

Delivering Key Worker Housing through the planning system – The Cambridge experience

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Abstract

The difficulties that lower paid public sector employees are experiencing in accessing affordable housing in high costs locations has provoked a public policy debate in England. As a way to deal with this affordability crisis, the Government has focused on the scope for the planning system to meet key worker housing needs. However, although the concept of key workers and intermediate housing has been introduced nationally, there has been little clarity until recently as to the nature of local planning policies to be implemented (CLG 2006b). The purpose of this paper is to evaluate the way in which key worker housing policies are being translated at the local level, focusing on Cambridge city – one of the Government’s priority growth areas. Through the use of two examples – the Southern Fringe site adjacent to the regional hospital and the University of Cambridge’s North West site - the paper examines how the policy is to be delivered on the ground. The paper concludes by suggesting that not only are there practical difficulties in pursuing this policy stance but also matters of principle are being overlooked. The tension between responding to employment needs on the one hand and securing housing for those in priority need on the other remains unresolved.

1. Introduction

House price inflation and access problems, particularly across the South of England, have been well documented by academics and policy makers alike (Wilcox 2003, 2007; Morrison & Monk 2006; NPHAU 2007). Even with the impact of the recent credit crunch and subsequent slow down in house price rises, there remains a growing number of local people on low or modest incomes unable to gain access to affordable market housing within reasonable reach of their workplace. These people include workers who are considered to be essential in delivering public services and supporting the commercial businesses which local economic growth depends.

The particular difficulties that lower paid public sector employees are experiencing in accessing affordable housing in high-cost locations has provoked a policy debate within England, coined the ‘key worker’ problem in government policy statements (DETR 2000, ODPM 2004a). At the same time, it has raised associated concerns over problems in recruitment and retention of key public sector employees, such as police, nurses and teachers and the subsequent impact that this has on the provision of welfare services (Audit Commission 2002; Lewelyn-Davies and LSE 2003; Morrison 2003; Morrison & Monk 2006).

The Government responded to the key worker problem in its Housing Green Paper (2000) pledging a commitment to help key workers buy homes in high demand, high priced areas so that they could live within or near the communities they serve (DETR 2000). The Government set aside £250 million in its Starter Homes initiative to help 10,000 key workers with the costs of their homes. This initiative was subsequently replaced by the Government’s more ambitious £690 million programme, known as the Key Worker Living (KWL) programme in April 2004 (ODPM 2004a). The programme widened its boundaries to focus on London, the South East and the East of England and extended the categories of key worker

eligible for assistance¹. The Government's Homes and Community Agency (HCA) (previously the Housing Corporation) administers the scheme, with HomeBuy Agents managing the application process and matching key workers to available housing in their defined area². The main form of assistance is the provision of interest-free equity loans worth around 25% of the property value, known as Open Market HomeBuy.

Open market HomeBuy has proved popular among eligible key workers due to its flexibility in choice over type and location of housing (Morrison 2009a). However, the provision of equity loans has been criticised by commentators for solely increasing effective housing demand without tackling the structural problems affecting housing markets (Morgan et al 2005; GHK et al 2006; Morrison & Monk 2006; Raco 2008). The lack of affordable housing and growing pressures on other infrastructure and welfare services continue to undermine the competitiveness of employers and the longer term economic and social sustainability of the fastest growing regions in the country (Audit Commission 2002; Llewelyn-Davies and LSE 2003). It is therefore important that new build is also provided to cater for key worker needs.

In acknowledgement of the growing affordability problems facing key workers, Planning Policy Statement (PPS) 3: Housing (2006) introduced the concept of key worker housing into the national planning system. It required all local planning authorities to have regard for key workers housing needs whilst preparing policies to meet needs in their areas, and not just those authorities that fall within the Government's KWL programme boundaries.

PPS3 (2006) and its supporting document "Delivering affordable housing" (2006) extended the definition of affordable housing to include not just traditional social rented housing but also intermediate housing. This was defined as "housing at prices and rents above those of social rent, but below market price or rents which are to be provided to specified eligible households whose needs are not met by the market" (CLG 2006a&b). The definition of key workers remained the same as that adopted in the KWL programme, however, local planning authorities were permitted to widen this definition in response to specific needs within their area.

Local planning authorities across the country are now permitted to set separate targets for social rented and intermediate housing on new development schemes negotiated through section 106 agreements³. When setting targets, the Government stressed the need for local planning authorities to assess the viability of sites and to take account of the availability of developer contributions and public subsidy which can be secured (CLG 2006a &b).

The exact proportion of the different affordable housing on the site is left to local authority determination, based on evidence of need, location and land ownership. However, new key worker housing should be provided close to or within good access to suitable employment (CLG 2006b). To be affordable, the newly built key worker housing can take a number of forms of low cost home ownership, including new build HomeBuy (shared ownership) and

¹ The Government's definition of key workers in its KWL programme (2004) includes nurses, other NHS clinical staff, teachers in schools and further education and six form colleges, police officers, prison and probation service staff, social workers, educational psychologists, planners (in London) and occupational therapists employed by local councils, whole time junior fire officers and retained fire fighters (ODPM 2004).

