographic changes – mid-year estimates	Census; Registrar General
Labour market changes – working population and economic activity rates; unemployment	NOMIS web site
Income and earnings changes -	New Earnings Survey, Inland Revenue, CACI Paycheck
Interest rates	Treasury website
Data sources for the housing market as a whole	
House prices	Land Registry
Rents	Survey of local estate agents
New build completions	ODPM website (HIP)
Affordable housing through s106	ODPM website (HIP)
RSL completions and acquisitions	RSR General Report
Data sources for monitoring the key worker problem	
Vacancies in key worker employers	Department of Health Vacancy Survey, Survey of Teacher Resignations and Recruitment, local employer information (fire, police, local government)
Key worker salaries	National websites
Progress of Key Worker Living programme	Zone agents

As Table 7 shows, some variables are readily available on the web, while others will require small local surveys. It is recommended that, at local authority level, contact is made with a group of letting and estate agents who can be consulted by email on a regular (quarterly) basis. Similarly, local employers should be contacted with a view to providing standard information on a regular basis. The zone agents already provide regular up-dates to ODPM; they can be asked to copy that information to sub-regions and the region.

Once the data have been assembled, it should be easy to assess whether the housing market is becoming more pressured or whether the pressure appears to be easing. Quarterly figures provide an early indication of change, but it is more reliable to use annual data as house purchases and moves may be seasonal. Take up of the Key Worker Living programme will probably reflect the state of the local housing market, with inquiries falling off as market pressures ease and vice versa.

Section 6

Recommendations

Research is being undertaken to identify sub-regional housing market areas and is due to report its findings at the end of October. This will assist the Regional Assembly to clarify who is responsible for determining the boundaries of the sub-regions to be used in relation to housing markets and to ensure that they are consistent with the sub-regions in the Regional Spatial Strategy.

In the light of these findings the Regional Assembly together with the local authorities will be able to decide whether local authority boundaries are adequate to reflect housing market areas and whether any local authorities may find themselves in more than one sub-region.

The Assembly will then be in a position to set out the implications of this and clarify whether a local authority in more than one sub-region should participate in both or whether for pragmatic reasons they 'choose' one above the other. Local authorities have statutory obligations which they cannot address in two areas at once. The growth areas have implications for this as they cut across existing boundaries, not just at district and unitary level but across regions.

The Assembly will also be able to clarify how and when changes might take place in the definitions of sub-regions. Housing market areas are likely to change over time, particularly once the new development in the growth areas start to come on-stream.

We therefore recommend on the basis of our own research findings:

1. The Assembly should provide either consistent data or consistent data sources to enable sub-regions to develop a baseline and monitoring that is consistent with contiguous boundaries and with the region as a whole;
2. The Assembly should clarify how policy at regional level and analysis at sub-regional level links to the individual local authority;
3. The Assembly should introduce a regular intelligence report to distribute to all local authorities which will provide up-dates on government policy as it emerges and spells out the implications for regions, sub-regions and local authorities. In particular, this would address the outcomes from the Barker Review of Housing Supply, many of which are currently being addressed within ODPM;
4. Any sub-regions wishing to conduct assessments of key worker housing need in their area should use the definition given in Part B Section 2;
5. Sub-regions should follow the methodology outlined in Section 4 and illustrated in Part B Annex 2;
6. Sub-regions should monitor their local housing market area following the government guidance that is expected to be published later this year. In the meantime, they should begin collecting monitoring data as outlined in Part B Section 5 above. It is particularly important to monitor details about those who are unable to access *Key Worker Living* because they do not earn enough to sustain both rent and mortgage repayments under the scheme.

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Good practice within the existing literature

Key points

- Across the East of England requirements for key worker housing are very varied and largely attributable to a small minority of large public sector employers;
- Addenbrookes Hospital in Cambridge has been shown by one study to be a special recruitment, the concentration of the key workers on one site; the concentration of employment among younger staff and the large number of relatively transient foreign employees. It is important in any key worker survey to identify and analyse these special cases separately in more detail to avoid generalisations;
- The most robust measures of key worker housing need include qualitative surveys of the actual key workers and employers to determine the entire suite of key worker issues relating to recruitment and vacancy rates to determine the proportion of vacancies attributable to housing;
- It is important to provide the right sizes and types of housing to appeal to key workers. At present studies have shown that knowledge of the schemes is limited and is often generally negative. Work is needed to increase understanding of shared ownership and shared equity products;
- It is not necessary or desirable to eliminate all turnover and vacancies in the key worker sectors and a more reasonable aim would be to bring them down to the mid-1990s level.

