Housing Committee – 2 December 2014
Transcript of Item 6: Affordable Home Ownership in London

Darren Johnson AM (Chair): We will make a start. So welcome all of you: Sheron Carter from the Gateway Housing Association; hopefully Anna Clarke from the Cambridge Centre for Housing and Planning will be joining us very shortly. Vidhya Alakeson, Deputy Chief Executive of the Resolution Foundation; and Neil Stubbings, Head of Housing at the London Borough of (LB) Hillingdon.

If I can start off with the first question, obviously we do have falling levels of owner occupation in London after it steadily rising since the Second World War. What do you consider are the main consequences of falling levels of owner occupation in London?

Sheron Carter (Chief Executive, Gateway Housing Association): As a housing association, promoting home ownership *per se* is not an essential driver for us, but we are seeing the impact of less accommodation being available for a wider group of Londoners. We are now seeing that the type of people that come to housing associations for help is beginning to change. There is a need now, and there is a demand for, intermediate products from people who are on slightly higher incomes than had been the case in the past. We know within our sector that one of the responses to that is that we are beginning to develop market rented accommodation to meet that new need. We are certainly seeing that trend within the housing association sector.

Darren Johnson AM (Chair): Does it put more pressure on you in terms of your social housing package, as well as finding intermediate solutions?

Sheron Carter (Chief Executive, Gateway Housing Association): Not immediately. We work in east London, but I would hazard a guess that all across London we would let our properties through common waiting lists which are administered by the local authority. There are very strict criteria for people to be able to access that. It is a very scarce resource. There is actually more pressure for fewer people to secure housing association property through that means. More are being redirected to the private rented sector because of the shortage of availability so we are not seeing those new need groups coming through to social housing. We are picking up enquiries for shared ownership, those housing associations that are developing market rent accommodation, and most definitely providing accommodation for a very different need group to the ones that housing associations have supported in the past.

Anna Clarke (Senior Research Associate, Cambridge Centre for Housing & Planning Research): You were asking about consequences of owner occupation numbers falling off. On the plus side, if you have got more rented accommodation you have got a more mobile population. People will move more readily. Renters move much more frequently. They will move for jobs so from a job market point of view it is good. From the point of view of using stock efficiently it tends to be good - renters will put themselves in the right sized houses essentially. There will not be lot of wasted space.

On the downside, of course, it is not what most people want to do. You have got people in rented accommodation who do not want to be in rented accommodation long-term, and they are stuck there in the long-term. In terms of welfare security, it is a very bad thing if you get people getting into retirement in private rented housing. You have got a whopping great big welfare bill and there is not much you can do about that. That is not really an issue at the moment but it will become one if people do not manage to buy at some point during their lives. There is a balance of good and bad things.

Vidhya Alakeson (Deputy Chief Executive, Resolution Foundation): I would echo a lot of what Anna said. I think one of the consequences for individuals is that there is now a significant chunk of the population - that lower to-middle-income group - who face very few choices in the market. In the past they had options around renting and owning. They now basically have one option which is the private rented sector which, as Anna alluded to, does not always meet their needs or their aspirations. Particularly for those who are wanting to establish a family, who are in the slightly older part of that population, the private rented sector, as we currently know it, does not generally meet their needs for security and it does not meet their aspirations either. I think that is the other part of it.

Neil Stubbings (Head of Housing, LB Hillingdon): As a local authority who is tasked with dealing with homelessness and people coming through the front door, is that what we are certainly finding is that with the increase in the private rented sector that landlords are now less prepared to work with local authorities to provide temporary accommodation through leasing arrangements. Although you would expect that the increase in the private rented sector would actually help local authorities to provide temporary accommodation, actually because the private rented sector in London is so buoyant landlords are choosing to let on the open market so the rents are far too high for people who perhaps cannot access owner occupation to get into the rented sector. Of course, then there are issues about the rogue landlord side of things, with people not bringing their properties up to standard as well. That is another impact of what we are finding.

Darren Johnson AM (Chair): More people being pushed into the private rented sector with all the problems that that sector can sometimes cause because owner occupation is now not an option, not a reality for so many people.

Neil Stubbings (Head of Housing, LB Hillingdon): Absolutely, yes.

Darren Johnson AM (Chair): Should it be a concern of the Mayor to actually increase the levels of private home ownership in London, and should taxpayers be subsidising people who want to buy a home?

