

**RESEARCH INTO KEY WORKER AND AFFORDABLE HOUSING IN  
THE CAMBRIDGE AREA**

**Final Report**

**to Cambridge City and South Cambridgeshire District Councils**

**by**

**Cambridge Centre for Housing and Planning Research**

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# 1 Introduction

1.1 High house prices and strong economic growth in Cambridge and South Cambridgeshire reflect the success of research and development concentrated in the area. Yet many people on average incomes are unable to afford to buy or rent properties in the area, and many employers are facing problems with recruitment and retention. In recent Government policy statements<sup>1</sup> the problems of affordability and access to housing in areas of high housing costs, and the problems of recruitment and retention of staff, have been termed the ‘key worker’ problem, affecting key public sector employees such as police, nurses and teachers. Studies have suggested that the problem is much wider than this, affecting other groups of public sector employees as well as lower paid private sector workers such as bus drivers and hotel staff (GLA, 2001).

1.2 Some of the current difficulties are clearly the result of the position in the economic cycle. However there are important structural problems, which make the underlying trends a cause for concern. Most notably the number of households in both Cambridge and South Cambridgeshire is expected to increase as a result of indigenous growth, inward migration and the growing number of single person households. If Cambridge is to retain its competitive position and attract sufficient labour then not only must transport be improved to make commuting easier but the provision of additional housing that is affordable for those coming to work in the area and accessible to those jobs must also be addressed.

1.3 Thus the ‘key worker’ problem is not something that will go away of its own accord. A recession may ease the pressure for a while, but there is an underlying structural imbalance between the amount and cost of housing and the numbers of households requiring housing.

1.4 In this context Cambridge Centre for Housing and Planning Research have been asked to explore the ‘key worker’ problem, identifying who is affected by it and to what extent and what can be done to address the problem. The issue is not just about high house prices but about the relationship between the housing and labour markets, including what constitutes a reasonable or acceptable travel to work area. There are already policies in place to cater for those who qualify for assistance with their housing costs. However a ‘gap’ is emerging between such people and those who are able to afford market prices and rents. People on moderate incomes are increasingly finding it difficult to access appropriate housing within the Cambridge area.

1.5 For the purposes of conducting the research, working definitions have been used. ‘Key workers’ are defined as people who cannot afford to buy or rent suitable market housing but who are not eligible for assistance with their housing costs. This is a wider definition than that contained in the Government’s Starter Homes Initiative. ‘Affordable housing’ is defined to include market housing at prices or rents that are affordable to those on low to moderate incomes. This is also a wider definition than the traditional one of subsidised housing provided through a council or registered social landlord. Finally, a ‘reasonable travel to work

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<sup>1</sup> Quality and Choice: A Decent Home for All. The Housing Green Paper. DETR, 2000. Chapter 4 discusses low cost home ownership schemes to assist ‘those on relatively modest incomes who might be able to maintain payments on a home of their own but are prevented from doing so because, for example, they live in an area with relatively high market values’. Such policies can ‘help to meet the housing needs of key workers such as nurses and teachers both in cities and in rural communities’ (para 4.32 and 4.33).

area' is given a working definition as comprising the area covering the majority of existing commuters' homes.

1.6 More precise definitions of a reasonable travel to work area, who should be regarded as key workers, eligibility for assistance with key worker housing and what should be included as key worker housing are drawn from the findings of the research and outlined in the conclusions.

### **Research objectives**

1.7 The objectives of the research are to:

- analyse and quantify housing availability and affordability (including the availability of 'affordable market housing') in relation to employee incomes including key workers as defined by the Government's Starter Home Initiative (SHI), and taking account of residents employed elsewhere in the South East and particularly in Greater London;
- analyse and quantify recruitment and retention problems in different sectors of the economy, including key workers as defined by the SHI, together with an appreciation of how far these problems can be related to house prices and incomes;
- analyse whether the mix and price of new housing caters for the housing needs of employees who do not qualify for existing social housing or that which is provided through planning obligations, but who nevertheless find it difficult to obtain suitable accommodation at an affordable price in the area;
- enable authoritative responses to be made to bids for funding under the SHI;
- inform the review of Local Plan housing policy;
- support better development control decision making in respect of planning applications making provision for key worker housing and generally in relation to the mix of new housing being built in the area; and
- recommend possible solutions to the provision of 'affordable market housing' in and around Cambridge in locations of new housing likely to come forward in the new Cambridgeshire Development Plan.

### **Key issues**

1.8 The key issues identified by Cambridge City and South Cambridgeshire Councils are:

1. are there recruitment and retention problems for key workers as defined by the SHI in Cambridge and South Cambridgeshire?
2. are there any other groups of workers, in all sectors of the economy, within the area where there are recruitment and retention problems which are related to the relationship between house prices and income levels?

3. what are the average incomes of workers in all sectors of the economy, including key workers, relative to house prices in the area?
4. what would be a reasonable travel to work area for key worker groups, including travel by public transport as well as private car?
5. what would be the likely effect on local house prices of the SHI and other initiatives to increase the supply of ‘affordable market housing’?
6. would the Starter Home Initiative and increased provision of ‘affordable market housing’ actually impact on recruitment and retention problems, or are there other factors which would still make it difficult to recruit or retain employees?
7. is home ownership the preferred solution for key workers and those seeking ‘affordable market housing’, or would rented housing be better?
8. what capacity do employers have to contribute to housing provision through bringing forward land for house building that would not otherwise have occurred?
9. should key worker and ‘affordable market’ housing be provided as part of the 30 percent affordable housing requirement currently being negotiated on housing development sites or as an addition to that requirement?

1.9 In addition the research addresses the following issues in order to meet the objectives set out in the brief:

- definitions of a reasonable travel to work area, key workers and key worker housing;
- whether the mix of house types and prices of new housing meets the needs of employees who do not qualify for existing social housing or that which is provided through planning obligations, but nevertheless find it difficult to obtain suitable accommodation at an affordable price in the area; and
- potential solutions to the housing problems identified in the research.

## 2 Methodology

2.1 The methods used to conduct this research include:

- a review of research and data concerning house prices, demographics, incomes, recruitment and retention problems and commuting patterns in the travel to work area;
- surveys of employers and employers organisations;
- surveys of employees;
- surveys of prospective employees of key worker employers;
- surveys of agents and house builders active in the two districts;
- a review of the housing mix being delivered through the planning system in new developments within the two districts.

2.2. Specifically we have completed the following:

1. a review of existing material relating to problems and policies on housing provision, affordability, finance, demand, methods of providing affordable housing including keeping that housing affordable in perpetuity, as well as the relationships of housing and economic development at the national, regional and local level;
2. analysis of recent trends in housing costs and provision within Cambridgeshire and particularly the travel-to-work area relating to Cambridge City and South Cambridgeshire districts, covering all tenures, as well as trends in incomes by tenure to assess access and affordability, using our local housing markets database Dataspring;
3. a review of the policy initiatives and best practice already used by the local authorities, employers and other bodies to assist the problem of housing for key workers, widely defined;
4. consultations with representatives from key agencies including local authorities, other public sector organisations, public and private sector employers, land agents and housebuilders, undertaken primarily through telephone interviews but including some face-to-face;
5. surveys of key workers themselves within a selection of employers from different sectors, together with a sample of school and college leavers as potential key workers, to assess their problems and aspirations; and
6. brought these elements together to produce a report which includes direct and immediate guidance to the two local authorities and their partners, in order to feed into the local plan review process, as well as to guide development control decision making and assist with bids under the SHI.

### **3 The economic drivers of growth and definition of key workers**

3.1 The Cambridge sub region has significantly above UK average proportions of employment in high tech services, education and (to a lesser degree) law/accounting. Cambridge itself has strengths in research and development, other high tech services and education. It also has specialisations in communications, equipment/instrument manufacture and academic publishing. These are all relatively high growth sectors in the long term. South Cambridgeshire has strengths in many of the same areas, together with pharmaceuticals and bio-technology. The sub region as a whole is thus strongly placed in relation to current patterns of economic change, although it might suffer more immediately in recession.

3.2 The area is conveniently located with regard to London and the rest of the South East. It also has a highly skilled labour force. GDP per head in the county (on a residential basis) was estimated to be 17 percent above the national average in 1996, implying levels of productivity exceeded only in Greater London, the Thames Valley and Surrey.

3.3 As growth proceeds, limitations on space are likely to increase occupancy costs and indirectly, other business costs. This has already been experienced in the counties which immediately border London. This will lead to the squeezing out of those activities with less capacity to compete for local labour and so will not need to be located so close to London or so centrally within the Cambridge sub region. There are some signs that this is already happening in sectors outside the main specialisms, with a suggestion that some activity is being diverted to the north of the county.

3.4 Activities which serve a local market and so must remain in the area have, to remain viable, to match wage and rent levels set by the high growth sectors in which the area has a competitive advantage. These local activities then either have to increase productivity or pass on the higher costs to local consumers and residents. Those serving a non local market will be under increasing pressure to re-locate, or face a loss of market share, unless their current location offers them a unique advantage. Clearly for some high growth sectors there are significant benefits from agglomeration or clustering.

3.5 Recent employment forecasts suggest a continuing strong performance in the high tech and business services in which the Cambridge area specialises. Both the long and the short term prospects confirm continued growth, although there are real prospects of a downturn in economic activity in the wider regional economy within the medium term. Past evidence shows that Cambridge in particular is more volatile than the country as a whole in terms of land and house prices.

3.6 The importance of the Cambridge sub-region for the national economy has been recognised by Government. The cost and availability of space – both to enable economic activity to expand and to provide housing for the expanding labour force – are the most important limitations on economic growth. At the local level, the current planning strategy is to foster growth, focusing on the research and technology based economy within the Cambridge sub region. This includes making suitable space available to relevant employment uses both within the city and in other sustainable locations.

3.7 The relationship between employment growth potential and housing provision is clearly very important for the Cambridge area, which is less open to commuting flows than counties closer to London. Even so, the extent to which commuting flows vary with respect to housing

development within adjacent counties make it hard to produce precise calculations of housing need implied by employment trends. Overall, the likelihood of employment growth rates well above the national average has obvious implications for housing demand. At present there appears to be an imbalance between employment and housing which the Regional Planning Guidance seeks to address (Regional Planning Guidance for East Anglia: November 2000).

3.8 A successful local economy is dependent on local services of all kinds, from public sector services such as health, education, fire and police, to private sector services ranging from business and financial services right down to cleaning and security. If demand for ‘key workers’ broadly defined is not met, there is a question as to what sense there can be a local economy at all in the longer term. Yet if the supply of local labour is constrained by a shortage of housing that is affordable to local people, there is a very real danger that the local economy will be adversely affected and further growth will be unsustainable.

3.9 This leads to the question of what is a key worker. In the context of the buoyancy of the local economy, this definition includes the public sector, such as teachers, nurses and other health service staff, police, fire and rescue, care workers of all kinds, the probation service and social workers, as well as local government more generally. It also includes the private sector, where jobs are essential to the buoyancy of the local economy, such as those in the high technology and research and development sectors as well as those responsible for the ‘care and comfort’ of the community. In particular, it covers those working for organisations that are unable simply to increase wages or to relocate elsewhere. Of particular concern are situations where key worker jobs are difficult to fill, where vacancies persist over time and where turnover is high.

**Definition of key worker**

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.

## 4 Housing in the Cambridge sub region

### 4.0 Introduction

4.1 The objective of this chapter is to clarify the extent of housing demand and need in the Cambridge area in relation to the problem of housing affordability particularly for key workers. It draws on two different methods of assessing housing need, one which is ‘top down’ using official government population and household forecasts, the other which is more ‘bottom up’ and is based on housing needs survey data.

4.2 The chapter looks at the evidence from past trends provided by secondary data on:

- the growth of population and households and the resulting likely future demand for housing;
- estimates of housing need; and
- the relationship between house prices and rents and incomes.

### 4.1 Population and household growth

4.3 Cambridgeshire County Council’s population and household projections show that between 1991 and 2000, the population of Cambridge City rose by 4.5 percent while the stock of dwellings increased by 6.5 percent. In South Cambridgeshire the growth in both was significantly higher. Population rose by seven percent and the stock of dwellings increased by 11 percent during the same period. These figures seem to suggest that housing has kept pace with increased population. However, this ignores the impact of smaller household size.

4.4 Projections using official government data suggest that between 1991 and 1999 the population of Cambridge City increased by an average of nearly 1,900 a year (1.6 percent), which was more rapid than in South Cambridgeshire district (just over 1,300 a year, or 1.3 percent).

4.5 Continuing growth, but at slower annual rates are projected for 1999 – 2008, 1.1 percent a year in the city and 0.9 percent in South Cambridgeshire.

4.6 The population increase comes predominantly from migration. Between 1991 and 1999 87 percent of the net increase in estimated population in Cambridge City came from net migration. In South Cambridgeshire the proportion was 70 percent. Migration is very difficult to forecast because migration related to employment is influenced by the economic climate.

4.7 Government projections of household growth in the county are shown in the table below.

**Table 4.1 Projections of households by district in Cambridgeshire (thousands)**

	1996	2001	2006	2011	2016	2021
Cambridge City	50	55	59	63	67	70
South Cambridgeshire	51	55	59	62	65	68
East Cambs, Fenland and Huntingdon	121	134	143	153	163	173
<b>Cambridgeshire*</b>	<b>222</b>	<b>244</b>	<b>261</b>	<b>278</b>	<b>295</b>	<b>311</b>

Source: See Appendix 1

\* excludes Peterborough

4.8 The steep rise in the number of projected households in Cambridge is the consequence of the average number of persons per household being much lower there than in the county as a whole (2.33 persons per household since 1996 as compared with 2.45 in the county as a whole). This difference is assumed to persist over time.