Introduction

This part of the research consists of a review of current practice focusing on key workers and 'best practice'. It covers examples taken both from within the region and also more widely, drawing on our current work for the ODPM and from our previous work for SEERA.

The SEERA report points out that although the issues of key workers and key worker housing have become increasingly important in the last few years in terms of funding and the intermediate housing market, the Bramley housing needs assessment guidance (2003) does not provide any real information in this area. The report states that because of the complexity the standard housing needs survey is not the best vehicle to use and local authorities may want to consider a sub-regional key worker study.

However as the SEERA report states, it is still useful to raise the topic in the HNS. Local Authorities will have to justify the definition of key workers that they use on the basis of local circumstances. The HNS can then ask questions about key worker households and carry out a separate analysis on this sub-group of households.

Defining the 'key' worker

The current literature reveals wide variations in methodologies used to estimate need and demand for key worker housing. One of the central differences is in the definition of key workers. The Key Worker Living (2003) programme provides a list of 'key workers who may get help'. This consists of 'nurses and other NHS staff;

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teachers in schools and in further education and sixth form colleges; police officers and some civilian staff in some police forces; prison service and probation service staff; social workers, educational psychologists, planners (in London), occupational therapists and (from May 2004) speech and language therapists employed by local authorities; and whole-time junior fire officers and retained fire fighters (all grades) in some fire and rescue services (currently only in Hertfordshire)'. However the document notes that eligibility criteria will vary across regions depending on local recruitment and retention priorities.

Fordham Research (2003) has identified three main types of definition which are based on:

- a) The 'keyness' of the worker (in terms of essential services or growth sectors of the economy);
- b) Specific job types (typically health workers, education and emergency services and/or public transport);
- c) Affordability for low paid workers who cannot afford to buy or rent market priced housing ('intermediate housing').

The Greater Norwich Housing Partnership (GNHP) adopted a definition to include those that are essential to a community's sustainability. This was adopted to ensure that those who are living in the sub region are having their views sought.

Cambridge Key Workers Employers Consortium has defined key workers eligible for assistance with their housing as 'workers who are employed by the public sector and will be involved in the care and comfort of the community. Eligible workers will be employed in sectors experiencing recruitment and retention problems in the Cambridge sub-region and be unable to afford similar accommodation on the open market'

The Llewelyn-Davis (2003) report for the Keep London Working Partnership has defined key workers in terms of providers of essential local (usually public) services whose pay cannot be flexibly adjusted to meet current variations in the local cost of living, particularly in relation to housing.

Good practice: clarity in definitions

It is essential the study is clear about which definition of key workers it uses. The government definition shown below may be supplemented by a broader definition to include contracted out workers and medical secretaries. The chosen definition needs to be supported by a sound justification.

Government definition:

- Nurses and other NHS staff;
- Teachers in schools and in further education and sixth form colleges;
- Police officers and some civilian staff in some police forces;
- Prison service and probation service staff;
- Social workers, educational psychologists, planners (in London) and occupational therapists employed by local authorities; and
- Whole time junior fire officers and retained fire fighters (all grades) in some fire and rescue services (currently only in Hertfordshire).

Broader definition (as above plus):

- Contracted out hospital workers
- Medical secretaries/receptionists.

Fordham Research (2003) has commented that the main justification for action on key workers is that they are worth more than they are paid. This may be based on contributions to essential services or to growth sectors of the economy. It is based on the assumption that the market cannot or will not pay a high enough price to ensure the recruitment and retention of these workers.

Roger Tim & Partners (2003) have identified reasons for housing key workers which include ensuring that the services which are key to the health and well being of the community are maintained. The team state that difficulties in recruiting and/or retaining key workers in the sub-region caused by high local housing prices will, over time, erode the sub-region's quality of life and hinder its ability to deliver economic growth and mixed, balanced communities. This definition focuses on those key workers, which are eligible for assistance with their housing, and recognises that those needing assistance can vary over time.

