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12 February 2004

Dear Liz,

Key Worker Programme 04-05 and 05-06

I am writing to you as chairman of the London Housing Board to set out our plans for the key worker programme to be run in 2004-5 and 2005-06. Attached is a summary of the main features. I would be grateful to receive any comments by 28 February.

Building on foundations laid by the Starter Home Initiative (SHI), our clear priority remains helping those groups highlighted in the Deputy Prime Minister's October 2003 statement -workers in frontline roles in the health, education and community safety sectors. With limited resources, it has been necessary to prioritise need to ensure quick delivery in these sectors.

I have seen Neale Coleman and Tony Newman's letter of 4th February. Although they will clearly be disappointed that some of their proposals are not reflected in the new scheme, I hope that there are features within our plans, particularly the proportion of new build, which will be re-assuring. I am very happy to meet members of the London Housing Board to talk through the issues.

Yours Sincerely,
Keith
KEITH HILL

KEY WORKER HOUSING PROGRAMME 2004/05 and 2005/06
WITHIN THE LONDON REGION

Background

The new key worker housing programme will be launched in late March and go live on 1 April 2004. It will build on foundations laid by the Starter Homes Initiative (SHI) which since September 2001 has been helping key workers; (primarily health workers, teachers and police), to buy homes in areas where high house prices are undermining recruitment and retention.

The new programme will offer housing assistance to key workers at different life-stages and not just first-time buyers. It will help those in front line delivery roles move up the property ladder and purchase family homes, helping retain skills and experience in high price areas. It will also include an intermediate renting option

Key workers in London, the South East and the East will be able to benefit from the programme.

New programme

For the purposes of the new programme, a key worker group must be

- employed by the public sector;
- in a front line role delivering an essential public service where there are serious recruitment and retention problems; and,
- recommended for inclusion by Regional Housing Boards

Four products will be available:

- **Homebuy** - which provides an equity loan of at least 25% of the property value up to a limit of £50K;
- **London Challenge Key Teacher Homebuy** - with a higher loan value limit for which only a small, highly targeted group of teachers will be eligible;
- **Intermediate renting** - a rent between social and open market rates; and,
- **Shared ownership on new build schemes** - where the purchaser buys a share of the equity from a minimum of 25% and pays rent on the balance.

Eligible key workers

Whilst recognising that a wide range of workers employed in both the public and private sectors are key to the delivery of services to the public, Ministers have agreed that, as with the SHI, the health, education and community safety sectors will be the main beneficiaries of the programme. Resources are finite and it is essential they are focussed to support national targets to improve standards in these areas.

Government departments sponsoring these sectors have been involved in identifying the groups to be targeted and prioritised supported by evidence of recruitment and retention problems and backed by employer contributions. These priorities, together with further criteria such as total household income, will determine an applicant's eligibility for assistance. Full details of these will be published when the programme is launched.

Within the London region, Ministers have agreed that the following key workers should be eligible for the programme:

- Teachers in maintained primary and secondary schools including those employed in Further Education institutions;
- Health workers in the public sector
- Police Officers who have completed the initial basic training at Hendon and a limited number of civilian staff in front line delivery posts
- Prison Service staff based at named institutions
- Local Authority Planners
- Fire Service Junior Officers
- Probation Officers
- Social Workers and Occupational Therapists

Zone agents

The SHI showed that key workers were often unclear where to go to get help. The concept of zone manager was therefore developed to provide a one-stop-shop. In London, zones coincide with established sub regions.

Zone agents will:

- help market and administrate the key worker programme;
- check eligibility and advise key workers what assistance is available to them; and
- pro-actively market the scheme, working with employers at a local level directing marketing via the workplace to maximise awareness of the programme.

Zone agents will market all key worker housing in their area, manage the open market Homebuy budget and hold the equity share on behalf of ODPM.

As with SHI, they will be paid a fee for each key worker they assist through the homebuy element of the programme. This funding will be used for the administration of the programme in their area, including marketing and advertising costs.

Following a competitive process run by the Housing Corporation, Ministers have accepted the recommendations to appoint the following:

- East zone - Metropolitan HO
- North zone - Metropolitan HO
- West zone - Keystart
- South East zone - Tower
- South West zone - Tower

All the successful bidders have strong track records in delivery and will be expected to work closely together to provide a coherent service for London's key workers. Although not yet finalised, this is likely to include a single phone number, web address etc

To maximise the impact of the new programme we are developing a strong branding package. This will be used by zone agents and others to ensure key workers easily recognise products being offered via our programme. Research has told us that clarity on what schemes are government backed is important to key workers.

Resources

The new programme forms part of the Communities Plan commitment to invest at least £1 billion over the three years from 2003/04 on key worker housing.

For London this will be

London	Homebuy £/units	New Build (which includes intermediate rental) and other scheme £/units	Total £/units
2004/05	£100m/ 1800	£77m/550	£177m/2350
2005/06	£77m/ 1210	£117m/846	£194m/2056
2006/07	£0**/0	£0**/3733**	£0**/3733
Total	£177m/ 3010	£194m/5129	£371/8139

*These cash figures are in line with the most recent RHB proposals and do not include any further cash to be invested by way of contributions from the employer bodies. Once finalised this will be added to purchase additional homebuy units.

** Units generated by allocations made in this spending review period. No assumptions made about future spending plans.

Further new build units are forecast from the following programmes

Programme	2004/05	2005/06	2006/07	Total
Challenge Fund	603	436	-	1039
English Partnerships London wide Initiative	300	500	1200	2000
London Innovative Fund	18	180	-	198
Total	921	1116	1200	3237