² The HCA appointed Bedfordshire Pilgrims Housing Association (BPHA) (with the intermediate housing 'arm' of BPHA named Key Homes East) as its local HomeBuy agent for the Eastern region.

³ This is a legally binding agreement between the local planning authority and a developer under which planning consent is granted under Section 106 of the Town and Country Planning Act 1990. This planning obligation is a way of delivering or addressing matters that are necessary to make a development acceptable and are increasingly used to support the provision of services and infrastructure, such as affordable housing.

intermediate renting⁴. These different tenure options not only give more choice to key workers, but also help to mitigate some of the fluctuations in costs in the private housing market by sharing risk with RSLs and other organisations (CCHPR 2008, 2009).

Most local planning authorities across England have subsequently revised their affordable housing policies as part of their Local Plan review process so that they are in line with national policy (CLG 2006(a) & (b)). However, there remains some fundamental problems in pursuing key worker housing policies at the local level, not least in measuring the extent of the key worker problem, defining key worker eligibility specific to an area and evaluating policy effectiveness (Morrison 2009a).

As Raco (2008) noted, the promotion of key worker housing seems to be becoming a mechanism through which both the planners and developers can promote house building while limiting criticism. In effect, building key worker housing may be becoming to represent the politically-acceptable face of affordable housing quota, which land owners and developers prefer if they are to provide a greater mix of tenures on their developments. Yet the rationale for such an approach has not been adequately supported through considered research at the local level.

The purpose of this paper is to help inform the debate through the use of a case study, namely the city of Cambridge - one of the Government's priority growth areas. The paper first outlines the housing pressures and extent of key worker problem within Cambridge (see Morrison 2003 for details). It then examines the way in which Cambridge City Council's affordable housing policies have been revised to be in accordance with PPS3 (2006) and in response to key worker needs.

Through the use of two illustrations, the paper then evaluates the different ways that Cambridge City Council's key worker policies are to be delivered at two strategic sites on the edge of the city, namely the Southern Fringe adjacent to the regional hospital and the University of Cambridge's North West site. Drawing together evidence from the latest key worker housing need surveys as well as interviews with key stakeholders, including local planners, representatives from the hospital and University and the HomeBuy Agent, the paper examines the two different approaches to key worker housing delivery. The paper suggests that not only are practical difficulties likely to thwart the delivery of this policy stance but also matters of principle remain. A preoccupation with key worker housing appears to be at the expense of planners' traditional role of providing for households in priority housing need.

2. The key worker problem in Cambridge sub-region

The economic success of the Cambridge sub-region has made it one the Government's priority growth areas in its Sustainable Communities Plan (ODPM, 2003). Its continued prosperity is perceived to be therefore important nationally as well as regionally. However, with the local economy operating at close to twice the national average per year, success has its consequences (Housing Corporation 2007b). Job/housing imbalances are projected to increase, with employment growth continuing to outstrip housing growth within the city. Cambridgeshire County Council has projected 75,000 additional jobs in the County between 1996 and 2016, with 40% occurring within the City, although it only has 29% of the County's

⁴ Through purchasing a share (initially 25%) and renting the remaining share, this enables the household to enter home ownership which they would not otherwise have been able to afford and at a reduced risk. New build discounted (or intermediate) renting provides new homes where the rent is set at a level between that charged by social and private landlords i.e. below market rents to meet short term needs (usually between 70-80%). The discount is therefore secured in perpetuity thus allowing a lasting benefit for future targeted groups of key workers.

population (Cambridgeshire County Council 2007)⁵. Implications on housing demand and pressures on the housing market are considerable, with lower income groups being out-priced from the market and moving to cheaper, less accessible areas further outside Cambridge, resulting in growing travel to work distances (Morrison 2003, 2009b).

Over the last few decades, house prices have increased at rates well above inflation. Average house prices in Cambridge city are approximately eight times average incomes. Yet, it is the lower quartile house prices that have experienced the largest percentage increase in sales price – doubling in the sub-region between 2001 and 2006 (Cambridgeshire Horizons 2008). The significant affordability gap facing lower to moderate income households aspiring to low cost home ownership is likely to persist, despite the rise in house prices slowing down in the sub-region, as it is nationally. This would support the need for a relatively large ‘intermediate’ housing market to respond to these housing needs.

