

Revitalising Key Worker Housing

**Policy
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Jack Airey and Sir Robin Wales



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About the Authors

Jack Airey leads Policy Exchange's work on housing. His research has included work on building more beautiful homes and places, improving the planning system; and, new town development on the edge of London. In particular his work on raising housebuilding standards has attracted cross-party support and led to the Government creating the Building Better, Building Beautiful Commission. An article in *The Economist* welcomed Policy Exchange's work on this subject as pioneering "the biggest idea in housing policy since the sale of council houses under Margaret Thatcher." Before joining Policy Exchange, Jack was Head of Research at the think tank Localis where he wrote extensively on the role of place in politics and policy, while managing and supporting the development of their research output.

Sir Robin Wales is Senior Housing Adviser at Policy Exchange and was the leader of Newham Council 1995-2002 and then elected Mayor from 2002-16, chair of the association of London Government (now London Councils) 2000-06, a Board member of LOCOG (the London Organising Committee for the 2012 Games) and was knighted for services to local government in 2000. While in Newham he introduced the first Borough wide private rented sector licensing scheme, established a housing association, Local Space, which now provides homes for 1800 homeless families and established and chaired Red Door Ventures, a local authority owned housing company with the aim of building and retaining high quality housing.

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Introduction

A number of public sector employees are able to access affordable housing on account of their job through the Key Worker Housing programme. The programme enables certain public sector workers – those who are seen to be vital to the infrastructure of local communities – priority access to shared or low cost home ownership homes and/or homes available at subsidised rent. Housing assistance is available to those who cannot otherwise buy a home or rent one suitable to their needs at market prices within a reasonable commute of their workplace.

The scheme is no longer operational at a central government level. The last dedicated government funding programme began in 2004. However, some housing associations and local authorities continue to give priority to Key Workers, for example the local authorities who prioritise ex-service personnel for social housing as is required by the Armed Forces Covenant.¹ The Government has also introduced housing policies specific to vital public sector workers, for instance the Forces Help to Buy programme and national planning policy now requires that frontline public sector workers are able to access new Affordable Housing delivered through planning obligations.

We believe the Key Worker Housing initiative should be revitalised as part of reforms to Affordable Housing policy. The Government should announce a new policy programme to increase the stock of homes available to Key Workers struggling with housing costs and update the Key Worker eligibility criteria. Such a programme would enable more of the most valued and important frontline public sector workers like police officers, teachers, NHS staff and firefighters to live in or near the community they serve. As demonstrated by recent PriceWaterhouseCoopers (PwC) analysis, many of these workers are facing acute housing affordability challenges which force them to commute from ever further away, particularly in the rental sector and particularly in London and the South East.²

As part of a revitalised Key Worker Housing programme, extra housing support should be provided in and around London. But even among essential public sector workers, police officers are a special case, working anti-social hours and moving around more. Previous Policy Exchange research has found that housing is a particular issue for Metropolitan Police officers, with many choosing to move to leave the capital in search of more affordable property.³ Housing support will therefore be a necessary part of achieving the Met's objective of recruiting 5,000 more officers in the next few years. It will provide an incentive for applicants to choose London over a County police force – starting salaries are virtually the same across the country but, as we know, house price and rents are not. In this research note, we therefore propose a tailored Key Worker Housing deal for London police officers.

1. The Covenant says "Service personnel... should have priority status in applying for Government-sponsored affordable housing schemes and Service leaders should retain this status for a period after discharge." [Ministry of Defence \(2019\) - Armed Forces Covenant](#)
2. [PwC \(2019\) - UK Economic Outlook](#)
3. [Policy Exchange \(2016\) - Commuter Cops](#)

Government support for Key Worker Housing

In 2001, the Government introduced an initiative to support Key Workers in the public sector to buy or rent a home by being able to access Affordable Housing specifically provided for them by housing associations and other providers. It followed other piecemeal, though individually significant, initiatives to provide frontline public sector workers housing support over the preceding decades, led by public sector employers and housing providers rather than central government.

For example, until 1994, serving Metropolitan Police officers, on top of their salary package, had the choice of living in a “section house” room (for young, single officers), living in free or subsidised police accommodation (for married officers); or, being paid a housing allowance. After a change in police regulations in 1994 (that existed from 1920), this benefit was withdrawn for new officers and so, as officers retired and the number of officers eligible for police housing reduced, the Metropolitan Police’s housing stock was sold off.