Anna Clarke (Senior Research Associate, Cambridge Centre for Housing & Planning Research): From a political point of view people want to own their own homes, and encouraging owner occupation is a vote winner and meets aspirations. There is an economic argument in that you will reduce welfare dependency in the longer term. If you help people now to build homes they will not be dependent on benefits, particularly rental subsidies and the housing benefit in the longer term as I was mentioning.

Whether you should subsidise people getting into ownership or renting -- if you can give the same level of subsidy, get them adequately housed and get them owning that has got to be win-win. I would query whether the use of subsidy on new homes is the most efficient way of subsidising people to buy, because there is always a premium on new homes. The first £20,000 or whatever of your subsidy is just bringing it down to the price of the next-door, second-hand, equivalent house anyway so there is an issue there. Also whether you are getting them into the right sized homes, it is not efficient if you are letting people buy homes that are larger than they need. That is arguably not a good use of taxpayers' money.

Darren Johnson AM (Chair): It is essentially about trying to find the right model and the right mechanism?

Anna Clarke (Senior Research Associate, Cambridge Centre for Housing & Planning Research): Yes. Keep the focus on housing need and people who do need housing and cannot afford it. Getting the minimum standard those people need in order to meet needs they cannot meet otherwise. If you are subsidising them to have something that is better, or bigger than they actually need, then that is arguably a less valid use of taxpayers' money.

Darren Johnson AM (Chair): Is it essentially then about getting the right sort of balance between tenures of owner occupation, of private rented or social housing, and other forms? Should that be the main public policy priority on housing, to actually strike that balance?

Anna Clarke (Senior Research Associate, Cambridge Centre for Housing & Planning Research): I think the main public policy question for shared ownership is if you can house people with a lower subsidy why pay them a big subsidy? If the alternative is they end up in social renting, which is taking a lot of subsidy, it would be better to pay a lower subsidy for some of those people and get them into shared ownership where they help themselves in the long run and they do not need as much of a subsidy as what goes into social rented. The overall supply shortage we have means there is never going to a balance that works because there simply is not enough housing in London. Whatever your balance of tenure is you do not remove that problem.

Sheron Carter (Chief Executive, Gateway Housing Association): I think the only thing I would add because, being slightly biased, I am very much in favour of a subsidy for shared ownership. I do think it does have long-term benefits because the investment that goes in when we generate the receipts through staircasing[1] gets reinvested in more social housing. I think some of the other forms of investment that can go into home ownership, I am not sure what the long-term benefits are, or whether there is a wider benefit for the wider community other than that individual household that gets that subsidy. I think with shared ownership you certainly stretch the pound further. I am not so sure whether you get the same benefits with investment in individual homes.

Neil Stubbings (Head of Housing, LB Hillingdon): Absolutely we know it is the aspiration of at least 80% of our residents to own a property, if they can. I think the really important thing is we need to find the right level of subsidy for the right people. I think some of the products actually are helping people buy properties that are perhaps too big than they really need. It is about getting into that level of need.

Tom Copley AM (Deputy Chair): In a very similar vein, has anyone compared the value for money between investing in state investment in shared ownership, and state investment in social or affordable rent?

Vidhya Alakeson (Deputy Chief Executive, Resolution Foundation): The level of subsidy has been compared. In terms of whether it is value for money is much harder and I think will depend on what you saw as the value of different kinds of houses. A qualitative development is coming in there. The level of subsidy is usually very much lower than social renting. Now that we are onto affordable rent I think the difference is much more marginal so it is quite difficult.

Andrew Boff AM: To what extent has the need for developers to provide some schemes that are affordable, or a proportion that are affordable, affected the general affordability of the remaining stock?

Anna Clarke (Senior Research Associate, Cambridge Centre for Housing & Planning Research): It should have pretty much a nil impact, because for every household that goes into shared ownership, that would otherwise have gone into owner occupation, you have got one less house in the owner occupied sector and you have got one less household buying. You have got the same demand and supply ratio. If you just make some of the houses shared ownership it should not make much difference to the overall cost, especially given the very small numbers you tend to be talking about with shared ownership. It is not likely to make

[1] For people who already live in a shared ownership property, 'staircasing' is the process of purchasing further shares.

much difference on market prices. It will not pull down prices, and it should not make much of a difference pushing them up either.

Andrew Boff AM: Is that not an overhead on a developer though?