## 4.2 The need for affordable housing

4.9 There are a number of ways of assessing future housing need for traditional affordable housing. One is very much a 'top down' approach using past trends in population and household growth and, after taking account of the numbers of demolitions and conversions, translating these into the number of additional dwellings required. On the basis of the current split between tenures, this figure can be divided between the 'market sector', comprising owner occupation plus private renting without the help of Housing Benefit, and the 'assisted' sector, which consists of social renting plus private renting with Housing Benefit. These two sectors can also be termed 'demand' and 'need' for housing. The outcome of this trend based approach takes no account of constraints on supply. Importantly, this estimate takes no account of the backlog of existing need as evidenced by housing waiting lists and homelessness figures. Nor does it take account of planning policies that may affect the trend, such as policies for higher rates of housing development or changes to policies in order to secure affordable housing through the planning system.

4.10 Using this trend based approach suggests a need for new house building in **Cambridge City** of 10,500 market dwellings (demand) and 5,700 assisted dwellings (need) over the period 1996 to 2016. This amounts to an average of some 800 new dwellings a year over that period, of which 525 would be market housing and 285 would be assisted housing.

4.11 The equivalent estimate of newly arising demand and need in **South Cambridgeshire** over the same period is 13,100 market dwellings and 3,200 assisted dwellings. This amounts to some 655 market dwellings and 160 assisted dwellings a year. The reason that the number of assisted dwellings is relatively small in relation to the total is because it reflects past tenure patterns projected into the future. In addition, older households who are more likely to be in the social sector will gradually disappear in the future and be replaced by younger households who are primarily owner occupiers.

4.12 These figures strongly suggest that assessing future housing need should be treated on the basis of taking the two districts together. This would give an overall requirement for 1,615 new units a year of which approximately 30 percent would need to be affordable. Details of these trend based calculations are given in Appendix 1.

4.13 An alternative method of assessing future housing need is a 'bottom up' approach based on conducting housing needs surveys. Both Cambridge City and South Cambridgeshire have commissioned housing needs surveys in recent years. The Cambridge Housing Needs Survey (1998) estimated 4,817 households in need who could not afford market housing – 11.4 percent of all households. An additional 685 new households move into housing need each year. The South Cambridgeshire Housing Needs Survey (1998) estimated 2,479 households in need who could not afford market housing – five percent of all households. Approximately 600 households are estimated to enter housing need each year. However, using the Government's Best Practice guide methodology, not all this 'backlog' needs to be re-housed. Some housing needs can be met by adapting existing dwellings. That part of the backlog that

does need to be re-housed amounts to 2,806 in Cambridge City and 2,159 in South Cambridgeshire.

4.14 The Regional Planning Guidance for the Eastern Region (RPG6, 2000) takes a much more ‘top down’ approach but takes account of supply constraints and past rates of new housebuilding. It states that provision for 2,800 dwellings per annum is required up to 2016 in the Cambridgeshire part of the Cambridge sub region. The revised Cambridgeshire Structure Plan<sup>2</sup> determines how this is to be apportioned between Cambridge, South Cambridgeshire, Huntingdonshire and East Cambridgeshire. The current draft (December 2001) proposes a Cambridge focussed approach with an additional 12,500 dwellings in Cambridge City and 20,000 in South Cambridgeshire over existing commitments. This amounts to 735 new dwellings a year in Cambridge City and 1,176 a year in South Cambridgeshire. There is no separate target for affordable housing within the overall housing requirement although RPG6 would support a threshold for the provision of affordable housing through the planning system for sites of 0.5 hectares or where more than 15 dwellings are proposed. The draft Structure Plan states that ‘the targets set will vary according to the local level of need, although they are likely to be within an indicative range of 30-50 percent’.

4.15 The Roger Tym Infrastructure Implementation Study<sup>3</sup> notes that in the Cambridgeshire portion of the sub region total housing completions have averaged just over 2,000 per annum (2,023) whereas the RPG6 requirement is 2,800 per annum. To achieve the RPG requirement would represent a 40 percent increase in annual completions. They continue: ‘The challenge is even starker in relation to affordable housing. Although it is difficult to pinpoint accurately, data supplied by the County Council suggest that the minimum annual average output of affordable homes within the sub region in the period 1991-1999 has been 255 per annum. If a broad affordable housing target of 30 percent of total provision is adopted, then it will be necessary to increase the output of this type of housing more than three fold to some 840 completions annually.’ (page 2).

4.16 It seems clear that whatever figures are used to estimate future housing need for affordable housing defined traditionally to cover only households eligible for assistance, the numbers far exceed potential affordable housing provision.

### **4.3 The need for key worker housing**

4.17 This section looks at the relationship between house prices and rents and incomes in order to assess what has been termed the ‘affordability gap’ between those whose housing needs are met by traditional affordable housing and those who are not eligible for such assistance but who nevertheless face an affordability problem in accessing the private sector. This is of particular concern for those key workers who are crucial to the continued economic success of the Cambridge area.

4.18 House prices in Cambridge and South Cambridgeshire are significantly higher than in the rest of Cambridgeshire but there has also been considerable volatility in the last decade which may, in part, be replicated in the next. In South Cambridgeshire, along with most other districts in the county, house prices fell steeply from an all-time high in 1989/90 until

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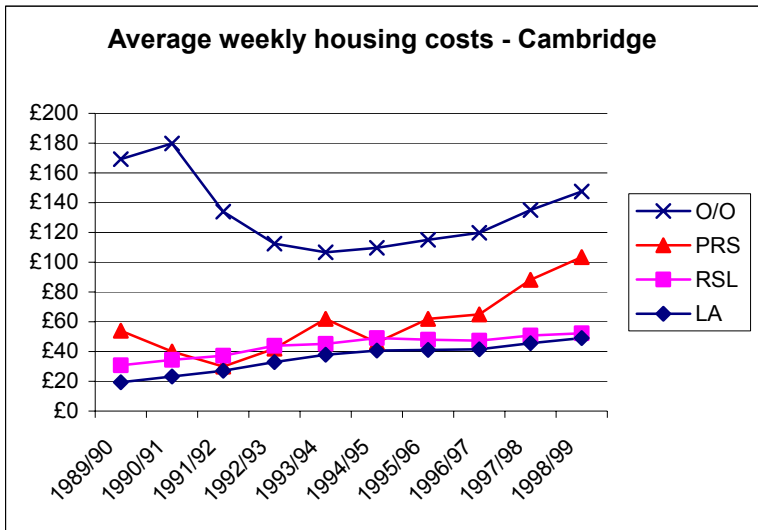
<sup>2</sup> The next Cambridgeshire Structure Plan is expected to be deposited in March 2002.

<sup>3</sup> Implementing the Cambridge Sub-Regional Strategy, Roger Tym & Partners with WS Atkins Limited, 2001.

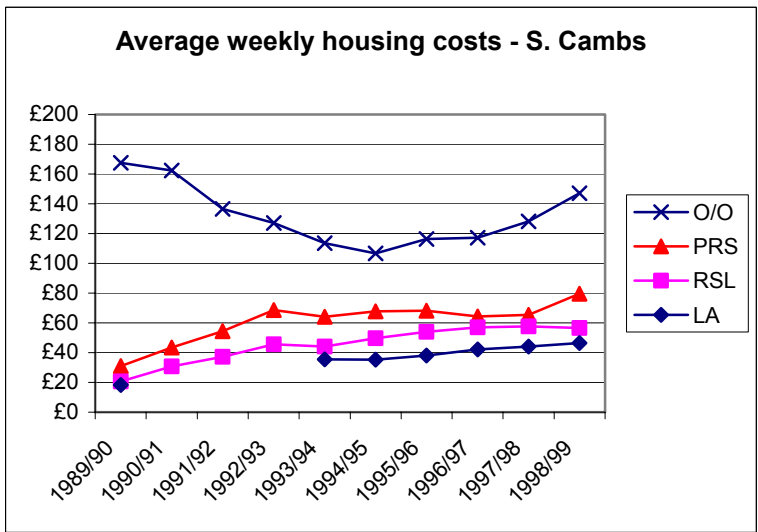
the mid 1990s when they began to rise steadily. In Cambridge, the peak did not occur until 1991, but then housing costs fell below those in South Cambridgeshire during the early 1990s before rising more steeply thereafter. The graphs below show the pattern for Cambridge City, South Cambridgeshire and Cambridgeshire as a whole, while those in Appendix 2 relate to the rest of the county, the region and England. There are considerable differences in house prices and rents in the rest of the county compared with Cambridge and South Cambridgeshire.

Key to graphs:

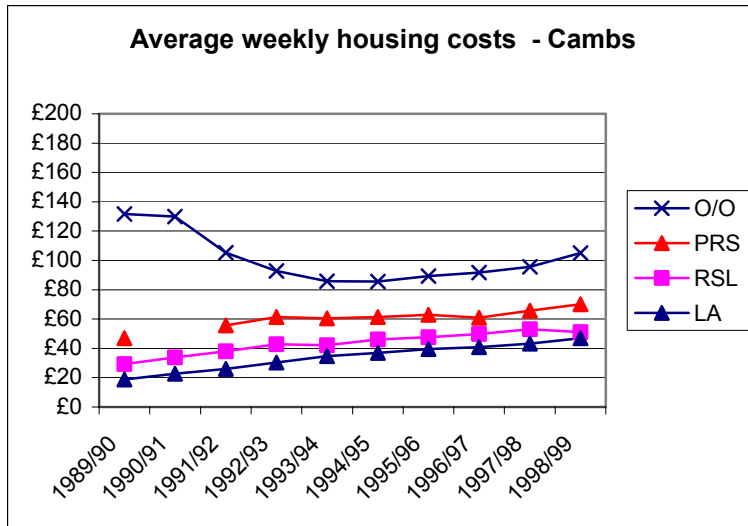
OO = owner occupation  
 PRS = private rented sector  
 RSL = registered social landlord  
 (housing association)  
 LA = local authority rented.



Sources: Halifax plc, DETR, CORE and CIPFA, 1989-1999.



Sources: As previous figure.



Source: As previous figure.

4.19 One important aspect of all these diagrams is the sizeable ‘gap’ between the costs of housing in the social sector – RSL and LA housing – and those in the owner occupied sector. The weekly costs of owner occupation are much higher than in the rented sectors. Effectively, it is this ‘gap’ that is now widening rapidly, suggesting that an increasing number of households on low to moderate incomes are likely to be having difficulty meeting the costs of their housing. This is one way of describing the ‘key worker’ problem.

4.20 Cambridge City is exceptional in that there is a significant gap between the social sector and the private rented sector, which is much more expensive than social renting, as well as a further large gap between private renting and owner occupation. In Cambridge the cost of private renting has also risen steeply since about 1996.

4.21 This high weekly cost of private renting in Cambridge is perhaps unexpected because unlike the other districts there is a sizeable private rented sector in the city. Clearly, demand for private renting is very substantial and is not being met fully by the existing private rented stock.

***The ratio of house prices to incomes***

**Table 4.2 Average house price to income ratios in the sub region**

	Mean house price	Mean annual income	Ratio	Median annual income	Ratio
Cambridge	£125,762	£20,800	6.1	£15,000	8.4
South Cambridgeshire	£126,235	£25,900	4.9	£17,400	7.2
East Cambridgeshire	£97,214	£17,900	5.4	£11,800	8.2
Fenland	£59,610	£16,400	3.6	£13,900	4.3
Huntingdonshire	£91,163	£20,900	4.4	£16,900	5.4
Cambridgeshire	£91,322	£21,000	4.3	£15,300	6.0
East of England	£98,063	£21,200	4.6	£15,500	6.3
England	£99,708	£19,900	5.0	£14,500	6.9

Sources: Inland Revenue 2001, Land Registry 2001.

4.22 Housing affordability can be measured in several ways. One commonly used indicator is the ratio of house prices to incomes (very simply, house price divided by income)<sup>4</sup>. This is shown in table 4.2.

4.23 The standard practice by banks and building societies is to provide a mortgage equivalent to three times a single income and two and a half times a double income. A deposit of five percent is normally required in the case of first time buyers and 10 percent for other borrowers. An affordable house price to income ratio would therefore be 3:1, or 2.5:1 for two income households. Table 4.2 shows that Cambridge and South Cambridgeshire, along with East Cambridgeshire, have price to income ratios that are much higher than this, suggesting that house prices are not affordable to those on average incomes.

4.24 Taking median incomes (the mid point – see footnote (5)), the position is even worse. These figures imply that average house prices are not affordable to half the population unless they have two incomes. Even then, many households would still be unable to access the average priced house.

4.25 The ratios are well above the county and regional figures. The contrast with Fenland and Huntingdon is clear. Housing is much more affordable there than in the Cambridge area. This is because house prices are lower, not because incomes are higher – with the important exception of Huntingdon. Higher incomes in Cambridge City and South Cambridgeshire do not compensate for the higher house prices.