The Government’s scheme differed from individual initiatives like police and teacher accommodation by directly investing in housing association schemes with homes reserved for Key Workers. It also introduced a central definition of Key Workers, whereas past schemes were administered by public sector employers and housing providers.

The Key Worker Housing initiative began in recognition of the problems faced in the recruitment and retention of staff for essential public services like the NHS, teaching and policing, especially in London and the South East of England. Policy makers linked problems with staff recruitment and retention to a lack of affordable housing, with key workers priced out of living near their workplace. A 2001 report by the Greater London Authority Affordable Housing Scrutiny Committee described the situation in London as “a crisis with many of our key services suffering from severe staff shortages as employers struggle to recruit those people on moderate incomes who drive our city.”⁴

A number of schemes were introduced by the Blair Government related to Key Worker Housing. In 2001, the Starter Homes Initiative helped key workers to buy their first home. The Starter Homes Initiative was then replaced in 2004 by an expanded £690 million scheme called Key Worker Living, aimed at helping renters and existing home owners to move up the housing ladder as well as first-time buyers. The scheme focused on London and the South East and included four products:⁵

- Equity (“Homebuy”) loans, of up to £50,000 to purchase a home
- Higher value equity loans of up to £100,000 for a small group of London school teachers seen to have high potential
- Shared-ownership of newly built properties
- Intermediate renting at subsidised levels (between social rent and market rent)

The scheme included demand-side measures, like equity loans, and supply-

4. The GLA’s report also recognised that the issue of housing affordability and its impact on recruitment and retention extended beyond those who were defined as Key Workers [GLA \(2001\) - Key issues for key workers](#)

5. [HMRC \(2014\) - Employment Income Manual](#)

side measures: as part of the Government's programme, Registered Social Landlords were able to access capital grant to fund the building of homes at intermediate rent and homes for discounted home ownership.

Eligibility for Key Worker Housing

Eligibility criteria for Key Worker Housing varies by local authority, however central government also set its own criteria for accessing grant funding for building Key Worker homes. To qualify for a home that had been built using grant funding for Key Worker development schemes, at least one household member had to be employed within one of the following groups:

- Clinical staff employed by the NHS (excluding doctors and dentists).
- Teachers, including FE teachers and Early Years/nursery teachers
- Police officers and community support officers in specified forces
- Frontline police staff (civilians) may also be eligible in some areas
- Prison officers and some Prison Service staff in prisons in specified areas
- Probation Officers, Senior Probation Officers, Probation Service Officers and, for intermediate rent only, Trainee Probation Officers
- Local authority/ Local education authority /NHS Social workers
- Local authority Therapists (including Occupational Therapists and Speech and Language Therapists)
- Local authority Educational Psychologists
- Local authority / Local education authority /NHS nursery nurses
- Local authority Planners
- Local authority clinical staff
- Uniformed staff, below principal level, in Fire and Rescue Services.

Key Worker Housing today

The Government no longer has a dedicated Key Worker housing programme and the number of homes reserved for Key Workers is relatively low. Several of the products in the original Key Worker Living policy programme have, in one form or another, become central parts of the Government's home ownership policies. Help to Buy Equity Loans and shared ownership, for example, are open to all types of mortgage applicants rather than exclusively Key Workers.

There are, however, a number of public and private organisations who offer Key Workers special treatment in the housing market:

- Some local authorities give priority to Key Workers in their affordable housing allocations and some hold back homes from the private market so they are offered only to Key Workers.
- Some housing associations give priority to key workers in their intermediate rental or affordable home ownership schemes.⁶ These are mostly schemes that were funded by central government as part of its original Key Worker programme. Some schemes were also funded independently of central government.
- A number of public sector employers (e.g. NHS trusts) and housing associations have partnered in the development of new Key Worker homes on surplus land.⁷
- Bovis, the private housebuilder, offers Key Workers a price discount of £500 for every £25,000 they spend on a home.⁸

6. For example, <https://www.myclarionhousing.com/finding-or-moving-home/renting-a-home/key-worker-rent/>

7. For example, Thames Valley housing has helped deliver housing schemes on nine NHS sites: <https://www.tvha.co.uk/2018/01/24/delivering-truly-affordable-homes-on-nhs-land-is-key-to-solving-the-housing-crisis/>. Salix Homes and the Salford Royal NHS Foundation trust also worked together to repurpose damaged sheltered housing stock (for which there was low demand in the local area) into hospital Key Worker accommodation available at below market rent (for which there was high demand): <https://newsandviews.zurich.co.uk/sector-insight/how-a-housing-association-turned-a-crisis-into-an-opportunity/>.