The impact of relatively high housing costs in the Cambridge sub-region has subsequently fed into recruitment and retention problems particularly for public sector employers. There have been a number of studies carried out to demonstrate the problems experienced by key workers at the Cambridge sub-regional level (Roger Tym & Partners, 2003, East of England Regional Assembly 2003 & 2005), County level (CCHPR 2002; Fordham 2003; Morrison 2003) as well as for particular public sector organisations, such as Addenbrooke’s hospital (CCHPR 2003; Addenbrooke’s 2007) and the University of Cambridge (CCHPR 2005 & 2008). Although it is difficult to quantify precisely the extent of the key worker problem, the studies confirmed the difficulties in recruiting and retaining key workers defined by Central Government in its KWL programme, but also more broadly across the whole public sector⁶. Employers in the local area that were tied to national salary scales were unable to increase pay to help overcome employees’ high housing costs. Yet it was deemed beneficial not only for those households but also for the health of the local economy that such people are retained in the local area.

Without some form of housing assistance, these key workers would continue to accept poor quality housing at high costs, live in shared accommodation or continue to commute over increasingly longer distances from areas that are relatively cheaper. This option is not considered to be sustainable in the longer term, particularly with regard to its impact on staff recruitment and retention and long term provision of welfare services in the sub-region (see Morrison 2003). The next section discusses the ways in which Cambridge City council’s affordable housing policies have responded to the key worker issue.

⁵ Cambridge city’s population is estimated around 111,000, with it acting as the main settlement within a rapidly growing sub-region, which encompasses over 430,400 people living in surrounding villages, new settlements and market towns. Cambridge’s anticipated population growth per year is 1.1% between 1999 and 2016, much of which is due to in-migration (Cambridgeshire County Council 2007). This will lead to further competition in the already constrained housing market, bidding up house prices as more households aspire to live in or near Cambridge.

⁶ Roger Tym and Partners (2003) study in particular provided quantitative data concerning the need specifically for key worker housing and suggested that the cost of housing in Cambridge was such that even a dual income key worker household could not afford to buy in Cambridge. They argued that provision should be made for 295 key worker units annually in Cambridge of which 247 would be generated by Addenbrooke’s hospital - the main recruiter of key workers in the sub-region.

3. Cambridge's affordable housing policies make provision for key workers

Like every local authority in England, Cambridge City Council has been required by Central Government to produce a local plan⁷ (ODPM 2004b). A comparison of the two plans - 1996 and 2006 - reveals a number of changes in policy focus to be in accordance with new Government guidance, particularly in relation to key worker issues (CLG 2006a&b). These include the release of green belt land to accommodate additional housing pressures, particularly adjacent to the hospital and University; an increase to the quota of affordable housing required on each site; a redefinition of affordable housing to include key worker housing; and finally widening the categories of key worker eligible for such housing.

(i) Review of the green belt and additional housing land release

To allow for housing growth and to support the local economy, both the Cambridge Local Plan (2006) and East of England Plan (2008) identified development in and on the edge of Cambridge as the most sustainable location. Key sites within the once sacrosanct green belt around Cambridge are being released so that urban extensions are possible. Overall, 6,000 dwellings are to be made available on this green belt land which represents a major change in policy stance (see Morrison 20009b). Two of the strategic locations have been earmarked in particular to cater for the provision of key worker housing, namely the Southern Fringe and the North West site. Both these locations have been subject to Joint Area Action Plans between Cambridge City Council and South Cambridgeshire District Council. These statutory Development Plan Documents therefore form part of the new Local Development Frameworks that are being prepared by the two Councils (ODPM 2004b).

(ii) Increasing the 'quota' of affordable housing

Since the 1996 Local Plan, the City Council's affordable housing policies have significantly altered. Policies now reflect the need to increase the overall amount of affordable housing within Cambridge and take into account key workers' housing needs. The previous 1996 Local Plan required a 30% provision of affordable housing on sites of 1 hectare or 20 or more dwellings in accordance with the Government's Circular 6/98 (DETR 1998).

The original draft policy in the 2006 Local Plan increased the level of affordable housing provision to 50% and lowered the site threshold to sites of 0.5 hectares or 15 of more dwellings. This lowering of the threshold was in recognition of the shortage of larger sites coming forward within the city - a key problem that exists in many urban areas in England. The Cambridge Urban Capacity Study (2002) provided supporting evidence for this policy decision, demonstrating the limited land availability within the city. The lowering of the threshold was therefore deemed appropriate and justifiable by the Planning Inspector (Cambridge City Council 2006b).

However, the Planning Inspector did not allow the City Council's suggested 50% affordable housing quota, instead the level of provision was set at 40% - as this was considered to be a 'more realistic and achievable target' (Cambridge City Council 2006b). This, however, still amounts to a 33% uplift in the amount of affordable housing compared to that required in the 1996 Local Plan (Cambridge City Council 2006b). The precise amount of affordable housing on each site remains, however, up to negotiation, taking into account the viability of the

⁷ Cambridge City Council's Local Plan was in preparation since 2001 and superseded the 1996 Local Plan. A public inquiry was held in Autumn 2005 and an Inspector's report received in May 2005, with the local plan adopted in July 2006. Supplementary Planning Guidance on Affordable Housing (Cambridge City Council 2008) and a Cambridge sub-region Housing Market Assessment (Cambridgeshire Horizons 2008) have also been prepared to provide further support for its adopted policy stance.

specific development, other costs and whether there are other planning objectives which need to be given priority.