Anna Clarke (Senior Research Associate, Cambridge Centre for Housing & Planning Research): Yes, of course it is. It is part of a section 106 agreement. It is a subsidy, but they are taking it out of the land value, one would hope, in order to produce cheaper housing than the market.

Andrew Boff AM: I have often wondered about this. Somewhere somebody has got to have lost out, have they not, by providing affordable housing?

Anna Clarke (Senior Research Associate, Cambridge Centre for Housing & Planning Research): Ideally you hope it is the landowner at the point of the initial sale when there is a huge uplift on land anyway and you are essentially just recouping some of that uplift in land when it is given planning permission.

Andrew Boff AM: When a developer develops a scheme he wants a certain percentage return. That percentage return is going to be affected by the need to provide affordable housing. Does that then have an effect on the price?

Anna Clarke (Senior Research Associate, Cambridge Centre for Housing & Planning Research): Only if the policy has changed since they bought the land. When they agree a price with the landowner for the land, they will have taken into account the policy framework for affordable housing on that land. Therefore, when they say it is worth whatever-a-hectare as agricultural land but now it has got planning permission it is worth ten times that, they will say, "Ah, but we know there is going to be a section 106 agreement on this so therefore it is only worth eight times as much". You would hope that the person who loses is the one who is gaining an awful lot anyway, the landowner that sells the land for the development price.

Murad Qureshi AM: Up until recently we did have mortgage tax relief -- I am just saying that is the extent to which home ownership has been subsidised historically. I think that is where we are in the present context.

The interesting comment you made at the very beginning about the benefits of renters to the economy, I think the importance of that in the labour market and the wider economy is not often appreciated. Are there international comparisons which are useful to look at to see the benefits of that?

Anna Clarke (Senior Research Associate, Cambridge Centre for Housing & Planning Research): The one that is always looked at is Germany for having a very buoyant private rented market. That is not typical of all countries in Europe. It is often seen as the European model, in fact European countries have a mixture and many of them have a lower percentage rented sector than Britain does. Germany is the one that is known for having a very high private rented sector, and a very successful economy I guess. I am not familiar with the extent of literature that places cause and effect on that.

Murad Qureshi AM: On the basis of that you would have to presumably look more at the rented sector and making sure that was regulated in a way that people had the benefits of security and mobility.

Anna Clarke (Senior Research Associate, Cambridge Centre for Housing & Planning Research): Yes, one way forward is improving the rented sector.

Murad Qureshi AM: Exactly.

Vidhya Alakeson (Deputy Chief Executive, Resolution Foundation): I do not think they are mutually exclusive.

Stephen Knight AM: Given the overall cost of housing in London and the unaffordability of housing to, I think, the vast majority of Londoners in terms of those without property to start with, so the vast majority of first-time buyers in London; if we are going down the route of subsidising purchase, be it shared ownership or any other route, are we not going to end up subsidising the housing costs of the vast majority of the population which is going to be completely unsustainable in the long-term? The underlying issue is that house prices are too high. Actually would it not be better to focus on action to tackle through fiscal measures the underlying issue, which is the cost of house prices, rather than trying to treat the symptom, which you can only ever treat a tiny bit of, which is trying to enable the vast majority of the population who are locked out of housing at the moment because it is too expensive in some way for the taxpayer to subsidy a few of them to get back in. I see Anna is nodding.

Anna Clarke (Senior Research Associate, Cambridge Centre for Housing & Planning Research): It is a very valid point. It is a sticking plaster in a sense it is patching up the holes. It is not doing a bad thing to have shared ownership, but the fundamental problem is there are not enough houses. As I was saying, you cannot rebalance tenures and tinker at the edges of a particular group of people that have not hit an income band needed toth make shared ownership, that would not make owner occupation and remove the enormous affordability issue. The number of people in private rented who cannot afford owner occupation is far higher than we could possibly subsidise into ownership. If you subsidise the demand side you will effectively push prices up eventually relative to not doing that. You might have a more equitable solution by helping the people who are really struggling and overcrowded, but you are still going to not be able to subsidise everyone who wants to buy a home to buy a home.

Stephen Knight AM: So actually the macro effects of these kind of subsidy schemes is to push up house prices yet further?

Anna Clarke (Senior Research Associate, Cambridge Centre for Housing & Planning Research): The do-it-yourself (DIY) shared ownership scheme it is accused of that because you are effectively boosting one person's buying power so they buy instead of somebody else, so somebody else drops out of the market because they are outbid by a shared ownership who is doing it with the extra subsidy.