Using this definition the team allocated priority for key worker housing as follows:

1. Broad occupational groups: priority occupation groups are those identified as suffering a recruitment or retention problem by employers. These groups will be defined by the Employers' Consortium on an annual basis, justified by the best broadly based evidence (such as high vacancy levels in the past 12 months, known future expansion in service delivery). In coming to a view on priorities, the

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Employers' Consortium will be mindful of the priorities being set by the Government and the Region's Housing Board, which emphasises the particular needs of nurses, teachers and police.

2. Salary: a maximum income will be set, alongside an advisory minimum income. The maximum limit is intended to ensure that provision is not made for those able to afford accommodation in the open market. There will also be an advisory minimum figure, to screen out those who would be unable to afford the cost of the intermediate accommodation available. These figures will apply across the sub-region and will be reviewed annually.

3. Proximity to place of work: when there are a number of households which qualify under Criteria 1 and 2, priority will be given to those working near the available accommodation with an advisory maximum travel to work time of 30 minutes. Exceptions may be made where workers have a legitimate reason for living at a distance from their place of work.

Private sector workers have been excluded from the definition of key workers. However the study suggests that local councils with an identified need to provide housing for particular key workers on broader economic grounds could introduce a subsidised/s106 key worker scheme.

Methodological differences

1. Introduction

An analysis of the literature reveals wide variations in the methods used to calculate the number of key workers requiring assistance with their housing. Fordham Research (2003) has noted that a full analysis of the case for key worker housing would include an analysis of the entire suite of key worker issues. These issues may be related to employment and travel as well as housing although there will obviously be some linkages. The second stage of an analysis would be to examine the costs of alternative solutions. The analysis should then measure the costs arising due to the local key worker problem (e.g. extra costs of hiring agency staff). The next stage would then be to estimate, given these costs, the amount of money it is worth spending to ameliorate it. This will include spending on employment related matters and transport in addition to housing.

Good Practice: use of data from Local Housing Assessments

Fordham Research have carried out stage 1 of a 6-stage analysis in the Cambridge Area. The analysis uses key worker data from three complementary housing needs surveys - Cambridge City, South Cambridgeshire and East Cambridgeshire - to determine house price and income ratios. The incomes of key worker and non-key worker groups are compared and it has been found that in the Cambridge area there are not any significant differences in income levels between the two groups.

Current house price and income ratios were compared with historical

data from Housing Needs Surveys. The study then identified three key worker groups for whom housing may be a problem:

- 1) KW1: Key worker categories where average income was below £30,000 (education, public transport and emergency services) and health key workers with incomes under £26,000 (sample 323 households)
- 2) Young KW: Those aged 34 and below (sample 30 households)
- 3) KW2: All key workers outside KW1 (sample 4,073 households)

The study concluded that housing was not a major issue for key workers in the Cambridge area and public transport was a far more significant problem. It was suggested that this should be assessed in more detail in the next stages.

Affordable housing was seen as a major issue for a small minority of the key workers however the vast majority of key workers were long-term residents who did not see housing as a major issue.

2. Affordability analyses

The Roger Tim & Partners (2003) study, to quantify demand from key workers from within the Cambridge sub-region, used a mix of qualitative and quantitative research. The qualitative research involved a desktop review of the policy context; telephone interviews with nine RSLs and three local authorities (Hampshire, Hertfordshire and Surrey County Councils); meetings and workshops with local stakeholders; and group discussions with social workers and teachers to ensure that key workers opinions were taken into account. The quantitative research involved asking major employers of key workers to participate in a data mining exercise to identify the potential key worker population, types of workers being recruited and evidence of staff retention difficulties.

The research started with an examination of housing affordability in the Cambridge sub-region, looking at incomes required to access housing and at the budget shortfalls that typical key workers would experience when attempting to enter the market. Land Registry and Homebuy limits are both used in the analysis on the basis that Land Registry Lower quartile house prices may be misleading because consultation indicated that the properties on the market at this price level are often bought up for cash by developers and landlords and do not come on to the open market. Additionally these properties are often in a very poor condition and are not immediately habitable.

The analysis showed that large parts of the sub-region were affordable, particularly when two incomes were taken into account. Affordability in the private rented sector was also calculated and used rents officers' estimate of the average level of local rents for all private unfurnished assured lettings. Private renting was shown to be more affordable than owner occupation.

3. Recruitment and retention issues among employers

The second stage of the Roger Tim & Partners (2003) study looked at recruitment and retention issues within the Cambridge sub-region with a particular focus on Addenbrookes.