*The distribution of incomes*

**Table 4.3: Mean and median incomes in Cambridgeshire (£)**

	Mean	Median	Differential
Cambridge City	20,800	15,000	5,800
South Cambridgeshire	25,900	17,400	8,500
East Cambridgeshire	16,600	13,100	3,500
Fenland	16,300	13,300	3,000
Huntingdon	18,800	14,000	4,800
Peterborough	15,500	14,000	1,500
Cambridgeshire	18,300	14,000	4,300
England	19,900	14,500	5,400

Source: Inland Revenue, 1999/2000

4.26 Inland Revenue data on mean and median incomes<sup>5</sup> provide an indication of the distribution of incomes in the area. Table 4.3 shows that again there are striking differences between Cambridge City and South Cambridgeshire and the rest of Cambridgeshire. In South Cambridgeshire, the median is well below the mean, with a differential of £8,500. Half the population have incomes significantly below the average. The district clearly has a sizeable low income population, a fact that is masked by the very high incomes which pull up the average figure. In Cambridge City, not only are average incomes lower but the median is also closer to the mean, with a differential of £5,800. This suggests that people in both Cambridge City and South Cambridgeshire are having to spend a very large proportion of

<sup>4</sup> It is common practice simply to state the figure rather than the actual ratio as it is generally understood that this refers to a ratio of house prices to income where income is 1.

<sup>5</sup> The mean is the standard statistical average while the median is the halfway or mid-point. Thus if the mean is higher than the median, this implies that half the households in the distribution are on below average incomes, and a relatively few very high incomes are skewing the distribution and pulling up the average.

their incomes on housing. Clearly, they could get a lot more for their money if they lived somewhere else.

### ***Lower quartile house prices***

4.26 In both Cambridge City and South Cambridgeshire, there is an important difference between average house prices and the lowest quartile – the prices of the most ‘affordable’ housing. The Land Registry does not provide lower quartile figures, but Halifax plc did so until 1998/99. Halifax figures show that the lowest quartile house prices have been rising even faster than average house prices (see Appendix 2). This suggests that demand is greatest at the lowest end of the market, where property is relatively more ‘affordable’. It also suggests that this demand for lower cost, smaller units is not being met by increased supply and that the shortage of smaller, more ‘affordable’ units is the most severe.

### ***The income needed to buy a house***

4.27 Using standard lenders’ multiples of income shows that the income required to purchase an average priced house in Cambridge City (£125,762 in 2000) would need to be £39,825 for a single income, first time buyer and £37,729 for other buyers. For two income households, a joint income of £47,790 for first time buyers and £45,274 for other buyers is required. The picture is very similar in South Cambridgeshire: £39,974 for single income first time buyers and £37,870 for other buyers, and £47,696 for double income first time buyers and £45,444 for other double income households.

4.28 As established at paragraph 4.23, average house prices are clearly not affordable for households with average incomes or below. However, average income figures mask the extent of the problem. Median incomes in Cambridge are only £15,000 and in South Cambridgeshire, £17,600. The median income and house price figures suggest that up to 50 percent of households would need assistance to purchase an average priced house even if they were two earner households both on the median income.

### ***Public sector pay***

4.29 Pay levels are particularly low in the public sector. Table 4.4 below gives the salary ranges for qualified nurses, qualified teachers and police officers with two years’ satisfactory service, together with the minimum wage and average rates of pay for cleaners.

**Table 4.4 Public sector salaries in the Cambridge sub region, 2001**

	<b>Nurses</b>	<b>Teachers</b>	<b>Police</b>	<b>Cleaners</b>	<b>Minimum wage</b>
Starting salary	£14,400	£16,038	£20,304	£10,582*	£7,888*
After 3 years	£15,905	£17,892	£20,841	n/a	n/a

- Assumes a 37 hour week

Sources: NHS, CCC, Cambridgeshire Constabulary, local employment agencies, 2001

4.30 This emphasises the fact that public sector key workers would find it hard to approach average incomes in either Cambridge City or in South Cambridgeshire. However, most of them are above the median level apart from nurses who only reach that after three years’ service on top of their basic training. When compared with housing costs it is clear that most junior public sector workers would have difficulty accessing average housing in the sub region.

4.31 The salary given for cleaners in the table are for private sector cleaners working for an agency. It is well known that agency workers generally are low paid with little prospect of improving their wages apart from overtime. For other private sector key workers such as bus drivers and hairdressers, data is not readily available and has to come from the surveys which are reported in the next chapter.

### ***The scale of the problem***

4.32 It is difficult to quantify precisely how many people are likely to be affected by the affordability 'gap' identified here. The figures presented here show that average house prices are not affordable for households with only one, average, income. The median income figures suggest that 50 percent of households would need assistance to purchase an average priced house. Not all those falling into this gap are key worker households. Nevertheless, the evidence presented here suggests that the problem of affordability for key workers and others is significant and increasing over time.

### **Summary**

4.33 Population and households are projected to continue to grow in the sub region in tandem with employment growth. Planning policy for the Cambridge sub region in the RPG seeks an increase in the past rate of housing development to support the local economy and create a better balance between homes and jobs. Any approach to estimating housing demand and need suggests that the numbers in priority need have in the past exceeded potential housing provision. Housing has become increasingly expensive and incomes have not risen in line with housing costs. In addition to the well known and quantified problem of priority housing need, there is now clear evidence of a problem of affordability facing those on low to moderate incomes, particularly those working in the public sector. Such households are in employment but are not eligible for assistance with their housing costs, yet are increasingly squeezed out of the local housing market.

## 5 Evidence from employers and employees

### 5.0 Introduction

5.1 The purpose of this chapter is to clarify the nature of the key worker housing problem as experienced by the employers and employees surveyed for this study. The steps employers were taking to help combat these problems and the steps respondents feel would help improve their housing situation are also examined.

5.2 The chapter presents the main findings from the surveys conducted for this research covering local employers, employees, commuters and college students. The employers were selected as representative of the balance of activities within the area. The employees were selected because they were key workers while the commuter survey was necessarily random. The employer survey focused on issues of recruitment and retention and on the steps employers have taken or are considering to try to address these problems. The employee and commuter surveys explored people's current housing situation and future aspirations, the relationship between home and workplace and housing costs and incomes. The survey of college students as potential key workers was limited to a snapshot of their current situation and aspirations both in terms of jobs and of housing.

### 5.1 Survey of employers

5.3 A postal questionnaire was sent to 160 employers in the sub-region. These employers were chosen to reflect the overall sectoral distribution of employment within the locality. Within this distribution they were selected either because they were large organisations important to the local economy or because the staff they employ fit into our definition of key workers. Forty-two of the employers completed the questionnaire and a further twelve took part in a telephone interview where they talked at greater length about their recruitment and retention problems.

**Table 5.1 Employers surveyed**

<b>Companies with less than 100 employees</b>	<b>Companies with 100-299 employees</b>	<b>Companies with over 300 employees</b>
Birdlife International	A & R Cambridge Ltd	Addenbrooke's NHS Trust
Book Production Company PLC	Cadcentre Ltd	Anglia Polytechnic University
Cambridge Crown Court	Corpus Christi College	British Antarctic Survey
Cambridge Quay Mill Hotel	Evelyn Hospital	Cambridge City Council
Catlings	Laser-scan Limited	Cambridgeshire County Council
DEFRA	Murketts of Cambridge Ltd	Consignia (Royal Mail)
Directors Hair	NIAB	Dept. of Physics, University of Cambridge
Gemini Gemonics Limited	National Probation Service	Domino Printing Services
Kershaw Contracting Services Ltd	Pricewaterhouse Coopers	Hexcel Composites Limited
Millers Music Centre Limited	Ridgeons Ltd	John Dickinson Stationary Ltd
Quotient Communications	Sawston Village College	Pi Group
The Chartwell House Group PLC	The Welch Group	The Generics Group PLC
The George & Dragon	The University Arms Hotel	Granta Housing Society
The Payroll Service Company		
UNEP –WCMC		
Vocalis		

5.4 The main findings from the employers' survey are as follows:

### **Recruitment and retention problems**

5.5 Eighty one percent of the companies were experiencing difficulties with recruiting staff. Just under half of the companies were having problems retaining staff<sup>6</sup> Twelve percent reported having no problems with either recruitment or retention. These included a hotel whose personnel manager believed their lack of problems were because they provided company housing. A car dealer, an investment company, a manufacturer, a software company and a building sub-contractor also reported no recruitment or retention problems.

### **What are recruitment and retention problems related to?**

5.6 Employers were asked what they thought were the causes of recruitment and retention problems. Fifty six percent of respondents believed that the problem was related to high house prices. Thirty one percent believed it was due to the high cost of renting. Fifty six percent believed that it was because housing costs compare unfavourably with those elsewhere.

5.7 Employers also saw their recruitment and retention problems as being related to the tight labour market. Thirty nine percent of employers believed that their staffing problems were related to national salary scales or to low average pay levels in their industry. Two thirds of employers believed that the problem was related to a shortage of appropriately skilled and qualified workers. Forty four percent of employers believed that direct competition within the industry that they worked was a cause of problems in recruitment.

### **What are organisations doing to alleviate recruitment and retention problems?**

5.8 The majority of employers had taken steps to resolve the problems they were experiencing due to constraints in the labour market. Thirty nine percent of the companies who responded were advertising their posts at higher rates of pay. Thirty one percent were offering their staff additional fringe benefits and just under half of the companies were advertising their staff vacancies more widely within the United Kingdom. Twenty nine percent of the companies were recruiting staff from outside the UK, including a hi-fi manufacturer, a software developer, a data development and acquisition company, a genetics research company, and a school. Local government employers were also recruiting social workers and probation officers from outside the UK, as were two hospitals, a commercial consultancy company and a conservation agency. This shows that there is a shortage of skilled staff across a wide range of occupations but that science, research and the 'caring professions' seem to be particularly struggling and have to resort to recruiting staff from outside the UK, a process which in itself can be very expensive.

5.9 Many of the employers had taken steps to overcome the high costs of housing, which they also saw as a barrier to employment. Over half of the employers surveyed had relocation packages which included such benefits as disturbance and mortgage allowances, meeting legal costs, paying for temporary lodgings, refunding travel costs, meeting utility and furniture costs and giving additional paid leave to seek housing.

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<sup>6</sup> The percentages do not add up to 100 percent as the respondents were able to give more than one answer.

## Evidence of increased commuting

5.10 Two thirds of the employers surveyed said they had evidence of increased commuting amongst their staff. Employers reported that their staff increasingly lived further away and commuted in from areas where housing was cheaper.

5.11 The table below suggests that many employees are commuting from farther afield than the ‘necklace’ villages in South Cambridgeshire, which surround Cambridge City. These villages remain popular as they are very close to the city but the absence of any railway links serving most of these villages means that commuters are heavily dependent on the private car.

**Table 5.2 Percentage of employers reporting that their staff commute from each area**

Villages in South Cambridgeshire	67
Villages/towns in other districts i.e. Fenland, East Cambridgeshire, and Huntingdonshire.	78
Further afield (Peterborough, Norwich, King's Lynn)	50
London	26
Other	13

5.12 Employers also reported that they had staff who commute from the North, for example, and stay in Cambridge during the week, returning home at weekends. People also reported that they employed staff who commute from places such as Norfolk, Suffolk, Oxford and Surrey.

## Solutions to high housing costs

5.13 Employers were asked which personal subsidies they would be willing to consider offering to individuals to enable them to access suitable housing. If they already offered subsidies, they were asked whether they would consider offering additional assistance.

5.14 Thirty three percent of employers said they would be willing to consider offering higher wages. Forty eight percent said they would consider offering relocation assistance, while 52 percent already offer relocation packages. Thirteen percent were willing to offer mortgage allowances and 21 percent were willing to offer cheap loans. Ten percent were willing to consider providing deposit saving schemes.

5.15 Thirty one percent would like to see an increase in pay for certain levels of staff. Half of the employers would like to see the implementation of a Cambridge salary weighting.

5.16 Forty four percent of employers believe that building more houses in selected village extensions would be a feasible solution. Only eighteen percent want to see more houses being built on the green belt around Cambridge. Twenty eight percent of employers believe building more houses in new stand-alone villages is a good solution. Thirty three percent of employers would like to see the implementation of more key worker housing. Eighteen percent of employers would like to see more housing tied to employment.

5.17 Table 5.3 summarises employer responses by type of organisation. It shows that only hairdressers did not want to see increased provision of key worker housing – this was because

they felt that all workers are ‘key workers’ to their employers. It also shows that only the civil service did not want to see more company housing for essential employees.

**Table 5.3 Types of companies that want to see more tied housing & more key worker housing**

Type of organisation	More company housing for essential employees	More designated key worker houses
Social housing society	✓	✓
Restaurant/public house	✓	✓
Hairdressers	✓	
Probation service	✓	✓
Hotels	✓	✓
Manufacturers	✓	✓
Local government	✓	✓
Speech technology developers	✓	✓
School	✓	✓
Civil Service department		✓
Hospital	✓	✓
Conservation company	✓	✓

5.18 Other solutions employers would like to see implemented were subsidised travel and the improvement of the public transport system. Many employers believed a more reliable public transport system would help to resolve congestion issues. Employers saw this as something that could be changed whereas they thought high house prices were a product of market forces and therefore little can be done to change the cost of housing in Cambridge.

## 5.2 Survey of employees

### The sample

5.19 Questionnaires were distributed to 670 employees in Cambridge at their place of work. The work places were selected either because they were large, significant organisations within the local area or because they employed one of the categories defined as key worker in the Government’s Starter Home Initiative (SHI). Response rates varied greatly (see table below) but overall more than forty percent of the total questionnaires were returned. This response is within the normal range for this kind of survey and higher than the 34 percent response rate obtained in the GLA key worker survey (GLA, 2001).

**Table 5.4 Questionnaires distributed and returned by occupation**

Category of worker	Number of questionnaires distributed	Number of questionnaires returned	Response rate
Hospital staff	100	41	41%
Bus drivers	20	7	35%
College	100	34	34%
Press	100	42	42%
Engineering company	60	58	97%
Police station staff	100	62	62%
School teachers	90	22	24%
Supermarket staff	100	19	19%
TOTAL	670	285	43%

## Profile of the respondents

5.20 Twelve percent of respondents were under 24 years old, 35 percent were aged between 25 and 34 years old, 28 percent were aged between 35 and 44 years and 25 percent were aged over 44.