(iii) *Re-defining affordable housing*

In a high cost location such as Cambridge, it is acknowledged that the definition of affordable housing cannot include low cost market housing that is not discounted. Even the lowest priced open market housing is not affordable to those on moderate to low incomes. Some form of subsidy is needed.

The new Local Plan (2006) has widened the definition of affordable housing to include intermediate housing, such as new build HomeBuy (shared ownership) and intermediate rented properties. This allows for much more flexibility in the type of housing to be secured through the planning system compared to previously. In the past, the provision of affordable housing in Cambridge (with some exceptions) consisted of subsidised rented housing, managed by housing associations and eligible for priority need households. Yet changing tenure aspirations and growing recognition of other types of households in housing need, such as key workers has altered the policy stance in accordance with Central Government guidance (CLG 2006a).

The affordability criterion used by the City Council is relatively specific. For intermediate rented housing, the rents are not to exceed more than 30% of net median household incomes. For low cost home ownership costs (mortgage and any rent), this should not exceed more than 30% of gross median household incomes in Cambridge, except where provided for specific groups of workers where they should not exceed more than 30% of the gross median household income for that specific group (Cambridge City Council 2006a).

The extent to which new build HomeBuy (shared ownership) and intermediate rented properties meet key workers' requirements and whether the affordability criteria can be met given the considerable gap between average house prices and incomes in Cambridge is examined in section four.

(iv) *The setting of affordable housing targets*

Whilst Government's guidance (2006a) suggests that affordable housing targets can be set on specific sites, the Cambridge City Council decided not to specify targets in its 2006 Local Plan. Instead, it suggests that key worker housing would not normally be expected to exceed 30% of the affordable housing provision on each site. The exact proportion of key worker housing on each site is determined by Cambridge City Council based on evidence of need, location and land ownership. With respect to location, the city planners have suggested that 'key worker housing should be located within a 30 minute drive time of their place of employment' (Cambridge City Council 2006).

Overall, Cambridge City Council still expects social rented housing to make up the majority of affordable housing on a site,

".. except where land is being developed for key worker housing and is owned by the key worker employer who will most benefit from the development" (Cambridge City Council 2008a, para.12)

However, in reality, a skewing to the intermediate housing sector at the expense of subsidised rented housing may be occurring not only on sites adjacent to major key worker employers but also across the city. For 2006/7, the actual 'new build' programme of affordable housing in Cambridge city was split between 55% social rented and a high 45% shared ownership/intermediate rent (Cambridgeshire Horizons 2008). Many housing associations and

private developers appear to be providing the 'balance' of affordable housing due on a site as low cost home ownership dwellings (whether new build Homebuy or intermediate renting).

In the current economic down turn, developers are attempting to re-negotiate their section 106 agreements as schemes are no longer viable, and this may continue to impact on the proportion of subsidised rented housing provided on site. At the same time, intermediate housing may no longer be affordable for many would-be purchasers, unless they have access to additional capital, which is become increasingly unlikely given the reduced availability of mortgage finance (CCHPR 2009). These issues are considered in detail with respect to the two case study sites in section four.

(v) Widening the definition of key workers

Cambridge City Council commissioned an independent study by CCHPR to provide evidence which would support their policy of widening the definition of key workers beyond the Government's KWL programme definition (CCHPR 2002). The local planners, in effect, sought greater freedom to tackle the affordability and related recruitment problems specific to their area.

'The most relevant definition of key workers relates to their role in the local economy, whether by virtue of employment in essential services or in the growth industries required to sustain the local economy into the future. Key workers in the Cambridge context include those whose role relates to the 'care and comfort' of the community and those working in research and development' (CCHPR 2002).

The policy decision to adopt a broader definition was defended by the City Council in the Local Plan Inquiry in 2005 and was subsequently approved by the Planning Inspector (CCC 2006b). On the strength of this broader definition, the University of Cambridge subsequently commissioned two independent studies to make its own case to include University staff as key workers to be eligible for housing on its specific land holdings (CCHPR 2005 and 2008).

The next section highlights how these local planning policies have been translated in two contrasting circumstances.

4. The delivery of key worker planning policy

(a) The Southern Fringe - Addenbrooke's NHS Trust

Addenbrooke's NHS Trust hospital is one of the largest employers in the region with over 6,400 staff and currently serving around 0.5 million residents in Cambridge and the surrounding areas. 'Addenbrooke's: the 2020 Vision' spells out plans to expand the hospital as a regional and national centre of clinical excellence and biomedical research, with a range of new clinical facilities and a biomedical research campus. The existing hospital is expected to more than double in size, with its clinical staff requirements alone anticipated to double by 2016 (Addenbrooke's 2008a).