The research presented an indicative income profile of the recent recruits and identified that 40% were on incomes below £20,000 and 56% between £20,000 and £29,999. These income levels were compared to the house price data taking into account the proportion of households with a second income. The conclusion at this stage was that the younger age groups were more likely to state that finding accommodation was a real struggle than the older age groups.

In terms of retention issues 25% of all survey respondents said they either strongly agreed or agreed with the statement that they would consider leaving my/our current jobs and moving away if it meant getting the house I/we wanted. The 30-34 age group was more likely to agree with this statement (46%).

Good practice: fine tuning using data from employers

Several studies have chosen to focus more specifically on a particular employer. The Home Office and Prime Minister's Delivery Unit (2004) have undertaken a study to assess the key worker housing programme for the 6 police forces in the south east. The central aim of this program is to extend help to those in front line delivery roles to enable them to move up the property ladder and purchase family homes, helping to recruit and retain skills and experience of key public sector workers in areas of high house prices. The research looked at the issue of retention in more detail and broke it down into resignations, transfers between forces and other that included retirement and death in service. The research showed that a large proportion of resigners (42%) leave within the first two years of service. Reasons given were shift patterns, high volumes of work and the relationship with their tutor. Housing was not quoted as an issue and so the study concluded that it was unlikely that a housing based initiative would reduce the resignation rate.

However the research suggested that 27% of transferers are motivated in part by housing issues. However moving areas was seen as more important than wanting different housing. The research argued that the supply of key worker housing loans should be targeted to constrain demand and achieve the greatest public service impact within the budget. Targeting should be both by length of service and by location. Gravesham, Dartford, Medway, Swale and Sevenoaks were shown to be of particular concern to Kent Police as they have the highest crime rates and find it the hardest to recruit and retain officers. This suggests targeting the eligibility criteria on these boroughs.

The study by Roger Tym & Partners (2004) identifies that Addenbrooke's NHS Trust is a special case because of the scale of the recruitment, the concentration of the key workers on one site and the concentration of employment among younger staff. In addition a large number of foreign employees will be relatively transient and require single room accommodation.

A review of the Addenbrooke's Staff Housing Needs Study (Lyll Grant et al, 2003) has shown that around 100 of Addenbrooke's recruits each year are from abroad and a large number of these are relatively transient and require single room accommodation. They are not eligible for key worker housing and they only stay for short periods. Many of them are housed in property owned by the Trust.

The same study also takes into account the fact that although Hitchingbrookes Hospital employs large numbers of key workers each year (143 on average) only 15 of these are new to the area. However a significant change is planned for Hitchingbrookes as a new diagnostic centre will open in January 2005 which will require 300 extra staff (not all of whom are classed as key workers).

4. Analysis of key worker characteristics and aspirations

Roger Tym & Partners (2003) have also looked at the characteristics of key workers and their aspirations. Younger workers (under 35) made up about 40% of the key worker labour force market in the sub-region. In terms of tenure the majority of younger key workers were found to live in private rented accommodation. Then there is a general move into owner occupation and by the age of 30-34 the bulk of key workers are in owner-occupation.

With regard to aspirations the study compared what tenure movers would expect to move to in 2 years with what they would like to move to. 94% of couples aspired to owner occupation, 89% of singles over 25 and 70% of singles under 25. However the expectations of living there were 67%, 53% and 28% respectively. Interestingly whilst shared ownership and equity share were seen as a better choice than renting there was very much the sense that this was a second best option. There were also fears expressed that low cost homeownership would be more difficult to leave. In terms of housing type the majority of key workers expressed a preference for detached or semi-detached. Under 10% of key workers expressed a preference for a flat. The key workers expressed a wish not to have a journey of more than 45 minutes to work although the teachers and social workers were particularly clear about not wanting to live near their clients.

5. Type, size and location of key worker housing

Several studies have commented on the importance of providing the right types of housing in the right locations to achieve retention or additional recruitment and how far each of these can realistically be provided within the framework of 'affordable

housing'. Clearly many of those moving out of the area are actually looking for locations in which they can afford to meet their long-term housing needs/aspirations within the owner-occupied sector.

The Llewelyn Davis (2003) study states that it is not feasible to provide this 'long term' accommodation since the beneficiaries are likely to stay there, requiring fresh properties to be supplied for the next cohort of potential leavers. It is consequentially too expensive and would help too few. This study, albeit with a London context, therefore recommended the provision of one and two bed flats.