5.21 The majority of respondents were white (96 percent). Slightly more women than men were surveyed. This was probably linked to the fact that more women than men are traditionally employed in several of the establishments surveyed, notably nurses and supermarket staff. Fifty two percent of respondents had partners or were married. Thirty one percent had children who lived with them and eleven percent had children who lived elsewhere and stayed with them regularly.

5.22 Fifty five percent lived in semi or detached housing and 24 percent lived in terraced housing. Almost half of the respondents lived in three bedroomed houses. Eighty nine percent worked full time. Twenty one percent had been in their job for less than one year and 46 percent had been in their job for over 5 years.

## Pay

5.23 The survey was targeted at lower earners. The majority (92 percent) of those who responded to the survey earned less than £30,000 per year. Sixty seven percent earned less than £20,000 per year and 37 percent earned less than £14,999.

5.24 Pay varied greatly between occupations. None of the supermarket staff earned more than £14,999 and 48 percent of them earned less than £10,000. They were by far the worst paid staff. The engineering firm's staff were the highest earners but they tended to have an older workforce as did the press. These companies had increased salaries recently in order to overcome recruitment problems.

**Table 5.5 Earnings per annum for different categories of worker (percent)**

Salary band	Hospital staff	Bus drivers/ inspectors	College	Press	Engineers	Police authority staff	Teachers	Super-market
Missing		14	3					
Less than £10,000	10		6	7		2	4	47
£10,00-14,999	44	14	38	44	9	21	23	53
£15,000-19,999	44	43	35	28	31	23	36	
£20,000-24,999	2	14	9	7	24	43	27	
£25,000-29,999			6	5	9	11	4	
Over £30,000		14	3	9	28		4	
TOTAL	100	100	100	100	100	100	100	100

Note: Missing cases cover those who did not answer questions on pay.

5.25 Table 5.6 shows that overall, the further the respondents commuted the more they are likely to earn. The survey suggests that those who earned the lowest wages are also the ones who live in or near Cambridge City centre where housing and parking are very expensive.

**Table 5.6 The percentage of respondents in each wage bracket who commute over ten miles**

Annual earnings	% of earners in each wage bracket who commute over 10 miles
less than £10,000	30
£10,000-14,999	22
£15,000-19,999	43
£20,000-24,999	67
£25,000-29,999	71
Over £30,000	78

### Current housing situation

5.26 Sixty two percent of the respondents were owner-occupiers. Only seven percent lived in housing association or council housing and 11 percent in the private rented sector. Nine percent lived with family or friends, while only a tiny number lived in housing tied to their work. These figures cannot be compared directly with national or regional data because the survey could not be fully adjusted for concealed households.

**Table 5.7 Comparison of house size between commuters and key workers**

Number of bedrooms	Commuters %	Key workers %
one	5	10
two	21	23
three	31	48
four	33	15
five or more	10	4
Total	100	100

5.27 By comparison with the survey of commuters, more key workers lived in one bedroom dwellings and fewer had three or four bedrooms or more. This suggests that the key workers were on average lower paid than the commuters.

**Table 5.8 Tenure in the Cambridge area: a comparison (percent)**

	Owner occupation	Private renting	Housing association renting	Local authority renting
Cambridge City	59	16	6	19
South Cambridgeshire	79	7	3	11
England	68	11	18	12

Source: DLTR HIP returns, 2001

5.28 Table 5.8 illustrates the tenure split in Cambridge City and South Cambridgeshire in 2000 compared with the national pattern. Both districts are distinctive in different ways. Cambridge City has a larger private rented sector than nationally while South Cambridgeshire has greater owner occupation. Both districts have low housing association renting.

### Housing aspirations

**Table 5.9 Percent of respondents who want to move in the next three years**

Hospital staff	Bus drivers	College staff	University Press	Engineering firm	Police	Teachers	Super-market
65	57	44	61	41	62	65	37

## **Reasons for wanting to move**

5.29 Table 5.9 above shows that teachers and hospital staff were the most likely of all to want to move within the next three years. Interestingly the lowest paid group, supermarket staff and the highest paid group, engineering staff, were the least likely to want to move. Reasons for moving varied depending on how much people earned. When the lower paid staff wanted to move the reason given was predominately 'to move to a better area'. In contrast the higher paid staff were more interested in moving to larger homes or to live closer to their place of work. The middle income earners were the most keen to move and aspired to owner occupation much more than the lower paid staff. Forty two percent of respondents wanted to move to live closer to work and of these 63 percent said that it was high housing costs that were preventing them from living closer to work.

5.30 Twenty two percent of hospital staff who wished to move wanted to do so to become owner occupiers. Fifteen percent wanted to move into RSL/Council housing, reflecting their low pay and need for housing assistance. There is a perceived notion that nurses like to live closer to work but the nurses surveyed in this study were less likely than any other group of staff to want to move in order to live closer to work.

5.31 Half of the bus drivers surveyed who wanted to move aspired to become owner occupiers and a quarter wanted to do move closer to work. One third of the engineering companies' staff who wanted to move wished to do so in order to live closer to work. None of them wanted to move into RSL or council housing and a smaller percentage of them than in all the other groups wanted to move to become owner occupiers. This could be explained by the fact that they were older on average than the staff in the other occupations.

5.32 Over a quarter (30 percent) of the publishing company staff who wanted to move wanted to do so to live closer to work. Twenty six percent of them wanted to move in order to become owner occupiers.

5.33 A quarter of the staff from the university college were keen to move to larger houses. They were also concerned about moving to a better area. Almost half of the police who wanted to move wanted to do so to move into larger accommodation.

5.34 Forty seven percent of the teachers who wanted to move wanted to do so to become owner occupiers and like the nurses they were not keen to live close to work. Forty three percent of the supermarket staff who wanted to move wanted to do so to move to a better area. Like the University college staff they work in the centre of town and tend to live close to the centre but are more likely to live in the less attractive parts of town.

## **Satisfaction with housing**

5.35 Eighty four percent of the respondents were either very or fairly satisfied with their housing. However 57 percent wanted to move within the next three years. Dissatisfaction with housing was linked to private renting, tied housing and living with family or friends. Only two of the owner occupiers were dissatisfied with their housing. Housing situations where choice is limited and people lack security are the most likely to lead to dissatisfaction.

## Aspirations by tenure

5.36 All of the respondents who were living with family or friends wanted to move to become owner occupiers. Eighty nine percent of those living in private rented accommodation wanted to move, nearly all to become owner occupiers.

5.37 RSL or council house tenants were keen to move with 67 percent of them wanting to move in the next three years. All of the RSL or council house tenants who wanted to move wanted to do so to become owner occupiers.

**Table 5.10 Tenure by age**

Tenure	Age group				
	18-24	25-34	35-44	45-54	55 plus
RSL /council		2%	9%	15	12%
Private renting	38%	16%	6%	2%	
Tied housing	6%	4%	1%	2%	
Shared ownership			1%		
Own with mortgage	21%	59%	77%	68%	71%
Live with family/friends	35%	14%			
Other		5%	5%	13%	17%
Total	100%	100%	100%	100%	100%

5.38 This pattern is also affected by age. Only 21 percent of 18-24 year olds and 59 percent of 25-34 year olds are owner occupiers. These figures are quite low and support suggestions that young people are having difficulty getting onto the property ladder in the Cambridge area.

5.39 Generally, the more people earn either as a household or as a single wage earner the more they are likely to own a property. Single people are less likely to be owner occupiers than people who are married or cohabiting.

## Housing costs

5.40 Seventy one percent of those earning less than £10,000 a year pay less than £300 a month for their housing. In contrast only eight percent of those earning over £30,000 pay less than £300 a month for their housing. Thirty percent of those earning less than £10,000 pay between £300 and £750 a month for their housing.

**Table 5.11 Monthly housing costs by household income (percent)**

Housing costs per month	Household income					
	Less than £20,000	£20,000-29,999	£30,000-39,999	£40,000-49,999	£50,000-59,999	Over £60,000
Less than £300	66	38	31	30	17	18
£300-450	27	36	29	27	33	9
£450-600	2	22	29	24	17	18
£600-750	2	4	6	12	25	9
£750-900	2		4	6		37
More than £900	2				8	9
Total	100	100	100	100	100	100

5.41 The figures on housing and income show that the most poorly paid respondents are the ones who pay the least for their housing. They are also less likely to be owner occupiers and more likely to be dissatisfied with the areas in which they live. In contrast the better paid respondents are paying more for their housing. They have very different reasons for moving and are more likely to want to move so that they spend less time commuting or to obtain a larger house.

5.42 Table 5.12 below shows that the longer a person has worked in the same company, the more likely they are to be owner occupiers. Seventy percent of people who had worked in the same company for more than twenty years were owner occupiers.

**Table 5.12 Years of employment with current company by housing tenure**

Housing tenure	Number of years with current company					
	Less than 1 year	1-5 years	5-10 years	10-15 years	15-20 years	20 plus years
No response	1%					
RSL/Council	5%	9%	7%	7%	8%	5%
Private renting	22%	15%	11%	11%		3%
Tied ownership	1%		4%	4%		3%
Shared ownership	1%					
Own with Mortgage	50%	54%	59%	59%	69%	79%
Live with Family/friends	15%	15%	7%	7%		2%
Other	5%	6%	11%	11%	23%	7%
Total	100%	100%	100%	100%	100%	100%

### Travel to work

5.43 Table 5.13 displays the importance of commuting amongst the respondents. Forty three percent of respondents travelled over ten miles to get to work. This relates to the fact that 42 percent of respondents said that they would like to live closer to work. People are as likely to live over ten miles away as they are to live within five miles of their place of work.

5.44 Almost half of the respondents (49.5 percent) take less than 30 minutes to get to work. Forty two percent take between 30 minutes and 1 hour to get to work and eight percent of respondents spend over one hour travelling to work. This means eight percent spend around ten hours a week commuting.

**Table 5.13 Where respondents live**

Cambridge City	31%
South Cambridgeshire	26%
Fenland, East Cambridgeshire or Huntingdonshire	24%
London	1%
Elsewhere (these included Lincolnshire & Southampton)	17%
No response	1%
Total	100%

5.45 A high proportion of respondents (64 percent) drive their cars to work and very few use public transport at all. This reinforces the problems employers have outlined regarding parking where many reported that they struggle to provide parking for their staff.

5.46 Many employers remarked on the need for an improved public transport system. Only five percent of the respondents used buses to get into work. They were much more likely to walk or cycle than to use buses. Car use was prevalent however and this impacts on the amount of money spent on commuting. Travel costs for 64 percent of respondents were over £10 a week.

5.47 Supermarket staff were the most likely to live close to work. Only two of them lived over ten miles away and most live within five miles of their workplace. Despite this 42 percent of them drive to work, even though the supermarket is in the busy city centre where parking is expensive. The employers do not provide any staff parking.

5.48 Teachers are just as likely to live over ten miles away as they are to live within five miles of work. Sixty seven percent drive to work. Staff parking is more likely to be available in schools than in the city centre workplaces.

5.49 The police are an interesting group when it comes to commuting behaviour. Sixty nine percent of them drive cars to work. Yet the police station where they are based has limited parking. The managerial team is involved with the City Council's travel to work scheme and are trying to find solutions to this problem. It is exacerbated by the fact that the nature of their work means they can never be sure when they will finish a shift and therefore need a flexible means of transport. Over half of the police surveyed live over ten miles away and almost 70 percent of them take over an hour to get to work. Fifty one percent of the police agreed that they would like to live closer to work but could not do so because of the high house prices.

5.50 The engineering company also has a very high number of staff that drive into work, 80 percent of them, but like the police they would prefer to live closer. It seems travelling long distances to work is done out of necessity rather than any desire to live further away. This suggests that it is high house prices that are forcing people to live away from the city and commute in, thus presenting employers and employees with the problems associated with commuting time and costs and parking facilities.

5.51 Bus drivers are the most likely group to get to work by bus, fewer travel by car than any other group and they tend to live closer to work. They receive unlimited free bus travel as one of the fringe benefits of their job.

### **Reasons for leaving the area**

5.52 We asked employees about job satisfaction in order to ascertain whether working conditions were an important factor in recruitment and retention problems in the area.

5.53 Low pay, poor prospects and unattractive working conditions were the main reasons that led to people wanting to leave their jobs. Thirty seven percent of hospital staff, 26 percent of press staff and 26 percent of the supermarket staff were actively looking for new jobs. Hospital staff were the most likely to want to leave Cambridge in search of a new job. Forty four percent of hospital staff who were seeking new jobs were looking elsewhere. Staff from the engineering firm were also keen to leave the area altogether. The police were more likely to state stress alone as the main factor. Overall however, job satisfaction was good with 82 percent of all respondents being either very or fairly satisfied with their jobs. This implies that lack of job satisfaction is not a main reason for recruitment and retention problems in the area.

## **Views on affordable housing and staff shortages**

5.54 There was considerable consensus amongst employees that high housing costs are a real problem in the Cambridge area. Eighty four percent of the employees surveyed believe that high housing costs are forcing people to leave the area.

5.55 Fewer employees agreed that this was a major cause of initial recruitment difficulties. Forty percent thought that it was. Views on these issues did not vary very much by employment type.