Vidhya Alakeson (Deputy Chief Executive, Resolution Foundation): I do take your point that there is a huge affordability problem, but actually the vast majority of the people in the market are not being subsidised. Most people are, by hook or by crook, getting by in the market. I would really question the idea that we are going to end up massively subsidising the entire population of London. People are doing in some cases remarkable things to afford to live in London. The vast majority of people are in the private market. I question the premise that we are going to end up subsidising everybody, because the reality is that we are not.

Stephen Knight AM: We obviously cannot subsidise everyone, can we?

Vidhya Alakeson (Deputy Chief Executive, Resolution Foundation): No.

Stephen Knight AM: The taxpayer cannot subsidise everybody, but the way that house prices are going, we have hit £500,000 for the average house. We are already seeing multipliers between the average house price and the average income of 15 times and it is going up. At the moment it is almost impossible for anybody who does not have either wealthy parents, or is in an extraordinarily well-paid job, and we are not talking about the top 40%, we are talking about the top 5% of earners or maybe even the top 1% of earners, who are able to afford in the private market as first time buyers.

Andrew Boff AM: It depends where you are in London?

Stephen Knight AM: I am talking about the average.

Andrew Boff AM: That is not the message for the whole of London.

Stephen Knight AM: I am talking about the average in London.

Anna Clarke (Senior Research Associate, Cambridge Centre for Housing & Planning Research): The train down from Cambridge this morning was quite filled up with people who are buying further out and coming in.

Stephen Knight AM: Indeed. Although people who already own a home in London are perhaps moving around or whatever, the reality is that the vast majority of Londoners who would be in the category of first-time buyers are already locked out of the market, are they not?

Anna Clarke (Senior Research Associate, Cambridge Centre for Housing & Planning Research): Yes. Our analysis suggests that if you are in a lower to middle-income group it would take you 24 years to save for the average deposit. That is nationwide, if you look at London it goes up to closer to 30 years.

We talked a lot about the merits of ownership. The reality is we are going to have to have a broader base of tenures in London, and across the country. We are not going to be able to subsidise everybody into ownership. We have to do more in the private rented sector, more purpose-built rented accommodation that actually meets people's needs for security etc, rather than thinking that subsidising people into ownership is the only route to sorting out the problem.

Stephen Knight AM: Sorry to press this point, but do you not think there is a more fundamental underlying issue which is the cost of housing?

Anna Clarke (Senior Research Associate, Cambridge Centre for Housing & Planning Research): Yes.

Stephen Knight AM: Actually unless we do something to tackle that, rather than tinkering with what balance of owner occupier versus private rented. Underlying it all is the fact that --

Anna Clarke (Senior Research Associate, Cambridge Centre for Housing & Planning Research): Underlying it all is the cost of land. If we want to tackle that then, yes. The extent to which that is doable and politically possible is a separate question.

Murad Qureshi AM: Another thing that is underlying is the economy is completely focused on the housing market. No politician will come in and do what Stephen [Knight AM] is suggesting.

Tom Copley AM (Deputy Chair): Given essentially that shared ownership is addressing intermediate need, if we actually had a private rented sector that was more heavily regulated and more stable for tenants, more like a German system, would we need shared ownership because people would be happier renting for longer?

Anna Clarke (Senior Research Associate, Cambridge Centre for Housing & Planning Research): In a piece of work we did last year, we surveyed about 250 people. It was not a representative sample, but a lot of them did say if the private rented sector was better in the way that you have described they would be happier to stay there long-term. I think there is an asset accumulation element to shared ownership which is potentially important. It is one of the reasons why people invest in home ownership rather than being long-term renters is that asset accumulation piece. We have a huge asset inequality problem in this country, much greater than the income inequality one, so I do think there is something extra, particularly if we could make shared ownership for people who do not staircase to full ownership actually work as an asset vehicle. I think by and large you are right, if private renting offered people more security, higher quality product, both in the build and in the quality of management, more people would be willing and quite happy to stay there for the long-term. At the moment they have got a perception at least of insecurity and instability which is quite difficult for people at the point where they are looking for somewhere to stay for the long-term.