Two-year movers in the survey were also asked about the type of property they would like and what they would expect to move to. 86% said they would like a detached or semi detached home. 95% of those with children wanted to live in a house and 96% expected to, suggesting that families will not except flats as accommodation. In terms of location the study showed that it was too simplistic to assume that key workers want as short a commute as possible. No social workers wished to live on the same patch as their clients and teachers would not accept a home near the catchment area of their school.

6. Labour market issues

The Llewelyn-Davis (2003) report for the Keep London Working Partnership focused on the labour market demand for key worker housing in London with the aim of 'testing the case for housing solutions to what might essentially be viewed as a labour market problem – the shortage of key workers in the capital'. The research investigated three particular groups of key workers – nurses, bus drivers and teachers - differing from each other in terms of earnings, traditional housing patterns, gender mix and career profiles, but together representative of most of key workers who earn their living in London.

The research methodology had two main strands. The first comprised new analyses of a range of existing, often unpublished, data sources, investigating what additional information and insights could be derived. The second strand involved detailed case study analysis of key workers and managers at 12 workplaces – three hospitals, three secondary schools and three bus garages in 8 London boroughs and 5 of the London Plan sub-regions, comprising in total 445 key workers.

Good practice: identifying the vacancies attributable to housing

The Llewellyn-Davies study for London (2003) estimated the proportion of vacancies that could be attributed to housing issues. The methodology used by Llewellyn-Davies uses survey data and finds that between 50% and 60% of the recent outflow from London teaching jobs can be associated with housing costs, and to be on the conservative side they work with the figure of 50%.

Data on vacancies may be sourced from employers. Addenbrooke's NHS Trust provides figures on vacancies in terms of the number of posts remaining vacant for 1 month and for 3 months.

For the Trust, at 31 March 2004 there were 119 posts which had been vacant for 3 months, of which 37 were nursing vacancies. For the same period there were 253 posts which had been vacant for 1 month of which 107 were nursing vacancies. This shows that roughly half the vacancies at Addenbrooke's take more than 3 months to fill.

The study attempted to quantify the requirement for key worker housing by using a figure of 50% of turnover and vacancies that can be associated with the non-affordability of housing within London for the groups concerned. This figure was taken from two teacher surveys (KLW and UNL). Applying this simple logic, the study took the figure of the total number of vacancies in nursing, teaching and bus driving of 5648 and multiplied it by the one-half allocable to housing to give a figure of 2824. These key workers accounted for around 20% of all London key workers so the total number of vacancies attributable to housing was estimated at 14,000.

However the study stated that it was not necessary or desirable to reduce turnover or vacancy rates to zero and a more sensible target would be to reduce them to by approximately 50 per cent; bringing them down to what they were in the mid-1990s giving a requirement for 7,000 units or all London's key workers.

7. Bringing it all together

The study by Roger Tim & Partners (2003) estimated the need for key worker housing from newly recruited staff as follows:

- a) Number of key workers recruited in the last 12 months by age, district and employer;
- b) Minus the workers coming from abroad;
- c) Estimate the proportion of recruits who had moved outside the sub-region;
- d) Minus proportion of new recruits in two income households;
- e) Determination of the number of individuals who could afford to purchase at the lower quartile.

This process gave a gross figure of 469 key worker units in the Cambridge sub-region per annum, rising to 525 if the impact of the new unit at Hinchingsbrooke in Jan 2005 is included. The gross figures were amended to take account of 'low earners' who would not form part of the effective demand for key worker housing. This indicates that there is a need for a net total of approximately 268 key worker units in the Cambridge sub-region per annum.

The study also looked at the retention issues by focussing on the 25-34 year old age group who were identified as the most vulnerable to housing pressures. It estimated the percentage of 25-34 year olds who are currently not homeowners and who said strongly that they would consider 'moving away' to get the house they wanted. Using this approach, the requirement for additional key worker housing was estimated to be 164 giving an overall requirement of 432 units per annum.

On a smaller scale the Greater Norwich Housing Partnership undertook a study of the Norwich sub-region to estimate the requirement for key worker housing. It was

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agreed that the best way to find out whether a need existed for Key Worker housing was to produce a questionnaire that would ask questions relating to both individual members of the public and larger businesses in three local authority areas.