## **5.3 Commuters**

5.56 Commuters at Ely and Cambridge train stations were surveyed as part of this study. Questionnaires were distributed to 140 commuters and 42 of them returned them to us. The response rate was 30 percent. The purpose of this survey was to look at the origins and destinations of people commuting and also to see whether many people commute from Cambridge to London to earn higher wages, or indeed, whether people commute from London to work in Cambridge. Twelve percent of respondents lived in London and commuted to Cambridge City to work. However the largest group of the commuters surveyed (45 percent) were commuting from Fenland, East Cambridgeshire and Huntingdonshire to work in Cambridge City. Others travelled from further afield including Lincolnshire, Norfolk, Suffolk and Essex.

### **House size and tenure**

5.57 The number of commuters who were owner occupiers was very similar to the number of owner occupiers in the sample of employees (58 percent – see table 5.8). However the commuter category lived further away from Cambridge centre and lived in houses with more bedrooms than the key workers (see table 5.7). This picture is reinforced by the fact that key workers were much more likely to want to move in order to obtain a larger home than the commuters.

### **Travel to work**

5.58 Two thirds of the commuters to Cambridge lived over 25 miles away from their place of work and 83 percent of them used trains to travel in to Cambridge every day. The rest only used the train occasionally. As a group they spent less money on travel than the key worker survey respondents.

5.59 More commuters (57 percent) than key workers wanted to move to live closer to work. Over half (60 percent) said that they were prevented from doing so by high house prices.

### **Earnings**

5.60 On average the commuters earned more than the key workers. Commuters who were key workers were higher earners than those who lived in the centre of Cambridge. Job satisfaction for the two groups was very similar but those commuters who were looking for new jobs were much more likely to be actively seeking work elsewhere (outside Cambridgeshire). Forty seven percent of the commuters were looking for jobs elsewhere compared with only 29 percent of the key workers.

5.61 Commuters were less likely than the key worker groups to agree that high housing costs were forcing people to leave the area. Two thirds of commuters agreed with this compared with 85 percent of key workers. As with the key workers, the commuters were more likely to be owner-occupiers the longer they had been in the same job, the older they were and if they were married or cohabiting.

## **5.4 Potential key workers**

5.62 A sample of 16 to 25 year olds at Cambridge Regional College was surveyed in order to try to capture people who might be ‘potential’ key workers. Eighty seven percent of respondents were aged between 16 and 22. The ‘tail’ of older students were all studying part time and should not be considered as potential key workers. Of the younger students (under 23), 89 percent studied full time and 79 percent had a job.

5.63 Seventy seven percent of respondents lived at home with their parents. This is to be expected given the age distribution. Eighty seven percent were satisfied or very satisfied with their living arrangements. Even so, three quarters would like to move within the next three years.

### **Aspirations**

5.64 The main reason for wanting to move was to gain independence, and in fact this broad reason covers several of the other replies given: living with partner or friends, leaving the area for further study or for work, or just wanting to leave Cambridge. Interestingly, no one mentioned wanting to get a foothold on the property ladder.

5.65 The factors preventing those living with their parents from leaving home were overwhelmingly to do with costs. The cost of renting or house purchase was considered too high. Also, if the cost of study is too high then students have to live at home to save money.

5.66 Overall, the results suggest that students aged 16 to 22 are mostly still living with their parents and have not really considered housing in any long term sense. While they aspire to independence and feel constrained by the high cost of renting, buying and of study, most of them are content to continue living at home for the foreseeable future. They have a part time job to provide spending money and many of them expect to move away from Cambridge in the next three years, often for study or work reasons.

### **Conclusions**

5.67 The surveys revealed that both employers and employees are affected by the high house prices in the area. Employees have problems recruiting staff at all levels, including those who earn low wages such as cleaners, receptionists and assembly line staff. New positions are hard to fill as people find it difficult to move into the area. For public sector staff, such as teachers, police and nurses, national recruitment difficulties are compounded by the added problem of high house prices.

5.68 The employees who were struggling to become owner occupiers or were dissatisfied with their housing were either low paid, in the early stages of their careers or were working in the public sector.

5.69 Employers saw the tight labour market, inadequate public transport and a lack of affordable housing as causing their recruitment and retention problems. Many employers provide short term assistance such as relocation packages but were keen to see more key worker housing or tied housing. Employees who were commuting long distances wanted to live closer to work but also to become owner occupiers, two aspirations that seem to be increasingly difficult to attain. There was little awareness of shared ownership schemes by any of the respondents.

5.70 Traditional social housing is not reaching these groups but they are clearly in need of housing that is affordable. They do not aspire to traditional social housing, but to become owner occupiers. Therefore policies are needed to assist them to access owner occupation.

## **6 Views of the house builders**

6.1 Interviews were conducted with five private house builders active in the Cambridge area. One was a representative from the House Builders Federation. The key issues to emerge from these interviews are summarised below. The main points they addressed relate to the problems of securing housing land and delivering traditional affordable housing on development sites. But more importantly, they offered some innovative solutions to delivering other forms of affordable housing that could address key workers housing needs.

### **6.0 Land availability in the Cambridge sub region**

6.2 House builders argued that more land needs to be released for housing within the city and that these sites need to be integrated within the existing infrastructure. All of the house builders interviewed welcomed the planners' positive stance towards change of use to housing. However, they argued that the current high level of windfall sites could not be sustained in the long term.

6.3 Views differed on whether landowners were withholding land for housing because of the effect that s106 agreements have on land prices. Some house builders felt that in a rising market, allowance for the s106 contribution could be built into bids, while others thought that s106 agreements effectively sterilised 30 percent of the land value and reduced what could be offered.

6.4 Increasingly, house builders said they were prepared to take the lead and approach landowners about entering joint development ventures. This was thought to be the way forward, working jointly with planners for innovative solutions to housing shortages in the sub region.

### **6.1 Securing affordable housing through the planning system**

#### **Who pays for the affordable housing?**

6.5 The common practice among the house builders was to secure land through the use of a purchase contract to allow the cost of affordable housing to be built into the purchase price. There was an agreement that the affordable housing contribution resulted in a lower land purchase price. However, many noted that the competitive bidding process helped maintain high purchase prices in the sub-region. The highest bidder in reality often paid more than the market value of a site in order to secure the site.

6.6 There was no attempt to reduce construction costs or increase sale prices of the market housing as a way of offsetting the affordable housing contribution. The market was argued to be too competitive to risk losing sales by reducing standards or increasing prices.

#### **Forms of developer contribution**

6.7 The payment of commuted sums was the preferred form of contribution but it was acknowledged to be rare. Providing an 'off-site' contribution was also considered to be rare because of the shortage of alternative sites.

6.8 The preferred form of contribution ‘on-site’ depended on the nature of the site. On small sites, house builders preferred to retain control and sell completed dwellings to an RSL. On larger sites, it is more common to fully service the land and transfer it at nil or below market price to an RSL.

### **Marketability of market houses**

6.9 There was agreement among the house builders that affordable housing on the site affected the marketability of market housing. Improved design allowed the distinction between market and affordable housing to be reduced, but this was a compromise because the affordable housing becomes more expensive to produce.

### **Delivery of the affordable housing on the site**

6.10 There was a growing concern among the house builders that land transferred for affordable housing was lying vacant because no social housing grant (SHG) was available whilst the market housing was being constructed.

6.11 It was argued that this ‘sterilisation’ of the land affected the marketability of the market housing. If SHG is not forthcoming after an agreed date then the house builders argued that they would prefer to build the affordable housing themselves and/or re-negotiate with the planners over the form of the s106 agreement.

### **Definition of affordable housing**

6.12 There was a consensus among the house builders that conventional s106 agreements which only focus on the provision of subsidised rented housing creates considerable divisions between market housing and social housing tenures.

6.13 House builders felt that a better mix of affordable housing including subsidised rented housing, shared ownership, and extending the definition to include key worker housing would allow the housing to be more integrated into the overall scheme. It would also cater for the different categories of households in need that were increasingly witnessed in the sub-region and allow more choice and flexibility for households so that they could move across different tenures.

6.14 Views differed over whether local planners should put a target figure on the proportion of different types of affordable housing that could be built on the site.

### **Provision of forms of affordable housing other than subsidised rented**

#### ***(i) Shared ownership housing***

6.15 House builders wanted a higher proportion of shared ownership housing as affordable housing because it is less detrimental for the sale price of the market housing (the three to five percent shared ownership sought by South Cambridgeshire was considered too low). Many suggested that the Housing Corporation should be more flexible and remove criteria on shared ownership in order to take account of the rapidly changing market conditions experienced in different localities.

**(ii) Discounted market housing**

6.16 Few of the house builders had direct experience with this form of tenure. They were uncertain over the size of the discount. It was very much dependent on the local market conditions, the earning potential of households and levels of Government subsidy. It was considered unreasonable to re-negotiate the agreed discount if, after construction, the housing was considered to be unaffordable. There was agreement that there needed to be a buy-back facility to ensure that the discount remained in perpetuity. Eligibility criteria restricting access to this type of housing to people from the waiting list could result in problems if the prices were out of reach (as in Cambourne).

**(c) Low cost market housing**

6.17 Low cost market housing was defined by house builders as the cheapest market housing on the site. This definition is at variance with Circular 6/98 advice. The house builders argued that as long as there was a market for this housing in the sub region then smaller houses would be built and sold. Whether it was affordable is another issue as there would always be buyers in the sub region prepared to bid up prices and make these properties unaffordable, for example, to key workers.

6.18 House builders all agreed that local planners should not be prescriptive about the mix of market housing. It was argued that the house builders were in a better position to judge the market demand for different types and sizes of dwellings. The proportion of smaller 1-2 bedroom properties on a site depends on the location of the site, for example, a higher proportion would be build on sites near the railway station.

## **6.2 Key worker housing**

6.19 House builders argued that key worker housing should be a substitute for subsidised social rented housing and should not be defined as a separate form of housing which would become an additional planning requirement. Key worker housing should either be shared equity or discounted ownership housing.

6.20 It was suggested that in cases where SHG is not forthcoming then after an agreed date, the house builder should be able to renegotiate the s106 agreement. They should be allowed to either build shared equity or discounted ownership housing for key workers, or transfer a certain proportion of the site to an RSL or private company to build.

6.21 Another suggestion was that a private residential investment company could specifically provide for this niche market. They would build and manage the scheme. The cost of development would be subtracted from the land values obtained when another house builder transfers the land to them. They would obtain the management fees and ensure that the house remained in perpetuity for key workers on resale.

6.22 Deciding who is eligible for the key worker housing was argued to be fraught with difficulties. A household may be penalised and excluded from eligibility by solely earning an extra £1000 above the salary cut off point. Or else, a household may become ineligible over time because of improved circumstances yet remain in the subsidised house.

6.23 House builders agreed that some form of job criteria and salary threshold is needed in order to define eligibility for the key worker housing and that key worker housing should be part of the contribution to affordable housing rather than an additional requirement.

## **Summary**

6.24 House builders appear to be willing to play their part in the process of providing key worker housing through Section 106 agreements by working jointly with planners, approaching landowners and entering into joint development ventures. It was also suggested that some private companies might want to provide for the 'niche' market of key workers. However, house builders argued that an important constraint on providing housing for key workers in the Cambridge sub-region is the shortage of land for housing. In this context, change of use to housing is to be encouraged. But lack of, or delays in receiving Social Housing Grant also causes problems.

6.25 Whichever approach is preferred, the house builders agreed that key worker housing should include shared ownership and discounted market housing as well as subsidised rented to cater for the different categories of households in need and provide some element of flexibility or choice. They felt that local planners should not be too prescriptive about the desired tenure mix, as this should vary according to the characteristics of each site. Any discount should remain in perpetuity and eligibility should be defined in relation to job criteria with a salary threshold. There was a strong feeling amongst the house builders that key worker provision should be a substitute for traditional affordable housing as opposed to an additional planning requirement.

## **7 The supply of housing that people can afford**

### **7.0 Introduction**

7.1 This section is based on interviews with planners and housing officers at Cambridge City and South Cambridgeshire District Councils as well as an analysis of the local planning and housing documents. Its purpose is to consider their perspectives on the problems of securing land for housing in the sub-region and more specifically providing housing that people can afford. It also sets out their respective viewpoints on the definition of affordable housing and whether it should include housing for key workers.

7.2 The first part focuses on the planning framework in existence within the sub-region in relation to the provision of traditional affordable housing. It outlines the affordable housing policies and definitions of affordable housing currently adopted in the two districts. In this context, affordable housing is primarily defined as subsidised rented housing. The next part examines whether the private market will deliver housing for those at the lower end of the market through a supply of smaller dwellings.

### **7.1 The planning context**

#### **Affordable housing policies**

7.3 Both Cambridge City and South Cambridgeshire are revising their affordable housing policies as part of the Local Plan review<sup>7</sup>.

7.4 Cambridge City Council's affordable housing policy contained in its 1996 Local Plan seeks affordable housing on 30 percent of the developable area of sites of 0.5 ha or more, or where more than 20 dwellings are proposed, subject to Circular 6/98. Regional Planning Guidance (RPG6) (2000) would support a lower threshold of 0.5 hectares or more, or 15 dwellings or more.

7.5 Affordable housing policy in South Cambridgeshire has evolved during the Local Plan period. The second Local Plan, which is to be adopted in late 2002, states that 30 percent of the number of dwellings reasonably capable of being constructed on sites in larger villages will be affordable. This applies to sites capable of accommodating estate scale of development (i.e. nine or more dwellings or 0.3 ha or more). Settlements of less than 3,000 have a 50 percent target for affordable housing on all sites. There is also a rural exceptions policy and a separate policy that relates to affordable housing in the new settlement west of Cambridge (Cambourne). The Inspector's Report generally endorses this approach.