Steve O'Connell AM: Tom's analysis is that if you had a very good standard of private rental there will be no need for shared ownership. Clearly that misses the point that, as you said, even if there is a suppression of housing prices there are still people out there who want to get their foot on the ladder and their only opportunity, to be aspirational, would be shared ownership.

Tom Copley AM (Deputy Chair): I am putting a hypothetical point, but also I would say that also if you had a more stable price, so that prices were held down it would be more affordable for people to save for a deposit.

Steve O'Connell AM: Even if Stephen got his way with the macroeconomics and average prices in London were driven down and down, there will still be a place for shared ownership for perhaps people who are only earning £15,000 or £18,000 a year.

Tom Copley AM (Deputy Chair): It is a hypothetical point.

Anna Clarke (Senior Research Associate, Cambridge Centre for Housing & Planning Research): It is really worth pointing out that not everybody going into shared ownership is coming from private renting. A lot of people going into shared ownership are coming straight out of the parental home or very overcrowded, even homeless, sort of situation. It does, in London particularly, succeed in getting some of those people who would otherwise be going through the social housing route into shared ownership. It does not seem to be succeeding in getting people to move from social renting into shared ownership, which obviously would be an even better success if it could divert the people in pursuit of larger subsidy into smaller subsidy. It certainly seems to channel some of the people off. They are not unable to afford private renting, so shared ownership can, in some circumstances in housing markets, be cheaper than private renting and tackle everyone that cannot afford the current private rents.

Neil Stubbings (Head of Housing, LB Hillingdon): In support of what Anna just said, most local authorities have reviewed their housing allocation policy and have removed the very lowest level of need, in other words, people that have not got a housing need on their housing register. In Hillingdon when we did that we saw a threefold increase in the number of people trying to go on our low-cost home ownership register. They were people who would otherwise have been trying --

Vidhya Alakeson (Deputy Chief Executive, Resolution Foundation): Did you let them onto that even though they were in the lower need?

Neil Stubbings (Head of Housing, LB Hillingdon): Yes. Essentially people who were hanging around waiting to get a social rented property thought, "I am not going to get one now, let us see where I can go, I will try to go into low-cost home ownership".

Murad Qureshi AM: Not all authorities have a low-cost home ownership list do they, is that right?

Neil Stubbings (Head of Housing, LB Hillingdon): No, they all have a low-cost home ownership route because it would be one of the options that they worked through with their partners in the local authorities. Hillingdon is slightly different on the first-time buyer initiative which I will talk about later.

Tom Copley AM (Deputy Chair): What proportion of disposable income should Londoners expect to pay for affordable homes? I suppose, a maximum.

Vidhya Alakeson (Deputy Chief Executive, Resolution Foundation): It is a really difficult question. A lot of what people are willing to pay and able to pay is about choice. I think we generally use a third of disposable income as the benchmark as what, particularly in a lower to middle-income group, is viable in terms of all the other costs that you have to meet. We are publishing some analysis on Monday which shows that, by and large, that is not achievable in any London borough for people on that kind of income to be spending a third of their disposable income on housing and be able to live anywhere. What we see is that people in London are basically doing a combination of various different coping strategies: everything from working more hours to living in more overcrowded conditions, sharing etc. They are probably, by and large, spending something between a third and half of their disposable income.

What should they be spending? I think it should be closer to a third. That gives people enough additional disposable income to meet their other costs. That is not the reality for most people in London. I suppose that is both where I think we should be and where we are.

Tom Copley AM (Deputy Chair): Sheron, is that your take?

Sheron Carter (Chief Executive, Gateway Housing Association): We go by the threshold that is set by First Steps which means that somebody has to have 55% disposable income after their housing costs are qualified. We are finding that we are making that work. I would say perhaps no more than 40% of their income should be towards their housing cost to keep them on the safe side. The challenge that we are finding, which I know we are going to come onto later, is the issue that you raise which is what housing is available that that price? Increasingly there is a smaller supply of accommodation that can be made available at 40% of average incomes. A number of housing associations can only meet that challenge if they are developing in lower value areas. The challenge that we have - not just to pick on Barking and Dagenham but I am saying that because we are in east London - is that we all cannot build in Barking and Dagenham.

Tom Copley AM (Deputy Chair): Are you therefore managing to build in more expensive areas, are you finding ways?