The format of the questionnaire asked questions related to the size of business, location, average salaries and whether they had relocation packages. This led on to more specific questions relating to whether they had encountered recruitment difficulties related to salaries, accommodation, travelling distances and so on.

52 questionnaires were returned, 11 from individuals and 41 from organisations. On the basis of the questionnaire responses, the need required under the definition given by the Government was stated to be 4 nurses and 2 teachers, a total of 6 units.

The David Couttie Associates (2003) Hertfordshire Key Worker Study had 3 main aims; to understand the impact of current house prices and housing provision on recruitment and retention within the public sector in Hertfordshire, to provide evidence for the need for additional housing for Key Workers and to provide evidence to support recommendations about implications for the implementation of the Key Worker strategy. The methodology consisted of a postal questionnaire to 4,969 key worker employees and 210 key worker employers. The sample was only focussed on employees earning up to £30,000 a year, although because of joint incomes some households in the survey have incomes at higher levels.

It was found that access to homeownership was beyond the reach of around 80% of key worker households in the survey. In addition the private rented sector was expensive and made only a limited contribution to access to affordable housing.

The survey of employers showed that 90% felt that housing was a key factor in the difficulties they experience recruiting and retaining staff

Table A.1: Summary of key worker studies

Name	Spatial Extent	Methodology	Findings
David Couttie (2003)	Hertfordshire	Postal questionnaire to 4,969 key worker employees Postal questionnaire to 210 employers of key workers	Access to homeownership was beyond the reach of around 80% of key worker households in the survey. In addition the private rented sector was expensive and made only a limited contribution to access to affordable housing. 82 households could be assisted into home ownership with a 30% subsidy , 432 with a subsidy of 50% , 122 could not be assisted with 70% shared equity but would either need a larger discount or discounted market rental. This is a total of 636 households . 90% of employers felt that housing was a key factor in the difficulties they experience recruiting and retaining staff.
Fordham Research (2003) Stage 1 of 6 stages	Cambridge City, South Cambridgeshire and East Cambridgeshire	Use of key worker data from three housing needs surveys; Cambridge City, South Cambridgeshire and	Housing was not a major issue for key workers in the Cambridge area and public transport was a far more significant problem. Affordable housing was seen as a major issue for a small minority of the key workers however the vast majority of key workers

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		East Cambridgeshire to determine house price and income ratios. Identification of three key worker groups for whom housing may be a problem	were long-term residents who did not see housing as a major issue. Over the district area there are about 1,300 moves of low-paid KW each year, of which 400 are low paid health workers. This compares with a gross production of new affordable housing of 181 for three districts.
Roger Tym & Partners (2003)	Cambridge sub-region	Desktop review of the policy context, telephone interviews with nine RSLs and three local authorities, meetings and workshops with local stakeholders and group discussions with social workers. Survey of key worker employers to identify the potential key worker population, types of workers being recruited and evidence of staff retention difficulties.	Large parts of the sub-region were affordable, particularly when two incomes were taken into account. Addenbrookes hospital in Cambridge was somewhat of a special case because of the scale of the recruitment, the concentration of the key workers on one site and the concentration of employment among younger staff. 432 units required per annum
Greater Norwich Housing Partnership (2003)	Norwich sub-region	52 questionnaires to key worker employees and employers .	6 units required per annum
Llewelyn-Davis (2003)	London	Case study analysis of key workers and managers at 12 workplaces – three hospitals, three secondary schools and three bus garages in 8 London boroughs and 5 of the London Plan sub-regions, comprising in total 445 key workers.	7,000 units per annum for all London's key workers based on reducing turnover/vacancies to the mid 1990s levels
Lyall Grant et al (2002)	Addenbrooke's Staff Housing Needs	Calculation of the numbers earning less than £15,000 a year, 2,000 workers. Assumption that half are second earners.	1,000 workers need assistance with their housing costs at present
Monk et al (2003)	Cambridge area	Top down estimate using past trends in population and household growth to	Top down: 10,500 market dwellings in Cambridge City and 5,700 assisted dwellings.

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		<p>look at demand (owner occupied and private sector) and need social renting and private renting with HB).</p> <p>Bottom up using housing needs surveys</p> <p>Affordability analysis of key worker problem</p>	<p>Bottom up: 2,806 dwellings in Cambridge City</p> <p>Median income figures suggest that 50 percent of households would need assistance to purchase an average priced house, some of which will be key workers.</p>
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