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<sup>7</sup> The Cambridge Local Plan 1996 (1991-2001) expired June 2001. The revised draft Local Plan is to be on deposit late 2002. The South Cambridgeshire Local Plan 1993 (1986-2001) also expired June 2001. Supplementary Planning Guidance on affordable housing was published in June 1993. The Inspector's Report into the second Plan has been published and the Plan is to be adopted late 2002. The third Local Plan is hoped to be deposited in Spring 2003.

### ***Definition of affordable housing***

7.6 In Cambridge City, the definition of affordable housing in the Local Plan (1996) is: ‘affordable housing should be available at prices which people in housing need, including homeless families, can afford. Typically their incomes are low and substantially inadequate to pay for owner-occupied or private rented housing’ (p65). Examples of affordable housing are mentioned, including subsidised rented housing and equity share housing. The Housing Need Study (1998) mentioned that shared ownership should represent three to five percent of affordable housing on a section 106 site. However, this observation was not taken forward in a partial review of the Local Plan and the proportion of shared ownership to be built on a site has not been quantified.

7.7 In practice, affordable housing has, with some exceptions, been subsidised rented housing in Cambridge. This definition will change in the next Local Plan as additional greenbelt sites become available. There will not be enough social housing grant to provide for continuation of current practices. The Cromwell Road site is the first in the city where discounted market housing is to be provided as part of the Section 106 contribution at a 50 percent discount of market value.

7.8 In South Cambridgeshire, affordable housing in the second Plan is defined as ‘housing affordable to those who cannot afford market priced housing either to rent or to purchase: in South Cambridgeshire this includes rented housing, shared ownership housing and low cost market housing discounted by 25 percent or more’. Targets are also mentioned for subsidised rented housing, namely 25 percent of the total dwellings, and for shared ownership – three to five percent of the total dwellings on the site. The amount of discounted market housing is negotiable, but the discount has to be at least 25 percent of market value. Discounted market housing is being provided at the new village of Cambourne.

7.9 Both districts are in the process of revising the definition of affordable housing as part of their Local Plan reviews. Neither district’s definition of affordable housing makes explicit reference to the provision of ‘low cost market housing’ at full market prices, because even the lowest priced open market dwellings are not affordable to those in housing need, as defined in the current Local Plans. Notwithstanding this, the provision of smaller dwellings by the private sector offers lower cost market housing which is relatively cheaper than larger dwellings, and will help meet the needs of the increasing number of smaller households. Therefore both districts seek a mix of housing types and sizes, including smaller properties on all open market housing sites.

7.10 The definition of low cost market housing needs to be seen within the context of Circular 6/98. The Circular uses an all-encompassing term for affordable housing, including both subsidised housing and low-cost market housing, irrespective of tenure, ownership – whether exclusive or shared – and financial arrangements. It is for local authorities to define in their development plans what they regard as affordable. The Government Office for the South East has recently clarified the distinction between subsidised and low-cost housing in terms of the Circular. ‘Affordable housing can be delivered both by the use of public money (i.e. “subsidised”) and with the help of developer contribution’. It goes on to advise that ‘low cost market housing is an element of affordable housing delivered, in this case, at an agreed discount below the full market value and in response to an identified need’ (GOSE, 2001)

### ***The provision of affordable housing***

7.11 Both Councils follow government guidance in implementing their affordable housing policies. Because of the high costs of housing land in the sub region, it is not possible to produce affordable housing through the planning system without additional subsidy. Cambridge's Local Authority Social Housing Grant (LASHG) allocations for 2000/1 were £2.358 million; 2001/2: £2.409 million and 2002/3: £2.111 million. There has been no spending by the City Council at Cambourne (where it has nomination rights) up to and including 2001/2. The first spending is planned for 2002/3. South Cambridgeshire LASHG allocations for 2000/1 were £5 million; for 2001/2 the allocation is again for £5 million. The budget for 2002/3 has not yet been determined. As a debt free council, South Cambridgeshire district does not usually have problems with LASHG lagging behind a scheme.

7.12 Cambridge City prefer the developer contribution to be discounted land rather than units. Preference is for on-site rather than off-site provision, as it is difficult for developers to find an alternative site. Cambridge City prefers to secure land and have the opportunity to land bank rather than commuted payments although in some cases these have been acceptable. In South Cambridgeshire, as in Cambridge City, the amount of affordable housing sought on a site may be reduced if there are abnormal infrastructure costs on development, e.g. a bypass. Sites where this is likely to be the case are identified in the Local Plan, although negotiations on individual sites may lead to a lower affordable housing contribution being agreed to reflect unusually high developer contributions. South Cambridgeshire also prefers to secure land, which is the limiting factor in affordable housing provision, rather than to accept commuted payments.

7.13 Obtaining affordable housing on rural exceptions sites tends to be slow for a number of reasons, including finding a willing vendor of land, finding a site acceptable in planning terms and ensuring that the site is fully acceptable to the parish council.

7.14 In both districts, there has been a considerable shortfall in the amount of affordable housing provision in relation to the levels of identified housing need. The housing needs surveys looked specifically at traditional affordable housing and did not include the needs of key workers.

7.15 Cambridge Housing Need Survey (February 1998) estimated that there were 4,817 households in housing need of which 2,806 households were in need of being re-housed. In comparison, Cambridge's Urban Capacity study (December 1998) estimated the housing capacity for Cambridge to be 3,393 dwellings. Given the affordable housing policy in the adopted Local Plan, in which 30 percent of the dwellings should be affordable, it can be seen that the provision of affordable housing on these sites alone will not address this need.

7.16 In South Cambridgeshire, the Housing Need Survey (1998) identified housing need to be in the range of 3,350 - 4,900 over the period 1998-2006. The Structure Plan housing requirement figure for South Cambridgeshire is for 11,300 dwellings between 1991 and 2006. At 1998, there had been 4,144 housing completions and 3,857 dwellings on sites with outstanding planning permission, leaving a residual housing requirement of 3,299 dwellings between 1998 and 2006. Given that affordable housing provision through the planning process is only required to be a proportion of this overall housing provision, it is clear that affordable housing provision will not meet identified housing need in South Cambridgeshire.

7.17 The future strategy coming out of the RPG and the new Structure Plan proposes significant additional development on the edge of Cambridge through green belt release in both Districts which will be allocated in the Local Plans and which will have to provide affordable housing.

7.18 These figures clearly demonstrate the shortfall in both districts in providing traditional affordable housing in relation to the level of priority housing need identified in the housing need surveys. As such, these shortfalls would need to be addressed in addition to any consideration of providing for key worker housing. Key worker housing must be considered as additional to, not a substitute for, traditional social housing.

### ***Key worker housing***

7.19 Neither Cambridge City nor South Cambridgeshire currently have policies for key workers in their Local Plans. However, national planning guidance (PPG3: Housing) has now introduced the concept of key worker housing to the planning system and requires that local planning authorities have regard to the housing needs of many different groups including key workers in preparing policies to meet needs in their areas. The new draft Structure Plan that is to be placed on Deposit in March 2002 is responding to that advice and includes a policy stating that 'local plans should make provision to meet a locally assessed need for ... key workers'.

7.20 Both Cambridge City and South Cambridgeshire Councils are inclined towards including policies to secure key worker housing in their next Local Plans. The findings and recommendations from this study will inform the nature of those policies.

7.21 The provision of housing for key workers is seen by planners as an additional source of housing to meet a separate and additional housing need. Problems are anticipated even for those on more than average incomes in reaching the lower end of the housing market since house prices are so high. It will also be difficult for the market to provide housing that key workers can afford without any form of subsidy. High land costs will make it difficult for house builders to keep prices down. At the same time, high demand pressures will mean that there will always be buyers prepared to bid up prices in the sub-region.

## **7.2 The mix of dwellings**

7.22 As identified in paragraph 4.26, housing shortage is greatest at the lowest end of the market where property is relatively more 'affordable' and this shortage is not being met through the market.

7.23 Table 7.1 shows the mix of properties in 1991 according to the number of habitable rooms. In England as a whole, the East Anglian region, Cambridgeshire County and Cambridge City, the most common category in 1991 was 5 habitable rooms. This equates to three bedrooms, a living room and a kitchen, or two bedrooms, two living rooms and a kitchen.

**Table 7.1 Habitable rooms: a comparison (percent)**

Number of rooms	England	East Anglia	Cambridgeshire	Cambridge City	South Cambridgeshire
1	1.7	1.1	1.6	5.2	0.6
2	3.6	2.6	3.1	6.0	2.1
3	8.7	6.7	7.3	10.8	5.6
4	20.6	19.2	17.6	18.2	16.4
5	29.3	31.2	29.8	24.6	27.3
6	21.1	21.3	21.2	21.1	20.2
7 or more	15.0	18.0	19.6	14.3	27.8

Notes: 'Rooms' are habitable rooms. They include kitchens but exclude bathrooms, toilets, garages and sheds. East Anglia comprises Cambridgeshire, Norfolk and Suffolk.  
Source: 1991 Census

7.24 In South Cambridgeshire, in contrast, the most common category by a small margin was seven or more rooms. This equates to four bedrooms or more. In 1991 this proportion was much higher than the national, regional and county proportion.

7.25 The proportion of dwellings by bedroom size being built in the Cambridge area since 1991 is shown in table 7.2 below and is compared with the distribution taken across the county as a whole. The position for 1999-2001 is shown separately in table 7.3.

**Table 7.2 The proportion of new dwellings by bedroom size 1991-2001(percent)**

Percent	1 bedroom	2 bedrooms	3 bedrooms	4 bedrooms or more
Cambridge City	28	31	24	19
South Cambs	5	25	25	46
East Cambs	6	26	33	34
Fenland	8	40	31	20
Huntingdon	6	17	29	47
Cambridgeshire	8	26	28	37

Note: These figures exclude new student accommodation.  
Source: Cambridgeshire County Council monitoring data (1991-2001)

**Table 7.3 The proportion of new dwellings by bedroom size 1999-2001(percent)**

Percent	1 bedroom	2 bedrooms	3 bedrooms	4 bedrooms or more
Cambridge City	34	33	19	23
South Cambridgeshire	1	23	24	52
Cambridgeshire	7	22	25	45

Note: These figures exclude new student accommodation.  
Source: Cambridgeshire County Council monitoring data (1999-2001)

7.26 Over a quarter of new dwellings being built in Cambridge City over the last ten years have been one bedroom dwellings and almost 60 percent have been one and two bedroom dwellings. Only five percent of new dwellings in South Cambridgeshire have been one bedroom dwellings and only 30 percent one or two bedroom dwellings. In contrast, almost half of the dwellings built in South Cambridgeshire have had four bedrooms or more. The polarisation has been exacerbated further over the last two years, 1999-2001, in both districts. In Cambridge City, 67 percent of new dwellings were one or two bedrooms, whilst in South Cambridgeshire only 24 percent of dwellings were one or two bedrooms and over half were four or more bedrooms.

7.27 The implication of these figures is that large quantities of smaller and hence relatively cheaper and more affordable dwellings on development sites in South Cambridgeshire are not being and are unlikely to be provided by the market. This is of particular concern in an area where average house prices are high and becoming more inaccessible to those on average incomes, not just key workers.

7.28 The key worker survey showed that the proportions of key workers who were single person households varied by occupation. They ranged from 21 percent (Press, Sainsbury's) to 38 percent (Teachers). This suggests that the mix of house types on new key worker developments should include between 20 and 40 percent one or two bedroom units.

7.29 The South Cambridgeshire Local Plan currently has a policy seeking a mix of house types in response to Government guidance. However, this is clearly not achieving a mix that includes an adequate proportion of smaller dwellings in South Cambridgeshire. A more prescriptive policy that includes targets may be needed to achieve this objective.

7.30 If South Cambridgeshire planners wish to try to mitigate this imbalance as compared to the national and regional pattern, it would not seem unreasonable to request a maximum of 15 percent houses with four or more bedrooms, and a minimum of 20 percent dwellings with two or fewer bedrooms. These are the national proportions from the 1991 census, which provide a higher proportion of one and two bedroom than either the region or the county, but county and regional averages will have been distorted by the high figures for dwellings with four bedrooms or more in South Cambridgeshire. Therefore it would be appropriate to use the national figures as a comparison.

7.31 An alternative approach could be to use the Cambridgeshire County proportions achieved over the last ten years as targets for South Cambridgeshire. In rounded terms, this would give 35 percent 1 and 2 bedrooms, 30 percent 3 bedrooms and 35 percent 4 bedrooms or more. This would allow more flexibility for developers to continue to provide larger dwellings in response to market forces, whilst ensuring a higher provision of smaller dwellings in response to the need for more affordable dwellings for many residents of South Cambridgeshire.

## **Summary**

7.32 The outline of the current planning context provides the baseline for this study. There is evidence that not enough traditional forms of affordable housing are being produced to meet identified needs in the Cambridge sub region. The Local Plans do not currently have key worker policies but the Councils are inclined towards including such policies in the reviews.

7.33 There is an identified shortage of smaller dwellings and evidence that the market is not currently providing them in South Cambridgeshire. Including targets in Local Plan policies would help to address this.

## **8 Addressing the key worker housing problem**

8.1 Having identified that there is a problem of accessibility to housing for a significant proportion of people on average incomes, this section defines who are key workers, how eligibility for assistance with housing could be assessed, what forms that housing could take and focuses on ways that key worker housing could be secured, looking particularly at the planning system.

### **8.0 Definition of terms**

#### ***Key workers***

8.2 The most relevant definition of key workers is related 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. They are therefore likely to be mainly public sector workers. The definition of key worker should not relate to income which only becomes relevant when discussing the need for assistance with housing costs.