Sheron Carter (Chief Executive, Gateway Housing Association): So far by better use of the land that we own and by building in the less expensive parts of Tower Hamlets we are able to still make it work. There are other parts of the borough that we would not develop because we know that we could not make it work. You can imagine that the west of the borough, Canary Wharf, those areas, as you are improving areas like Poplar, those prices will rise. In terms of the future, you can see a future where increasingly we will need to move further out of the borough if we are going to be able to build a product that people can afford.

Tom Copley AM (Deputy Chair): By developing there and improving the area you are actually contributing to the rise in prices? Is it a cycle that goes like that as well, the more it gets like that the more you are pushed out?

Sheron Carter (Chief Executive, Gateway Housing Association): It is a whole range of different factors. One of the challenges that we are facing at the moment is the price of London. You raised the question earlier about developers. Developers will know how to drive value. One of the ways that they are doing that is towers are becoming the new phenomenon. We have got some concerns about what that will mean when you have multi-tenure social rented tenants living in towers and affording service charges and all those sorts of things. They will find a way to drive value. That sort of huge development really drives up the prices because people know that they can sell the land for a greater premium than if you are building your traditional medium-sized mix of social rent and shared ownership.

Andrew Boff AM: Can I just be clear with you on what you said? It is bit of a hobby-horse of mine. You are saying possibly that by allowing more tower developments and high-density developments we are actually contributing to the land price increasing?

Sheron Carter (Chief Executive, Gateway Housing Association): The premium for the land will certainly go up.

Anna Clarke (Senior Research Associate, Cambridge Centre for Housing & Planning Research): The house price could go down. The rent could be managed.

Sheron Carter (Chief Executive, Gateway Housing Association): We are not seeing any signs of that. I think the projections for the prices for sale and for rent are not going to necessarily be coming down. It is very expensive to build towers. It is very expensive to maintain them. We are finding that because there is a lot of interest from private developers coming in because there are those opportunities in Tower Hamlets, housing associations are being squeezed. We are finding it really difficult to make schemes stack, to develop viable sites, because we have got that competition within the borough.

Tom Copley AM (Deputy Chair): It also lends itself again to the mixed community as well, does it not, because of the service charge issue between people who are in social rented and people who buy or are in shared ownership?

Sheron Carter (Chief Executive, Gateway Housing Association): Service charge is one of the big concerns that we talk about quite a lot. There is the whole issue about how sustainable the whole affordable rent model is and keeping people dependent on benefits and all of that. Putting that to one side, within the affordable rent level includes the service charges. If you are having to contribute quite a significant amount towards the service charges you are getting less in rental income which again makes it more difficult to make that scheme stack up financially. Land price viability is one of the biggest pressures, but service charges and all of those components add to making the scheme less or more viable.

Tom Copley AM (Deputy Chair): If we look at part-rent-part-buy and the service charges on that, I know personally as some friends of mine, for example, have looked at part-rent-part-buy and thought, "That is all right". Then they have seen the service charge and thought, "That is actually more than what I am paying to rent, it is unaffordable".

Obviously the type of development determines the level of the service charges, and the more towers you have the more service charge you end up with. Is this directly causing a problem for affordability of the type of housing that is being built?

Sheron Carter (Chief Executive, Gateway Housing Association): It is one of the things that we are worried about locally.

Andrew Boff AM: If it is any help, I asked to be shown a tower block development that worked. I was directed to the Millennium Village where the service charge is £350 a month.

Murad Qureshi AM: While we are on service charges, I hear what you are saying about land values. I am someone who argues for land valuation taxation, and have done recently in the *West End Extra*, particularly in central London. I think it is the only way we can get people like the Duke of Westminster to pay for the value he gets for all his land in Mayfair, for example. Just coming to service charges, you are suggesting it is the land in all of this, is it not also partly to do with housing associations and how they run themselves, the extent to which service charges shared owners end up with?

Sheron Carter (Chief Executive, Gateway Housing Association): A lot of the influence is around how you design the building. You can design now around some service charges. I will just give it to you in connection to development, once you get above eight floors your service charges go up because you need to have more lifts in etc. There is an element of that which is about the design of the building, the design of the landscape, all of those things are going to either increase or decrease the service charges that you need to put into that. You can be creative about landscaping finishes if you want to reduce the maintenance cost. You can be creative about reducing the size of communal areas if you want to reduce the service charge cost. When you are in towers it is much more difficult because you have got lift maintenance. If you are in a private development there is also the expectation that you will have concierge services, and there is a whole other range of services that private buyers would expect to see within those buildings. All of those components all add up to pricey service charges.