8. <https://www.bovishomes.co.uk/information-on-key-workers/>

Regular armed forces personnel are also able to access the Government's Forces Help to Buy scheme. The scheme was introduced to address the low rates of home ownership in the armed forces. It allows servicemen and servicewomen to borrow up to 50 per cent of their salary (to a maximum of £25,000), interest free, to use towards a deposit or other costs like legal or agent fees to buy their first home or move to another property on assignment or as their families needs change. The scheme has run from 2014 and is scheduled to end in 2019.

Recent changes to the National Planning Policy Framework (NPPF) also mean that "essential local workers" are noted beneficiaries of new homes built as part of Affordable Housing obligations that developers must meet to make a residential scheme "acceptable".⁹ The Government has defined essential local workers as, "Public sector employees who provide frontline services in areas including health, education and community safety – such as NHS staff, teachers, police, firefighters and military personnel, social care and childcare workers." This should mean that more affordable homes are built that are reserved for frontline public sector workers.

A policy programme for revitalising Key Worker Housing

There are questions around the definition of Key Workers. The box above shows how wide the eligibility criteria for Key Worker Housing became, including everyone from local authority planners to careers advisers. It was also criticised for its perceived focus on 'white collar' workers above 'blue collar' workers.

Nonetheless, given both the importance of certain local public sector workers like police officers, teachers, NHS staff and firefighters living in or near the community they serve, and the importance of them understanding and reflecting the diverse communities they serve, we believe more should be done to increase the stock of affordable homes reserved for local Key Workers struggling with housing costs. Efforts should be focused on areas where Key Workers are most struggling to buy or rent a home on the wages they earn.¹⁰

A revitalised local Key Worker Housing policy would be beneficial to the staff recruitment and retention strategies of a number of public services. The NHS is a case in point. Staffing is perhaps the most important issue facing the health service at the moment. Recruitment and retention challenges are causing a high rate of vacancies for a range of roles,¹¹ which has a knock impact on NHS trusts using short-term agency staff at significant taxpayer expense.¹² Staff health and wellbeing is also a major concern.¹³ Nurses, for instance, report that long shift work is a burden on their health and resultant fatigue sometimes puts their lives at risk when driving home after work.¹⁴ Increasing the number and availability of Key Worker homes to NHS staff, particularly those that most struggle with housing costs like student nurses, would help to address some of these issues.

The Metropolitan Police Service is another public service that would benefit from a revitalised Key Worker Housing policy. Until recently, the

9. [MHCLG \(2019\) - NPPF](#)

10. A 2017 report by the London Chamber of Commerce & Industry found that "54% of front-line 'blue light' personnel live outside Greater London, often due to the capital's high cost of living." [London Chamber of Commerce & Industry \(2017\) - Brown for Blue](#)

11. [The Health Foundation \(2019\) - A critical moment: NHS staffing trends, retention and attrition](#)

12. [NHS England \(2018\) - NHS could free up £480m by limiting use of temporary staffing agencies](#)

13. [NHS \(2019\) - Interim NHS People Plan](#)

14. [Nurses \(2019\) - Lack of proper breaks leaves over-worked nurses driving dangerously](#)

Met had a policy of recruiting new staff with strong links to London. Residency criteria were in place that meant “Police Constables need to have lived in London for a minimum of three years, within the last six.”¹⁵ The criteria were introduced on two reasons. Firstly, history showed that those recruited from around the UK were most likely to leave by transferring to other forces a few years later. The lure of affordable housing and family links in the county of their upbringing took them away from London. Secondly, the police needs a workforce that understands and reflects the communities it serves. That is far less likely to be achieved recruiting from across the country than from London. The Met’s residency criteria have now been relaxed, but providing housing support to recruits would be a chance to encourage more Londoners to join the Met.¹⁶

For these reasons, the Government should announce a revitalised local Key Worker Housing policy. This should build on the Government’s recent planning reforms outlined above and involve local authorities and housing associations. The new programme should include:

Reforms to build more Key Worker homes

- The Government’s future Affordable Housing funding programmes should include a provision that a degree of priority will be given to allocating grant funding to Affordable Housing schemes with a significant proportion of homes reserved for local Key Workers in areas facing difficulties in recruiting and retaining Key Workers as a result of housing costs. Equivalent measures should be introduced by the Mayor of London who administers Affordable Housing grant funding in the capital.
- Public sector landowners should be encouraged to work with developers like housing associations to build affordable homes reserved for local Key Workers on surplus land and property, for instance converting redundant offices. For example, as demonstrated by the Naylor Review 2017, the NHS estate can be used more efficiently with potential to be redevelop some of the estate as Key Worker homes reserved for NHS staff.¹⁷ For relevant developments, they should be encouraged to take advantage of Permitted Development rules which allow conversion of some types of office to residential use without requiring the local planning authority’s permission. For many organisations, this would be a smarter use of public assets than selling off surplus assets for an immediate capital sum at market value. However, it will need to be acknowledged by Government that asset sales are used (or earmarked) by some public sector organisations to finance other strategic objectives, like digital transformation, so their development for residential purposes may not be possible. There are rules governing the use of capital assets by local authorities and these should be revisited to see how well they work to ensure long-term benefit. The use of capital assets for long-term Key Worker Housing assets could

15. [Metropolitan Police \(2019\) - Police Constable job listing](#)

16. These proposals should be considered alongside a review of the impact on public services of setting public sector pay rates at a national level, as Policy Exchange has recommended before in [Powering the Midlands Engine](#). If pay rates better reflected local circumstances, police officers might then be better incentivised to work in the most difficult areas to police.

17. [Sir Christopher Naylor \(2017\) - NHS Property and Estates: Why the estate matters for patients](#)

certainly be an effective use.

- Using their extra financial capacity afforded through recent reforms to the Housing Revenue Account, local authorities should look to build more homes that are reserved for local Key Workers.
- In areas facing difficulties in recruiting and retaining Key Workers as a result of housing costs, local authorities should use recent reforms to the NPPF to ensure more Affordable Housing built in their area via planning obligations is reserved for local Key Workers.
- The Government should establish a body that brings different stakeholders, including developers and financiers, together with a view to supporting and advising on schemes that increase the number of Key Worker homes. In particular, the Government should explore the potential for private financing of new Key Worker rental homes, potentially via a Real Estate Investment Trust (REIT).

A revision of who is eligible for Key Worker homes

- The Government should keep its eligibility criteria for Key Worker Housing under regular review since demand changes in different areas of work over time. A more narrow focus is needed on workers from the local area who are struggling with housing costs and genuinely a necessary part of the community infrastructure, like local police officers, teachers, firefighters and support staff for hospitals and blue light services.
- The criteria should also be updated in relation to changing working practices, for instance its impact on workers needing to commute during unsocial hours when public transport is less accessible.

Reviewing the government-backed Affordable Housing products available to Key Workers

- The Government should review the various Key Worker programmes over the last couple of decades to establish a) which approaches and tenure offers were most successful in supporting the recruitment and retention of Key Workers; and, b) which approaches and tenure offers are most appropriate today.
- For example, one part of the Key Worker Living programme provided Key Workers access to homes at Intermediate Rent, where rents are provided at 70-80 per cent below the market rate. Since central government introduced the Key Worker Living programme in the mid-2000s, the number and type of government-backed sub-market rental products has changed. As well as social rent tenure, the definition of Affordable Housing now also includes tenures such as Affordable Rent. Affordable Housing in London now also includes tenures such as London Affordable Rent and London Living Rent. In light of these changes, the Government

should review which sub-market rental tenure(s) are most appropriate to Key Workers.

Giving Key Workers greater access to Affordable Housing in places where there are staff shortages

- In areas with Key Worker staff shortages, local authorities and housing associations should consider giving greater priority to local Key Workers in their respective allocations and lettings policies.

Maintaining the integrity of Key Worker Housing

- The Government is currently consulting on proposals to remove the ability of landlords to use 'no fault' evictions under Section 21 of the 1988 Housing Act. This will have an impact on social landlords as well as private landlords, especially with regard to the provision of Key Worker Housing. Key Worker homes tend to be rented with periodic Assured Shorthold Tenancies which means that, under current legislation, homes can be repossessed with two months' notice after a six month period. After Section 21 is abolished, social landlords might not have any legal means to repossess a Key Worker home if the tenant begins a new job and no longer qualifies as a Key Worker. This would mean that Key Worker homes would not necessarily be maintained for Key Worker purposes.
- As part of its consultation on the practical implementation of abolishing Section 21 of the 1988 Housing Act, the Government should explore alternative mechanisms for repossessing Key Worker homes when tenants no longer meet eligibility criteria. One option might be a new, suitably framed, mandatory ground for repossession.

