

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

Cambridge Centre for Housing and Planning Research

Executive summary

Introduction

- This study has been commissioned by the East of England Regional Assembly in order to build on the results of an earlier study commissioned in 2003, *The Provision of Affordable Housing in the East of England 1996-2021*. The study identified a need for social rented housing of **7,200 new units per annum** across the region as a whole. This figure excluded key worker housing need, other intermediate market housing need, and current unmet housing need.
- The purpose of the current study is to inform the Regional Spatial Strategy and the Regional Housing Strategy (2005-2008) by identifying current unmet need for social sector rented housing in the region and the need for key worker housing.
- The research is in two stages. The first stage (Part A) is the quantitative assessment of both current unmet housing need and key worker housing need, including recommended options for a definition of key workers that can be used in the Regional Spatial Strategy, the Regional Housing Strategy and other relevant strategies. The study also undertook an affordability analysis, a literature review and case studies from across the region to support the evidence base for the regional requirement for key worker housing.
- The second stage (Part B) draws on existing studies to establish a good practice approach for future sub-regional studies of housing need, including key workers. The aim is twofold: to facilitate and support sub-regional analysis of key worker housing needs; and to determine the core elements of sub-regional studies on which future regional research can draw.

Part A

Current unmet housing need

- It should be emphasised that what is often termed the backlog of current unmet need is a snapshot of what is really a series of flows into and out of housing need. People move into housing need for reasons such as relationship breakdown, eviction, losing a job with tied accommodation, or having a child in the case of lone parents. At the same time people move out of housing need by establishing a new relationship, finding a job, going to live with parents and so on. The provision of additional housing would not eliminate the flow of those entering housing need, but would assist people to move out of it more rapidly.

- An estimate of currently unmet housing need across the region using the best available data produced a figure of **58,200**. However, some of those with unmet housing need are home owners and not all of these would require social rented housing. Therefore it is recommended that the region should plan for housing provision for the core groups – families in temporary accommodation and families currently lacking separate accommodation. These total **13,200** households. This need could be met over five or even ten years, giving an annual figure of **2,640** over five years and **1,320** over ten years.
- A different element of current unmet housing need includes households in the social rented sector in overcrowded accommodation. When their needs are met these households would leave a vacant property for someone else. However, there is a degree of mismatch within the social rented sector between size of household and size of dwellings available. Therefore it is recommended that a proportion of newly built social rented dwellings should be **larger than 3 bedrooms** to facilitate transfers within the stock.

Definition of key worker housing

- A review of a range of definitions from government policy documents, government schemes and other studies of key workers concluded that there should be two definitions of key workers within the region. The first should follow the official government definition, in order to address issues of funding, while the second should be wider to include key workers in housing need who are not necessarily working in the public sector.
- The current government definition for the East of England, set out in the *Key Worker Living* programme, 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 would add the following groups
 - Contracted out workers in public hospitals;
 - Medical secretary/medical receptionist.

The estimates presented in this report use the narrower government definition, as it is not possible to obtain reliable data on workers who are contracted out of the public sector.

Estimating the need for key worker housing

- There is no established methodology for estimating key worker housing need. The study examined three approaches: a 'top down' demographic approach, a capacity-based approach and a vacancy approach. It concluded that while the demographic approach is the most robust, it does not identify key worker housing need separately from the intermediate market as a whole. Neither does the capacity approach, which in any case does not allow for changes in planning policy to take account of key worker demand for housing;
- The 'top down' approach used in the earlier 2003 Affordable Housing Study gives a **total requirement for new housing of 23,400 per annum** of which 30 percent, **or 7,200, should be affordable** in the traditional sense of social renting or private renting with housing benefit. A further ten percent of the total housing requirement, **or 2,400 dwellings a year, should be for the intermediate market**, which includes key worker housing.
- Our estimate of region-wide key worker housing need uses a third approach, also based on secondary data, but the two are not inconsistent. This results in a figure of **720 key worker dwellings a year** which is a subset of the intermediate market (2,400) as a whole. We believe we have identified a requirement for key worker housing that avoids any double counting and is as robust as possible given the lack of suitable data.
- Based on estimates of current housing need made in this study together with the previous one, we recommend that provision is made for **7,200** social rented dwellings a year plus **2,400** intermediate market dwellings a year, of which at least **720** units are identified as key worker housing. This figure would rise to 760 in 2006/07 to take account of planned growth in the health sector. It could rise further if growth plans in other sectors are taken into account. Key worker housing units required up to 2021 will depend on market pressures, as numbers will reduce as market pressures ease. If the economic conditions of the early 1990s were to emerge, fewer key worker units would be needed. Therefore, in order to make any reliable estimates further into the future, close monitoring of the housing market will be needed.
- It is important to note that approximately 80 percent of this identified need comes from the health and education sectors alone.

Evidence from existing studies

- There is some commonality in the existing studies. Most of them find evidence of a serious recruitment and retention problem among key workers. This evidence is considered sufficient to warrant seeking increased affordable housing targets mainly from private house builders on market developments. However, the problem is confined to the high-pressured parts of the region.
- Another common finding relates to aspirations. It seems clear that key workers aspire overwhelmingly to owner occupation. Moreover, most of them will be in a position to afford home ownership, if not in the pressured parts of the region, then elsewhere. Key worker jobs can be found in all communities, and they are paid according to relatively inflexible national pay scales.