Addenbrooke's hospital is primarily reliant on the national labour pool for its qualified staff and overall there is a national shortage of such staff as it is an extremely competitive market. The Trust has very limited opportunity to increase staff pay as pay rates are nationally negotiated. The high cost of housing in Cambridge is therefore a serious obstacle when attracting and retaining staff, particularly those who have a choice of working on similar terms in areas of the country with a lower cost of living. Addenbrooke's Human Resource department current records for 2008/9 confirmed that the highest turnover of staff was in the 30-39 year bracket, i.e. those who have settled into their careers and forming households.

Addenbrooke's commissioned a housing needs study of its existing staff in 2003 to ascertain the housing problems facing its key workers (CCHPR 2003). Over 1,000 staff were surveyed and this was subsequently followed up by a survey in 2007 of 348 new employees (Addenbrooke's 2007). It was clear that key workers were trapped in the 'gap' between traditional social housing which they were not eligible for and high priced market housing. Over 50% of existing staff were found to live in shared accommodation in Cambridge and that moving to Cambridge had resulted in a fall in accommodation standard and increased housing costs. In comparison some 25% of existing employees were travelling further than 15 miles to work each day (CCHPR 2003, Addenbrooke's 2007). This housing and commuting situation was deemed unsustainable in the long term and needed to be addressed.

As part of the 2020 vision, the Trust has decided to expand its current housing stock within the hospital complex for medical and other on-call staff. At present, there are around 850 units of accommodation on-site managed by a housing association. An additional 292 key worker dwellings were granted planning permission in July 2008, equating to a £28million scheme (Addenbrooke's 2008b). However, although this on-site housing provision is a valuable additional source of key worker housing, it is only suitable for those workers who have short term contracts or those who are required to be resident on site as part of on-call arrangements. The Addenbrooke's housing need surveys demonstrated that for the majority of staff, on-site accommodation is neither a desirable nor a practicable solution (CCHPR 2003; Addenbrooke's 2007).

Unlike the University of Cambridge, the hospital does not have available land in its own ownership to fulfil all the key worker housing requirements generated by its planned growth trajectory. It is therefore reliant on housing provision in locations adjacent to the main hospital complex site. Provision close by is deemed necessary to allow staff to travel to work using sustainable modes of travel and also would suit employees who work irregular or antisocial hours through shift work.

As stated in section three, green belt land in the Cambridge Southern Fringe has been identified for development in the Cambridgeshire Structure Plan (2003), the Cambridge City Local Plan (2006) and in the South Cambridgeshire Local Development Framework (LDF) (2008) to serve the major expansion of Addenbrooke's hospital. The indicative capacity consists of 3,320 dwellings (around 65 hectares of housing) as well as new schools, shops and enhanced community facilities.

This new urban extension to the city is being delivered through a partnership arrangement with the land owner and a consortium of developers and selected housing associations. This represents a sea change in the way that Government's Homes and Communities Agency (HCA) normally manages public investments and provides funding for affordable housing. The Agency's intention is to test whether identifying a development partner in advance of agreeing specific site details; providing longer-term funding over next five years; and focusing solely on large strategic sites in the city, such as the Southern Fringe, will help maximise the impact of HCA's grant funding.

The amount of key worker housing for the health service employees was suggested at the Cambridge City Council's Local Plan Inquiry (2005) to be 30% of the affordable housing on the Southern Fringe. Addenbrooke's Trust suggested in written objections that the proportion should be increased in recognition that the hospital is the largest key worker employer in the sub-region. The City Council argued in response that:

“increasing key worker housing above 30% on the Southern Fringe could lead to an over concentration of key workers in the area, which is not desirable, as accepted by the Trust. No rewording of the policy is therefore needed” (Cambridge City council 2006b, paras. 7 & 8).

The Addenbrookes' housing needs surveys also suggested that employees themselves do not want to live in a location dominated by health workers and which might be perceived as a key worker 'ghetto'. Instead, there may be a preference to live among the wider community (CCHPR 2003; Addenbrookes 2007). Another concern is that new build properties tend to be higher density, primarily one to two bedroom flats, which are likely to be too small for families and thus not help towards retaining older, more qualified health service employees in the area. As Roger Tyms (2003) argued 'the efforts for delivering key worker housing should not simply focus on the provision for new recruits. Some of the best and most experienced middle-ranking staff are being lost from the sub-region' (p41).

At the same time, new recruits may also want the ability to trade-up into larger accommodation in the future rather than having to relocate elsewhere. The long term sustainability and social cohesion of the new community being proposed at the Southern Fringe may be jeopardised if the different and changing housing requirements of key workers are not taken into account at the outset.

Moreover, there also remains an unresolved dilemma with new build HomeBuy, particularly in relation to what happens when key workers buy the full equity on the property and sell it on the open market, as it is also perceived important that the key worker housing remains affordable in perpetuity. Up until March 2008, the HCA stipulated that if a key worker left the eligible occupation, they had to pay back the proportion of the original value of the property still covered by the KWL Programme within two years. This claw back mechanism, however, adversely affected potential demand and reduced the popularity of key worker new build HomeBuy across England (Morrison 2009a). In some areas, it was found to be in competition, for instance, with other shared ownership schemes which did not have a claw back element (GHK et al 2006). In the current housing market downturn, such restrictions have subsequently been removed by HCA to aid the take up of this new housing supply coming on stream.