Key Worker Housing deal for London's police officers

- The Met will struggle in its ambition to recruit 5,000 additional recruits in the next three years without incentives on housing being part of the package. Currently, the Met is advertising free travel on the London Underground in its recruitment campaign. This is a good incentive but probably not enough to encourage applicants to choose London over a County force owing to the challenge of living in London or surrounding areas.¹⁸ As we have already argued, this is especially important for recruiting officers with a strong connection to the capital. Housing support was once a significant benefit offered to Met officers as part of their employment package.
- A special scheme for London's police officers to obtain affordable

18. Policy Exchange has covered in detail this issue in relation to London police officers in its 2016 report [Commuter Cops](#).

housing in the capital is needed. However, this cannot be led by the Met for two reasons. Firstly, previous attempts by the Met to improve officer benefits for recruitment purposes have been assessed as *ultra vires*. Police pay is set under police regulations and housing support was removed from these regulations, so the law now prevents the Met from providing tailored housing support to police officers. Secondly, the Met does not have free money and estate to support the building of new homes for police officers. Much of the Met estate has been sold off and capital receipts are already being used or earmarked to fund technological improvements or improving the remaining estate.

- Instead, the Government should work with the Mayor of London (who administers Affordable Housing grant funding in the capital) to lead the delivery of a policy programme that allows London's police officers to obtain affordable housing near the communities they serve. This Key Worker Housing deal for London's police officers should include a number of measures:
 - The Government should consider whether, like with its Forces Help to Buy scheme, to provide Met officers enhanced support to buy a home near their workplace through a more generous version of the London Help to Buy Equity Loan scheme.¹⁹ This will be particularly attractive to family households.
 - The Government should provide the Mayor of London additional capital grant funding to help finance the building of affordable homes specifically reserved for Met officers. These homes should be provided both at London Living Rent and for shared ownership. In the Mayor's existing Affordable Homes Funding Programme (2016-21), grant funding of £28,000 per home is provided to approved housing providers for these types of homes.²⁰ Using the same metrics, to support the building of these homes for half of the expected 5,000 new Met recruits, the Government would need to provide London with additional Affordable Housing grant funding of £70,000,000.
 - Local authorities and housing associations in London should consider giving greater priority to Met officers in their respective allocations and letting policies. This would provide officers immediate access to affordable housing rather than waiting for new Key Worker homes to be built or waiting to save for a mortgage deposit. Given Met recruitment is a London wide issue, this should be led by the Mayor of London and London Councils, along similar principles to the existing GLA Housing Moves scheme where local authorities and housing associations offer a small proportion of their nomination rights to the body to allow tenants greater mobility across London.
- Supporting Key Worker housing is, in effect, providing a subsidy to public services to help them to recruit and retain staff. For example,

19. Funding for the Help to Buy Equity Loan scheme is currently scheduled to end in 2023.

20. [Mayor of London - Homes for Londoners](#)

if the Met cannot recruit without a housing subsidy to officers, this would increase public spending on the police service (a Mayoral responsibility). If this scheme was introduced in London at the expense of other parts of the London local government budget, this could mean public funding was redirected from London Boroughs to the Mayor of London. Part of any review of the Government's Key Worker housing policy programme should acknowledge this issue and consider where budget implications should fall.



“When working as a firefighter in the 1970s, I was provided a home as part of my job. It was a huge help and allowed me to get on with serving the public rather than worrying about next month’s rent. Revitalising Key Worker Housing as Policy Exchange recommend would give today’s firefighters the same support that they desperately need.”

Jim Fitzpatrick MP, outgoing Labour MP for Poplar and Limehouse and former firefighter

“Helping police officers with housing will be an important part of the Met’s recruitment drive, especially if the proposed 5,000 new officers are to come from London and reflect the capital’s diversity. There is much that the Government can do to this end. Policy Exchange’s proposals offer a blueprint for taking this idea forward, particularly their recommendation for a Met Key Worker Housing Deal.”

Sir Mark Rowley QPM, former Assistant Commissioner for Specialist Operations of the Metropolitan Police Service

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