#### ***Eligibility of key workers for housing assistance***

8.3 Any provision of key worker housing should be for those key workers whose household income is insufficient to buy a suitable property on the open market locally and who are not eligible for assistance with their housing costs. Key worker assistance should be related to the issue of whether or not their employer is facing difficulties in recruitment or retention related to housing costs and is unable to respond to these problems by increasing wages or by relocating elsewhere. Key workers eligible for assistance are therefore likely to be lower paid public sector workers and those related to the ‘care and comfort’ of the community. Thus in the Cambridge area bus drivers might not be included because unlike the situation in London, there are no reasons why their employers cannot increase wages (in London the franchising rules preclude additional pay increases to bus drivers). Eligible key workers should include care workers but not necessarily other low paid local service sector workers because, unlike London and many other cities, there is a ready supply of students who are able to undertake the flexible jobs in the service sector.

#### ***Key worker housing***

8.4 The definition of key worker housing should include shared ownership and equity and other low cost housing such as discounted market housing. It would have to provide a lasting benefit for future key workers and would have to be affordable to the targeted group of key workers. In Cambridge and South Cambridgeshire the definition would not include low cost market housing that is not discounted because the evidence suggests that such housing would not be affordable to those on moderate to low incomes. It could include rented housing provided by a housing association or other not-for-profit organisation at below market rents without the need for subsidy, although the evidence suggests that rented housing is only a solution in the short term.

## **8.1 The Starter Home Initiative**

8.5 Cambridgeshire County Council's bid for funding under the SHI has been successful although at £3.9 million it is ten percent less than proposed. Bedfordshire Pilgrims Housing Association is running the scheme which will assist 190 key workers over the next three years. The scheme is similar to Do It Yourself Shared Ownership, with the housing association taking a 50 percent mortgage share. The numbers are relatively small and while these people will become part of the housing market, which in principle adds to effective demand, the difference is not likely to be easily measurable.

8.6 The survey of employers provides clear evidence of problems of recruitment and retention for the groups of key workers as defined by the Starter Homes Initiative, namely nurses, teachers and the police. The Starter Homes Initiative refers specifically to these categories, together with other essential health staff. In addition the first round of SHI funding has assisted a small number of 'other' workers including social workers, fire fighters and transport workers.

8.7 The employers' survey confirms that in the Cambridge area recruitment problems are significant in the public sector. They apply across the board, not just to the grades mentioned in the SHI but also to lower grades of staff. The issue is related to national salary scales which do not have the flexibility to offer more pay to those groups who are difficult to recruit or retain.

8.8 In the private sector, only transport workers are identified as key workers by the SHI. There is evidence of recruitment and retention problems among bus and train drivers in the Cambridge area.

8.9 Since the problem has been recognised by government and others, various schemes to attract and retain key staff have been introduced in the public sector. Thus at Addenbrooke's Hospital for example, ten new initiatives were introduced in 1996 to reduce staff turnover. By March 2001 this had fallen from 29 percent to 14.2 percent, a reduction of over 50 percent. Additionally, the Trust regularly recruits nursing staff from Ireland and the Philippines in order to tap recruitment markets away from the UK mainland. Despite these initiatives, recruitment and retention remain problematic among health care workers.

9.10 In the police force, the problem has been identified as one of retention as much as recruitment. The evidence shows that the Southern division of Cambridgeshire Constabulary is 18 below establishment because it has higher losses through external transfers and resignations as well as losing experienced staff through internal moves and standard retirements. A range of initiatives is currently being proposed in the belief that housing is the main issue behind recruitment and retention problems in Southern division.

### ***Impact on recruitment and retention***

8.11 There is evidence from the surveys that the Starter Home Initiative, although modest, will indeed impact on recruitment problems. Equally, increased provision of subsidised key worker housing would impact on recruitment. Employers who said they had no current recruitment problems thought that this was because they were able to assist with housing.

8.12 Since the majority of employees surveyed aspired to home ownership, the SHI is also likely to assist with retention of key staff provided that the houses purchased under the scheme are able to meet their longer term needs.

8.13 If additional key worker housing under the Starter Home Initiative were to be proposed in Local Plans, this would increase supply and help to counteract any impact on demand.

### ***Other employees not covered by SHI***

8.14 The employer survey has shown that recruitment and retention problems are not confined to the public sector. Other categories which are not defined as key workers by the SHI yet face recruitment and retention problems include public sector workers, especially care workers, probation officers and university staff.

8.15 Other employers reported difficulties covering hotel and catering, hairdressing and retail staff. Those that did not had been able to increase pay.

8.16 Cambridge University faces problems recruiting employees at all levels. It is currently looking to produce evidence of recruitment and retention problems, related to high housing costs, in time to make representations for key worker housing as part of the Structure Plan review process.

8.17 It is difficult to show conclusively the extent to which these problems are related to the housing market. Several employers including the police conduct regular exit polls which reveal that housing costs are a severe problem. In particular, a reasonable sized family house with a garden is extremely expensive in the Cambridge area. The majority of employers surveyed thought that their problems were related at least partly to high housing costs, although a significant proportion also identified the tight labour market and the restrictions of national salary scales or low average earnings in their industry.

## **8.2 Policies in Local Plans**

8.18 The context for considering key worker housing is given in PPG3: Housing. This states that 'local planning authorities should ... assess the range of needs for different types and sizes of housing across all tenures in their area. This should include affordable housing and housing to help meet the needs of specific groups – the elderly, the disabled, students and ... key workers ...' (para. 13). This assessment of needs underpins local housing strategies and local plan policies.

8.19 The Regional Planning Guidance for the Eastern Region (RPG6, 2000) states that provision for 2,800 dwellings a year is required up to 2016 in the Cambridgeshire part of the sub region. It gives no separate target for affordable housing within this overall total although it would support reduced thresholds for provision of affordable housing through the planning system. The draft Structure Plan states that 'the targets set will vary according to the local level of need, although they are likely to be within an indicative range of 30-50 percent.'

8.20 This study has demonstrated a need for key worker housing. Therefore, in line with government guidance, both Cambridge City and South Cambridgeshire should include policies for securing key worker housing in their Local Plans.

8.21 Key worker housing can be secured in at least two ways. One is through the government's Starter Home Initiative and both districts have been included in the county council's successful bid for additional funds under this scheme. The second is through the planning system using s106 agreements. It is reasonable to ask for a contribution to such housing from developers

because without it house prices will be so high as to force key workers to leave the area. This will have damaging effects on the local economy and on the community. Key worker housing should be additional to, not a substitute for, traditional affordable housing because this study together with the evidence from housing needs surveys shows that those in priority housing need remain significant.

8.22 We have looked at two different ways of projecting future housing demand and need. The first is based on secondary sources and demographic factors, the second on primary data from local Housing Needs Surveys. Both show a continuing need for traditional social rented housing to meet newly arising priority needs. There is also a substantial backlog of existing need. This provides clear justification for the current 30 percent affordable housing requirement being negotiated on housing development sites in the two districts.

8.23 It has been difficult to quantify the extent of the key worker problem in the Cambridge sub region. This is because many of those defined as key worker in the strict sense of contributing to essential services are not low paid and do not face problems accessing housing that they can afford. In addition, some of those who are very low paid may qualify for traditional social housing. The total numbers of people falling into the gap between eligibility for traditional housing assistance and ability to access market housing are difficult to identify. Not all of those will be key workers. What we can say is that on the basis of the difference between average and median incomes in both districts, together with high housing costs, there are likely to be significant numbers of people who cannot afford to buy or rent property in Cambridge or South Cambridgeshire. Households with two incomes will be more successful but many of these will still face problems.

8.24 The evidence from the surveys shows that key worker employees are overwhelmingly not living in the social sector and not aspiring to do so. Some are living in Cambridge City, but others are living in cheaper housing areas in East Cambridgeshire, Fenland and Huntingdonshire as well as further afield. They are not generally living in South Cambridgeshire.

8.35 This suggests that if the two districts are going to be able to provide suitable housing to meet the needs of key workers, they will need to consider increased provision of shared ownership and discounted market housing. All the evidence suggests that shared ownership is not clearly understood and is not well advertised. But given expected income growth together with people's aspirations to enter home ownership this would seem to be a sensible option.

8.26 The requirement is therefore both for more housing covering key workers on low to moderate incomes as well as the provision of traditional social housing for those with priority needs. There is also a requirement for a range of different types of subsidised housing to meet those needs.

8.27 An overall contribution from new development of up to 50 percent to make provision for key worker housing would not be unreasonable, especially in the light of the draft Structure Plan. It is also important that planners ensure that the houses remain affordable in perpetuity.

8.28 One way of increasing the amount of affordable and key worker housing that is produced is for local planners to consider a lower threshold for affordable housing provision than that set out in Circular 6/98. A threshold of 0.5 hectares or more, or 15 dwellings, has already been introduced in many areas where there is a shortage of larger sites. A threshold as low as 0.2 hectares, or six dwellings, could be justified for a key worker housing contribution. It might be

appropriate to accept key worker housing as the sole contribution on small sites in some circumstances, although it is recognised that this might not be sustainable in smaller villages.

8.29 Planners should also consider requiring a contribution to affordable housing and key worker housing provision on employment sites, on the grounds that this will help meet the additional demand for housing created by the increase in employment on the site. This might be particularly relevant for key worker employers.

8.30 The main difference between key worker housing and traditional affordable housing is that key workers are more likely to be able to contribute to at least part of their housing costs and they are likely to aspire to owner occupation which is something they could achieve in other, less expensive, parts of the country. Therefore key worker housing secured through the planning system should be shared ownership (through a RSL) or discounted market housing (provided that the discount is secured in perpetuity). Some rented accommodation could also be supplied although it must be recognised that this would only meet short term needs.

8.31 Finally, key worker housing can be provided by employers or developers without the need for s106 agreements if they so choose. Developers interviewed suggested that there was a role for specialist companies providing rented or shared ownership housing. They suggested that key worker housing could become a 'niche market'. In addition some RSLs are already interested in developing key worker housing, perhaps in partnership with private developers.

### **8.3 Availability of land from employers of key workers**

8.32 Interviews with large employers of key workers in the Cambridge sub-region were conducted to ascertain the proposals that they have on their respective land holdings. This land could provide an opportunity to secure maximum key worker housing for those in need, close to where they work. Although the landowners interviewed are also employers, their priority with respect to the way that their land is developed is for it to achieve the most profitable end use. The exception to this is Addenbrooke's NHS Trust who can develop their land themselves to meet their own needs. But they cannot operate independently when disposing of their land to third parties, instead they have to abide by Treasury rules to achieve the highest value with respect to how their land is developed when sold on in the market.

8.33 In physical terms, all of these sites within Cambridge could be developed to address the need for key workers housing provided they are suitable in planning terms. However, it is important to acknowledge that the landowners' proposals vary enormously in terms of the stage that they are at in the planning process. Inclusion in this study is not an indication that any of these sites would necessarily be appropriate in planning terms.

#### ***Addenbrooke's NHS Trust***

8.34 The Addenbrooke's NHS Trust, with the University and the Medical Research Centre, has published long term development plans for the Addenbrooke's site in a document 'Addenbrooke's: the 2020 Vision'. This spells out the need to expand the hospital facilities on the site over the next 20 year period to meet changes in medical practice and forecast population growth.

8.35 As part of this strategy the Trust expects to expand its current on-site housing stock for medical and other on-call staff. The Trust will achieve what it can by incorporating housing

provision within its own development plans for the site. However, on-site housing provision 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. For the majority of staff, on-site accommodation is neither a desirable nor a practicable solution.

8.36 The provision of key worker housing in locations adjacent to the main hospital complex site is therefore a major objective for the Trust. The Trust's Phase One expansion plans include provision for up to 280 dwellings, all of which would be available for rent to staff working on site. The Trust would welcome the provision of additional key worker housing for their staff on other nearby sites. This additional housing would release private housing, currently occupied by health and other site workers, on to the market; enable housing to be provided near the place of work, thus releasing road space from commuting; and reduce the demand for car parking on site.

### *University of Cambridge*

8.37 Initial proposals are being drawn up by the University for long term development in the North West of Cambridge. The 124 hectare site is to be marketed as the North West Cambridge Development Site and the University is seeking for it to be considered within the Structure Plan and Local Plan review process. The development is proposed to cover a 30 year period.

8.38 These proposals are unique because they are university-led. They include academic and associated research space, and a new college if an endowment comes forward. The University believes that around 2000 dwellings could be proposed in total. The University suggests that 30 percent of the housing should be for key workers defined to include university employees. Key worker housing would serve both needs within the site and the current shortfall of accommodation for University staff. They would prefer that the key worker housing would be an alternative to the normal affordable housing provision (i.e. subsidised rented housing).

### *A University College*

8.39 Trinity College's prime land holdings within the Cambridge sub-region are the 49 hectares of land off Milton road in which the Cambridge Science Park is located. However, they also own a total of 270 hectares of land currently within the Cambridge Green Belt.

8.40 The College acknowledge that there is little scope to put forward proposals to provide housing on this land whilst it is designated as part of the Green Belt. However, they are hoping that the subsequent review of the Green Belt would release these sites for potential development. Their preference is for housing development. They were aware of the Section 106 requirement to allocate a proportion of the site for affordable housing. However, they raised their objections to 'social engineering' the composition of housing on a site, and instead suggested that there should be flexibility within the system. They were in favour of providing housing for key workers and in particular saw this provision to be crucial for University College staff, many of whom are unable to afford to live in Cambridge.

8.41 Employers of key workers should discuss with local planners whether direct provision of staff accommodation or working jointly with a housing association / house builder / landowner to provide accommodation would meet their business needs. Such discussions should cover all key worker employees rather than identifying specific individuals.