Overall, new build HomeBuy (shared ownership) has proved to be less popular compared to the KWL programme's open market Homebuy, especially where mortgage payments, rent and service charges are roughly equivalent to a single mortgage payment. It also does not offer the same degree of choice in term of type and location of housing as open market HomeBuy. Even with the removal of the claw back mechanism, Key Homes East noted in an interview that take-up across the region has remained slow⁸. Unlike open market HomeBuy, beneficiaries do not have the incentive of an equity loan. These findings do not bear well in relation to anticipating the demand for key worker new build HomeBuy on the Southern Fringe site.

To purchase a 50% share of a new dwelling with a value of £180,000, for example, a key worker would require an annual income of around £26,000 and would still have to pay rent and services charges on the remaining share. A high percentage of applicants do not have incomes of this size. So this type of intermediate housing may not be affordable for many would-be purchasers, unless they have access to additional capital which is becoming increasingly unlikely given the reduced availability of mortgage finance (CCHPR 2009).

⁸ In 2008, the number of approved key workers in Cambridge city who were currently on the Key Homes East register included 173 for new build HomeBuy compared to 191 for Open market HomeBuy and 188 for intermediate renting – whether these figures translate into actual take-up remains to be seen. The number of key workers actually housed who work in Cambridge include 59 in new build HomeBuy compared to 137 Open market HomeBuy and 47 intermediate renting. This gives an indication of housing tenure preference, however much of the new build HomeBuy programme is still underway or not come to fruition, such as the Southern Fringe.

In terms of determining the eligibility of staff for the key worker housing on the Southern Fringe, Addenbrooke's hospital, Key Homes East HomeBuy Agent and the local authority stated they would comply with the definition used in the Government's Key Worker Living Programme and include primarily nurses and other NHS clinical staff. A wider definition than the current government definition was recommended in further research for the East of England Regional Assembly to include contracted out workers in public hospitals as well as medical secretaries and medical receptionists (CCHPR 2005, 2008). However, to date, these groups have not been included. The Government's own evaluation studies of the Key Worker Living Programme equally suggested that having health workers that are ineligible has a negative impact on morale (ODPM 2004b; G H K Consulting Ltd and CURS 2006).

Moreover, the impact of the credit crunch throws further doubt as to whether there is a market for key worker housing once the Southern Fringe site comes to fruition. Numerous RSLs across England have been reportedly overstressing themselves through the provision of new build HomeBuy properties (Morrison 2009a; CCHPR 2009). Many of these new properties were intended for key workers, yet cannot be sold as key worker applicants are unable to find mortgage finance on reasonable terms. The HCA has now stated that it will permit empty properties to be released to other general need groups or to be used for intermediate rent rather than shared ownership (HCA 2009).

(b) University of Cambridge's North West site

As While et al (2004) noted, the University of Cambridge acts as one of the main landowners in the city and in turn wields considerable power over planning and land allocations. Healey (2007) also suggested that the University as a key stakeholder has succeeded in continually taking the initiative to articulate its position. The way the University's lobbying powers have shaped planning decisions are clearly illustrated in the North West Cambridge site example (see Morrison 2009b).

The University of Cambridge has estimated that over the next 25 years, the numbers of students are to increase by around 5,000 and accompanying this increase will be a rise in staff numbers which is projected to be in the order of an additional 3,000 staff (University of Cambridge 2009). Staff turnover is high among Assistant staff (26% per annum) and among staff on fixed term contracts (40% per annum)⁹. These were validated against recruitment and vacancy advertising data supplied by the University Personnel Division. The University needs to recruit just over 2,000 staff each year in order to replace current turnover levels. With the future growth scenarios planned by the University up to 2021, they envisage significant increase in recruitment of contract research staff (630 per annum) and Assistant staff (200 per annum), primarily from outside the current Cambridge labour market, further adding to housing demand within the area.

The University of Cambridge identified the 120 hectare piece of land in Cambridge's green belt as its only option for meeting its long-term development needs. This North West site is within its ownership and is currently in agricultural use as the University farm. In 2005, the University prepared a draft master plan for the site. The development proposals were predominantly for Cambridge University related uses, including a strategic employment land allocation of up to six hectares. The indicative housing capacity was for a total of between 2,000 and 2,500 dwellings. Half of the housing provision - some 1,250 units - was recommended for its University staff as this would offer the University an opportunity to

⁹ A high turnover among contract research is to be expected, since these staff are all on fixed term or periodically renewed contracts, typically linked to particular research projects, usually with external funding. The average length of employment for contract research staff is about two and half years (CCHPR 2008).

assist key groups of staff in obtaining housing, thereby relieving some of the pressure on the Cambridge housing market.