Therefore individuals can choose to live and work in a cheaper area where they literally get more for their money; or they can live in a cheaper area and commute to work in the pressured area which incurs further costs.

- It is suggested that the problem is rooted in the labour market rather than the housing market. However, the labour market responses – to modify the pay scales, offer ‘golden hellos’, redefine the jobs and indeed, to introduce personnel policies such as training, crèche provision, flexible working, job rotation – have already been introduced in the most pressured areas with some success. Housing policies may enable further reductions in job turnover and vacancies – although key worker housing will not be suitable for all.

Evidence from case studies

- The case study areas selected were Fenland, St. Albans, Hertsmere, Waveney and Broxbourne. These represent a cross-section of areas within the East of England Region - in terms of geographical location, house prices, urban/rural differences and perceived recruitment and retention issues.
- The main message to come out of the case studies is that the most serious problem lies within the health service although this is restricted to certain areas. In the context of current government policy, 45 percent of key worker housing need is related to health workers. The current growth plans for the health service have clear implications for the allocation of key worker housing and indeed, the regional ‘Pot’ of funds for key workers.
- With the exception of Waveney, all the case study districts had recruitment and retention problems although these were less severe in Fenland. Health was most affected, Police experience varied somewhat, and the situation in Education was less severe although it was not uncommon for staff to leave because of high housing costs.
- Strategies intended to tackle recruitment/retention problems often focused upon other incentives, rather than the provision of housing. This is because such policies are within the control of the employer, unlike housing costs. Supporting staff in their search for low cost rented accommodation was also common. Addenbrooke’s hospital had reduced staff turnover through a package of personnel policies.
- Many employers were aware of the current *Key Worker Living* programme but did not think it would have much impact. Affordable owner occupied housing was usually preferred to rented housing. Previous initiatives were seen as having virtually no impact at all on staff recruitment or retention. It was noted that staff did not want to rent housing in the medium or long term, but preferred to buy housing to build up equity and gradually improve their living conditions.
- Some employers - specifically health care employers - were actively recruiting key workers from overseas. This was partly linked to a national shortage of particular types of professionals. This is national policy and such workers are

not eligible for key worker subsidies under the Starter Homes Initiative or its successor, the *Key Worker Living* programme. However, this recruitment contributes to housing pressure.

- There are clear variations in the relationship between earnings and affordability for those in key worker occupations in different parts of the region. For example, Part A Annex 3 shows that in parts of Hertfordshire the income required to purchase an entry-level home is over £55,000 whereas in Waveney, Great Yarmouth and Peterborough it is only £20-25,000. It is not surprising that there appears to be no key worker problem in Waveney at present.

Recommendations from Part A

- Provision should be made for **1,320** additional social rented dwellings a year to reduce current unmet need over ten years.
- A proportion of these new dwellings should be larger than **3 bedrooms** to assist with overcrowding by enabling movement within the existing stock.
- The total requirement for social rented housing is **7,200 a year** and for the intermediate market **2,400 units a year**. Within this **720** units should be provided for key workers, rising to 760 in three years to take account of planned growth in the health sector.
- Monitoring of the wider housing market in terms of the rate of increase in house prices and rents should be undertaken. If the economic conditions of the early 1990s returned, the need for subsidised key worker housing would reduce.

Part B

- The definition of key worker housing presented here (Section 2 above) should be used across the region to promote greater consistency and comparability.
- The Key Worker Living scheme has had a good response across the region with nearly 1,000 enquiries in Bedfordshire and the Cambridgeshire sub-region and over 600 in Hertfordshire. There have been 63 completions and 27 exchanges under the Homebuy scheme across the whole region.
- There has been much less interest in shared ownership and intermediate renting.
- The majority of enquiries are from workers in the NHS (40 percent of total enquiries) and teachers (39 per cent of the total). Police are the next largest group at 13 per cent of the total. This roughly reflects the proportions in these sectors in the region as a whole.

- There is some concern on the part of the Zone Agents responsible for delivering the scheme that key workers are being excluded because they do not earn enough to sustain both rent and a mortgage repayment. This issue may become more important in the future.
- In total there are 600 Homebuy units in the pipeline over the next two years plus a further 690 shared ownership and intermediate rent. This amounts to 1,295 or approximately 650 key worker units a year.
- The research identified a methodology for estimating key worker housing needs in a sub-region, on the assumption that instead of relying only on secondary data, surveys of both employers and key workers would be undertaken as part of a Local Housing Assessment. The stages are summarised below:

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 determine 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.

- It is important that the region, sub-regions and individual local authorities monitor their local housing markets. For key workers, the labour market should also be monitored. Monitoring is the on-going review of key indicators to assess how they are changing over time. The three main areas of analysis are summarised below:

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 web site
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 web sites
Progress of Key Worker Living programme	Zone agents

Recommendations from Part B

- 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.
- The Assembly needs to clarify how policy at regional level and analysis at sub-regional level links to the individual local authority.
- 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.
- Sub-regions should follow the methodology outlined in Part B Section 4 and illustrated in Part B Annex 2.
- 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 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.