## 8.4 Travel to work

8.42 The current position is that respondents to the survey who travelled by car took between half an hour and one hour to get to work. The majority were satisfied with their housing and their job, and were not looking to move. For them, a reasonable travel to work area is defined by distance and travel time, less than one hour (85 percent) and less than twenty five miles (87 percent) when travelling by car.

8.43 Commuters by rail were more likely to take over one hour to get to work, which reflects the dominance of London as an employment base. Those commuting to Cambridge from Ely had often travelled by car to get to Ely station so that their journey was not necessarily short. In addition they still had to get to work from Cambridge station.

8.44 A recent survey of travel to work conducted by Cambridgeshire County Council covered 5,000 responses and found that 50 percent of them commuted by car. A European study found that in the UK the average commute time is 46 minutes.

8.45 There is an issue of sustainability in relation to the definition of a reasonable travel to work area. If appropriate, reliable and safe public transport is available, commuting is much more sustainable. At present most commuters travel by car. A large increase in commuting by car would not be sustainable even over relatively short distances and indeed the aim should be to reduce the current amount of commuting. However, improved public transport would have the effect of extending the travel to work area. In principle the aim must be to provide key worker housing that is close to the location of jobs. Therefore it is not recommended that a refined travel to work area is used for any key worker housing policies included in the Local Plans for either Cambridge City or South Cambridgeshire.

8.46 The evidence from the surveys produced no reasons to change the current Department of Employment definition of the travel to work area for Cambridge City. This includes the smaller towns of Ely, Haverhill, Huntingdon, Mildenhall, Newmarket and St Neots. From our survey people commuted from the South Cambridgeshire villages, Ely, Haverhill and Peterborough. A journey of up to three quarters of an hour is considered reasonable.

8.47 The surveys showed that the lower paid employees were the least happy about travelling to work whereas higher earners were more likely to live further afield and travel longer distances to work.

8.48 Employers placed emphasis on improving public transport to reduce commuting times and congestion. This was echoed by the desire on the part of lower paid employees to live closer to work. Improved public transport would bring more areas within the reach of a reasonable travel to work area of three quarters of an hour.

8.49 The evidence that lower income employed households prefer to live nearer to their work place is part of the rationale for a key worker policy. Government policy on sustainable development is seeking to reduce the need to travel. Therefore key worker housing is best provided in locations with good public transport or relatively close to centres of suitable employment.

## Summary

8.50 Key workers should be defined according to their role in the local economy. Their eligibility for housing assistance should be related not only to their own salary levels but also to whether or not their employer is facing difficulties in recruitment and retention. The Starter Homes Initiative is a positive step in the right direction, but those eligible for assistance have been too narrowly defined. Recruitment and retention problems are not confined to the public sector; some private sector employees are also key workers. Further initiatives set up by employers to help solve their problems, such as those by Addenbrooke's and the police force, are welcomed.

8.51 More housing specifically for key workers should be provided and a major opportunity lies with the planning system through Section 106 agreements. With a demonstrable need for key worker housing in the area, both Cambridge City and South Cambridgeshire Councils should include policies for securing such housing in their Local Plans. A lower qualifying site threshold and a higher percentage target of units could be introduced. Sites could be highlighted specifically for key worker housing. Seeking contributions from employment sites also seems particularly relevant in the key worker context and employers should be encouraged to develop housing on their own land. Key worker accommodation should be additional to, not a substitute for traditional affordable housing, as significant priority housing need remains. Key worker housing should be provided close to or within good access of suitable employment and it should also include tenures such as shared ownership and equity and other low cost housing such as discounted market housing. This is because key workers aspire to home ownership and therefore rented housing can only provide a short-term solution.

8.52 In terms of travel to work and sustainability, the aim must be to provide key worker housing that is close to the location of jobs. Therefore it is not recommended that a refined travel to work area is used for any key worker housing policies included in the Local Plans for either Cambridge City or South Cambridgeshire.

## **9 Conclusions and recommendations**

9.1 Traditionally social rented housing met the needs of many lower income employed households. Growing incomes and aspirations on the one hand and increasing emphasis on priority needs in traditional affordable housing provision on the other has left a gap, currently reflected in concerns about key workers. This gap is particularly important in the Cambridge sub region because of the region's role as an engine of economic growth.

9.2 Some of the need from key worker households can still be met through social rented housing but, especially in terms of new provision, the main requirement is some form of owner occupation. Employers can be expected to play a part, especially where they have large demands and some appropriate land holdings. However the requirement is much broader than this and should be identified as such in Local Plans. Key worker housing is additional to traditional affordable housing to meet priority needs and policies to secure additional key worker housing should be included in Local Plans. If average house prices are not affordable to 50 percent of households unless they have two average incomes, the key worker problem is clearly significant although difficult to quantify precisely.

9.3 The key worker problem has many facets. Where employers can afford to pay more, such people will be able to access local housing but at the expense both of regional competitiveness and lower income households. Where employers are constrained by national salary scales, this is far more difficult and the problem of affordability is increasing. Employees in such organisations are not eligible for assistance with their housing costs and are being squeezed out of the local housing market.

9.4 What is clear is that traditional social housing is not providing for this group, especially new entrants to the area. From a planning point of view this implies that, if needs are to be met, either the way in which traditional social housing is allocated must be changed or a different kind of housing provided.

9.5 Workers are generally ignorant of shared ownership and other low cost approaches to owner occupation. These are therefore potential options which could be supported, provided they were carefully marketed.

9.6 Market pressures are pushing employees to live further away from Cambridge. This particularly affects lower paid workers who generally wish to live nearer their employment. However, improved public transport could in some cases reduce their journey to work time.

9.7 Almost all the land identified by major employers of key workers is either already in Local Plans or would require significant change in planning policy before it could be brought forward. Even so, there is some scope for providing additional housing land to meet both general housing requirements and these different forms of housing need. Any land put forward by employers would also have to be appropriate in planning terms.

9.8 Employers with land generally see their land ownership as separate from their concerns about key worker provision. They support the provision of a range of key worker accommodation on land coming forward for development but are not readily prepared to provide this at the expense of their own land values.

9.9 Addenbrooke's and the University are both large enough employers to be involved in key worker schemes for their own employees. Other employers would be better served by schemes run by different agencies.

9.10 To meet tenure aspirations and to be affordable, key worker housing would have to take the form of shared ownership, shared equity or discounted market housing. Policies should be included in Local Plans and local planners will need to enter into negotiations with house builders to secure these different forms of housing on an appropriate proportion of development sites. Planning requirements should also aim where possible to ensure that such housing remains affordable in perpetuity for key workers.

9.11 There is an identified shortage of smaller dwellings and evidence that the market is not providing them in South Cambridgeshire. Including targets in Local Plan policies would help to address this.

## **Recommendations**

9.12 There are some fundamental issues which must be taken into account by planning and housing policies:

- Land has historically been in short supply in both Cambridge City and South Cambridgeshire.
- Both districts are attractive places for employment, and the growing population adds to housing demand.
- The price of housing is high and rising.
- The distribution of income is getting more uneven and this is likely to continue, with increasing numbers unable to access the housing market.

9.13 In both districts, population, households and employment growth without an equivalent growth in the housing stock has resulted in housing affordability problems for workers which are feeding into recruitment and retention problems, particularly for certain types of employer. Key worker requirements are generally over and above identified need for traditional affordable housing.

9.14 The needs of key workers have not been addressed in the past. Local policies are now in place to secure affordable housing to meet traditional housing need, in line with changes in national policy. That policy now points to a requirement to develop equivalent mechanisms for providing key worker housing.

9.15 In South Cambridgeshire the pressure of the housing market for larger properties in the rural area, together with the limitation on planning policies to counter that pressure in the past, have resulted in a more limited amount of smaller new houses, increasing wider problems of affordability.

9.16 The impact of affordable housing policies in both Cambridge City and South Cambridgeshire will only be felt at the margin because an increased proportion of affordable housing is only achievable on new development. Affordability within the existing stock could

only be influenced by additional supply in sufficient quantities and in the right locations to have an impact on price, which given the historic and planned rates of housing construction is unlikely.

### **1      *Key worker policy***

9.17 The research has shown that although it is difficult to quantify, the scale of the key worker problem is significant since half the population can not afford average house prices unless they have two average incomes. While only a proportion will meet the definition of key worker, the ‘gap’ between those eligible for assistance with their housing and those who are not but cannot afford market prices is large and rising. This provides justification for seeking an element of key worker housing from development sites, in addition to traditional affordable housing. Cambridge City and Council and South Cambridgeshire District Council should both include policies for securing key worker housing in their next Local Plans.

### **2      *Definition of key worker***

9.18 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. The definition of key worker should not relate to income. This only becomes relevant when discussing the need for assistance with housing costs. 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. Employers with land holdings which could be developed for residential use could be expected to make provision for their own key workers on that land before being eligible for assistance through the planning system.

### **3      *Eligibility for key worker housing***

9.18 Any provision of key worker housing should be for those key workers whose household income is insufficient to buy a suitable property on the open market locally and who are not eligible for assistance with their housing costs. Key worker assistance should be related to the issue of whether or not their employer is facing difficulties in recruitment or retention related to housing costs and is unable to respond to these problems by increasing wages or by relocating elsewhere. Key workers eligible for assistance are therefore likely to be lower paid public sector workers and those related to the ‘care and comfort’ of the community. Employers with land holdings which could be developed for residential use could be expected to make provision for their own key workers on that land before being eligible for assistance through the planning system.

### **4      *Definition of key worker housing***

9.19 The definition of key worker housing should include shared ownership and equity and other low cost housing such as discounted market housing. It would have to provide a lasting benefit for future key workers and would have to be affordable to the targeted group of key workers. In Cambridge and South Cambridgeshire the definition would not include low cost market housing that is not discounted because the evidence suggests that such housing would not be affordable to those on moderate to low incomes. Although the evidence suggests that rented housing is only a solution in the short term, some key worker housing could include

rented housing at sub-market rents provided by a housing association or other not-for-profit organisation without the need for subsidy.

## **5      *Definition of reasonable travel to work area***

9.20 The evidence from the survey produced no reasons to change the current Department of Employment definition of the travel to work area for Cambridge City. This includes the towns of Ely, Haverhill, Huntingdon, Mildenhall, Newmarket, and St. Neots. This is required principally for any future Starter Home Initiative bids. It is not recommended that it is a factor that should influence the location of key worker housing. The location of new key worker housing should be near to centres of employment or good public transport routes in order to be more sustainable in terms of commuting.

## **6      *Achieving additional affordable and key worker housing***

9.21 The main means of achieving additional affordable housing is through the planning system. On the basis of forecasts and housing needs surveys a target of 30 percent to meet priority needs would be justified throughout the sub region. However this will not address the key worker problem. Increasing the target will not address it either because the evidence from the surveys showed that key workers do not aspire to, or qualify for, traditional social housing. Meeting the key worker requirement will mean increased provision of shared ownership, shared equity and discounted market housing. An overall contribution from new development of up to 50 percent to make provision for key worker housing would not be unreasonable, especially in the light of the draft Structure Plan. It is also important that planners ensure that the houses remain affordable in perpetuity.

9.22 Planners should also consider requiring a contribution to affordable housing and key worker provision on employment sites, on the grounds that this will help meet the additional demand for housing created by the increase in employment on the site. This might be particularly relevant for key worker employers.

## **7      *Thresholds***

9.23 Local planners could consider a lower threshold for affordable housing provision than that set out in Circular 6/98. A threshold of 0.5 hectares or more, or 15 dwellings is being introduced in many areas where there is a shortage of larger sites. South Cambridgeshire already has a lower threshold than Circular 6/98. However, a threshold as low as 0.2 hectares or 6 dwellings could be justified for a key worker housing contribution. It might be appropriate in some circumstances to accept key worker housing as the majority or sole contribution on sites particularly well placed for access to key worker employment. This would be the exception and only permissible where there were strong planning grounds such as local accessibility problems, because not all key workers want to live very close to their place of work. It would need to be balanced with the objective of planning traditional affordable housing in more sustainable locations with better access to services and facilities.

## **8      *Flexibility of s106 agreements***

9.24 Planners should consider increasing the flexibility of s106 agreements in order to ensure a maximum contribution to affordable and key worker housing. They cannot be re-negotiated when SHG is not forthcoming within the timescale of the development, but they could

include a cascade of alternative arrangements. Social rented housing would be the preferred tenure on site, but if SHG is not available, the requirement would cascade down to shared ownership, followed by discounted market housing, with a further cascade of discounts if desired. This has been introduced elsewhere with some success.

## **9      *Role of employers***

9.25 Employers of key workers should discuss with local planners whether direct provision of staff accommodation or working jointly with a housing association / house builder/ landowner to provide accommodation would meet their business needs. Such discussions should cover all key worker employees, rather than identifying specific individuals.

## **10     *Mix of dwellings***

9.26 In order to address the issue of the mix of dwelling sizes on new developments, there are two approaches which South Cambridgeshire could consider. Using the 1991 Census proportions would suggest seeking a minimum of 20 percent one and two bedroom properties, 65 percent three bedroom, and a maximum of 15 percent houses with four or more bedrooms. An alternative approach could be to use the Cambridgeshire County proportions achieved over the last ten years as targets for South Cambridgeshire. In rounded terms this would give 35 percent one and two bedroom properties, 30 percent three bedroom, and 35 percent houses with four or more bedrooms. This would allow more flexibility for developers to continue to provide larger dwellings in response to market forces, whilst ensuring a higher provision of smaller dwellings to meet the need for more affordable housing for many residents.

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