The University championed its North West development proposal on its own through the Cambridge Local Plan Inquiry in 2005, whereby the removal of green belt land and the proposed scheme was accepted in the Cambridge City Local Plan (2006) and subsequently the South Cambridgeshire Local Development Framework (LDF) (2008).

During Cambridge's Local Plan inquiry (2005), the Planning Inspector agreed that the key worker housing requirement should be half of the total housing provision subject to evidence that the University was facing recruitment and retention difficulties related to housing costs, and that the workers cannot afford to rent or buy suitable housing locally to meet their housing needs (Cambridge City Council 2008a). Controversially, no provision was made for subsidised rented housing to those in priority housing need¹⁰. The remainder of the housing would instead be open market housing.

The University has subsequently undertaken two staff needs surveys, with nearly 2,000 responses in the first survey and 1,800 responses in the follow up study (CCHPR 2005, 2008). The latest survey estimated that just over a quarter of the projected growth in numbers of University staff would be able to afford house purchases without some form of assistance if they are to live within an acceptable and sustainable distance of their work at the University.

Salaries of University staff were demonstrated to be relatively low in relation to local house prices. They have also significantly lagged behind other white collar and professional salaries over the past 25 years and this has eroded the competitive position of academic staff in the housing market¹¹. The report compared the mortgage or rental payments of staff with the affordability criteria defined in the Cambridge City Council Local Plan 2006 i.e that housing costs should not exceed 30% of gross median household incomes. It demonstrated that for staff who have moved home within the last twelve months, current mortgage payments are significantly more than the City's affordability criteria. In the case of academic staff in dual income households, mortgage payments amount to an average of 49% of their net monthly payments. These findings, therefore, provided the necessary supporting evidence that the provision of at least 1,250 units at the North West Cambridge site was needed for University staff (CCHPR 2008).

At the Public Inquiry, the Inspector also requested that a site-wide master plan and a joint Area Action Plan between Cambridge City and South Cambridgeshire District Council be set up. This was deemed necessary to provide a mechanism by which the planners could determine the phasing of the development and whether the University had adequately demonstrated that a development is needed and cannot be accommodated on land elsewhere (Cambridge City Council 2006b; Morrison 2009b).

The North West Cambridge Area Action Plan was submitted to the Secretary of State in May 2008, following two rounds of consultation with the public and key stakeholders. A number of representations were received proposing alternative sites for development known as "objection sites". A six week public consultation on these "Objection sites" ran between

¹⁰ The University's Estate Management overseeing the development stated in an interview that this was a "historic victory", setting a precedence nationally. They were relieved not to have to make provision for subsidised rented housing, as this was considered to affect the marketability and value of open market housing.

¹¹ 31% of single earner households had a gross income of less than £20,000. Even when household incomes area taken into account, 18% of staff had a household income of less than £40,000 per annum in 2008. Only a third of dual earner households had an income in excess of £60,000 per annum (CCHPR 2008).

September and October 2008. The Government appointed Planning Inspectors to scrutinise the Area Action Plan at a Public Examination in Autumn 2008.

The key objections primarily from local residents centred on whether the University has demonstrated sufficient evidence to justify the release of the site and whether they have considered alternative site opportunities. Concern was also raised in relation to the figures provided within the housing trajectory, arguing that the site was not capable of accommodating the large number of houses identified. The provision of 2,500 dwellings was considered excessive and that the rates of delivery are clearly uncertain given the present market down turn beyond the control of the local planning authorities and development industry. Concern was expressed that delivery rates may have been “stepped up”, with the expected timescales unrealistic, especially when on other sites across the city as a whole delivery is being delayed. The overly dense development was also criticised for placing excessive strain on infrastructure needs in this area and threatens the setting of Cambridge (Cambridge City Council 2008b).

Interestingly, no-one has objected to the provision of key worker housing on the site focusing solely upon the University’s own workers to satisfy the City Council’s affordable housing requirement. Housing ‘professional’ key workers was clearly perceived by existing residents to have less of an affect on the market value of the new and existing owner occupied properties. It appears to be more popular with the existing residents in the belief that these types of households could help raise the profile of a neighbourhood rather than housing lower income social housing tenants. As Raco (2008) noted, key worker provision clearly represents the “politically acceptable” face of affordable housing provision.

With respect to determining the eligibility for this key worker housing, the University plans to run its own register independently from the HomeBuy Agent – Key Homes East. The majority of the key worker housing will take the form of discounted rented housing. This would enable the University to maintain ownership of this property asset and offer discounted rented accommodation primarily to contract research staff and support staff from outside Cambridge. These new entrants are likely to add the most to the city’s housing demand.

In the current market, short term intermediate rented properties may be the most viable alternative tenure for University staff, especially if housing values drop further and a significant deposit is now required to secure a reasonable mortgage. Renting also offers an affordable housing solution for key workers at an earlier stage in their career when they do not expect to remain in the same job for long. If intermediate renting can encourage such mobile staff to remain a little longer in post, this would have a positive impact on University staff turnover (CCHPR 2008; Morrison 2009a). However, renting properties only meets short term needs. Nor does it help towards the retention of the workforce and the creation of an economic and socially sustainable community on this North West site in the longer term (Morrison 2009b).

A relatively small proportion of housing stock is intended to be for new build Homebuy (shared ownership). This would help towards improving key workers’ access to homeownership. Yet issues relating to ensuring that the housing remains affordable in perpetuity and introducing claw back mechanisms if the key worker becomes no longer eligible would need to be considered. Safeguarding its long term nature and the recycling of benefit would need to be secured by a legal agreement. Yet, like the clauses introduced in the Key Worker Living Programme, this may also act as a deterrent on would-be University applicants considering shared ownership. It is unclear whether the University would consider applicants outside the University profession as potential purchasers of these properties if they remained difficult to sell.

5. Conclusions

Traditionally, social rented housing met the needs of many lower income employed households in England. However, growing incomes and aspirations on the one hand and increasing emphasis on priority housing needs on the other has left a gap which an intermediate housing sector could fill (CCHPR 2009). Even with a slow down in house price rises, there remains a considerable differential between average income levels and house prices, currently reflected in the concerns about the affordability crisis facing key workers. Addressing this problem is particularly important in the Cambridge sub-region due to the region's role as an engine of economic growth. It is essential that these public sector workers are retained in the area both for the local economy and broader community.

Cambridge City Council's affordable housing policies have been substantially revised in its adopted Local Plan (2006), with the requirement of 40% affordable housing on new developments being supported by the City's Supplementary Planning Guidance (2008) and the Cambridge sub-region Housing Market Assessment (2008). Widening the definition of affordable housing to include the intermediate housing sector demonstrates the growing recognition that the needs of eligible households, such as key workers, cannot be met by the market.

Both the proposed Southern Fringe and North West developments are to provide an important contribution of key worker housing near to the hospital and University in Cambridge. This should help towards supporting local communities as well as the local economy by providing housing for sections of indigenous key workers who wish to buy or privately rent but cannot afford to in the city and also for a section of in-migrant key workers who are needed in the sub-region for economic reasons.

With respect to the Southern Fringe site, the setting up a new delivery mechanism – the “Cambridge challenge” – has the potential to offer a new way of delivering both subsidised rented housing and key worker housing on such a large strategic site. Both Cambridge City Council and South Cambridgeshire District Council are committed to working with the HCA to make the delivery of the affordable housing component as cost effective and efficient as possible. This is paramount given the urgency to bring forward this major housing development to meet the needs of the Cambridge area, irrespective of delays from the private sector. If this new type of commissioning process works in Cambridge, the HCA intends to roll-out this type of challenge process to other areas in England (HCA 2009).

The HCA announced on 16th June 2009 the commencement of construction of the affordable housing component on the Southern Fringe. However, there are concerns that by focusing attention on this chosen strategic site, the HCA may not be able to grant fund a significant programme of affordable housing delivered through the planning system in other parts of the city. This may hamper the ability of Cambridge City Council to fulfil its duties to meet priority housing needs overall (Cambridgeshire Horizons 2008).

Given the significance of this scheme, the new housing provision has to be right. Evidence drawn together in this paper suggests that key workers may be adverse to the housing size and type of tenure as well as the overall concentration being suggested. The scheme may not attract and retain people in their current posts within the health service as anticipated and the skewing away from high need priority groups towards key worker housing may not be justifiable. As the Government's own evaluation report noted “it appears inappropriate to reserve housing for this group, if empty units could be usefully allocated to others in housing need” (GHK et al 2006 pp 89). The principle of selectivity of policy recipients continues to create divisiveness between those that are entitled to key worker housing and those that are not, particularly if demand is not clearly evident (Raco 2008).

The complexities of defining and drawing boundaries of key worker entitlement are equally apparent on the North West Cambridge site. This example illustrates the way that the City Council has required an affordable housing contribution from an employer-cum-landlord owner, namely the University of Cambridge. Yet controversy remains as to whether provision for solely University workers is at the expense of subsidised rented housing provision. Households in priority need, in effect, are losing out as no provision has been made for them. In turn, University workers are receiving preferential treatment as they are fortunate that their employer is not only a large landholder in Cambridge but also one that has considerable lobbying power to influence the planning process (Morrison 2009b). On the other hand, at least the City Council is making such a key stakeholder in the city accountable for the provision of some form of affordable housing provision, albeit not for the lowest end of the housing market.

There is a clear opportunity cost in addressing the intermediate housing market when there are still problems with homelessness and need for traditional social housing provision (G H K Ltd and CURS 2006). Focusing on the key worker issue is reliant on particular interpretations with regard to whose presence is considered essential to the competitiveness and sustainability of a place (Raco 2008). Yet this essentially ambiguous policy direction may well be undermining the legitimacy of housing support for other non-key workers (Morrison 2009a).

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