I think in terms of our administration, housing associations tend to charge 15% of the service charge in terms of their costs. I think that in itself the cost of the housing association is not the main thing. It is the cost of the actual service charge. Of that we will charge 15% towards our administration.

Murad Qureshi AM: High-density low-rise could be a far more affordable model than that high-rise.

Sheron Carter (Chief Executive, Gateway Housing Association): Just generally speaking, the service charges tend to go up the higher the building.

Murad Qureshi AM: I have had two sets of tenants in shared ownership schemes in the City of Westminster, Woodfield Road, and in Woodhouse down in Victoria. Their main complaint was actually the housing association and the way it puts the service charges up willy nilly. Do you think that people in shared ownership have got legitimate accountability of their associations not to keep bumping up the service charges annually year-in-year-out?

Sheron Carter (Chief Executive, Gateway Housing Association): It is interesting because one of the things that we observe as housing associations is that the people who will be most vocal about service charges will be leaseholders and shared owners. It is very, very visible for them when we have this discussion each year.

Murad Qureshi AM: They are going to be, are they not, because you are hitting them with a bill every year.

Sheron Carter (Chief Executive, Gateway Housing Association): Yes. The thing about service charges is that they are a reflection of actual costs. We will get all of the bills in that we are paying out for the grounds maintenance, for the cleaning, for the lift maintenance, for the communal repairs and for electricity and so on. We will get those bills. About June or July we will do an adjustment. They will get an estimate at the beginning of the year. Around June or July we will do the calculation based on actual bills for the year before, and then they will get a service charge adjustment. Therefore what they are being charged in terms of service charges is a reflection of the cost of delivering that service.

The way that residents can reduce that service is if they say, "Cut the grass once a week instead of twice. Rotate the bins once a week instead of three times". You might get more fly tipping and more rubbish on the estate, but you can negotiate an adjustment of the level of services that you receive if you want to get the services down.

What housing associations will not do is subsidise the service charge, and charge less than we actually pay out for those costs. Most of us have moved to variable rather than fixed service charges which means that we are charging what we pay for those services, plus 15% administration for our costs.

Neil Stubbings (Head of Housing, LB Hillingdon): As a local authority landlord I recognise a lot of the issues that you have got. I am not going to sit here as a local authority officer and necessarily support a housing association --

Sheron Carter (Chief Executive, Gateway Housing Association): Why not?

Neil Stubbings (Head of Housing, LB Hillingdon): -- just per se, but I think getting back to the question what we know is for people who are trying to get on the property market they do find a problem with low-cost home ownership part-rent-part-buy because they have a mortgage, a rent, and service charges. It is very often the level of service charges that just makes it unaffordable for them. As landlords we all try to strive to keep those charges as low as possible. There is always a conflict between the charges that tenants are prepared to pay, leaseholders are prepared to pay, and there are also some estates where you have got freeholders paying service charges as well. It is a very complex problem.

Murad Qureshi AM: I know Gateway is not one of the G15 [largest housing associations in London] but they made some record surpluses this year, over £1 billion, double what they did the previous year. It makes residents and tenants of housing associations, particularly of the big boys, wonder where all the money is going. Service charges are one of those areas where they do ask themselves, particularly if you are a shared owner, are we paying for these surpluses?

Sheron Carter (Chief Executive, Gateway Housing Association): I am not going to speak for the G15. They are responsible for their business. We are just a very humble under 3,000 properties local-based housing association. I know our surplus has gone up, not to the same extent that those have. The reason why our surplus has gone up has largely been because of sales.

Darren Johnson AM (Chair): We will come to that, yes.

Sheron Carter (Chief Executive, Gateway Housing Association): We will come to that a bit later on. I do not know about all the G15, but sales are actually driving surpluses in a number of associations. We have to reinvest those surpluses in providing more homes.

Darren Johnson AM (Chair): We have gone into all this in great detail in a previous investigation and I do not want to rerun that today.

Tom Copley AM (Deputy Chair): Do you think the income eligibility requirements for affordable home ownership are set at the appropriate levels? I think it is £66,000 at the moment for a one or two-bed, going up I think to £80,000 for a three.

Sheron Carter (Chief Executive, Gateway Housing Association): I think this is very similar to the whole disposable income issue. It is getting more challenging for people to be able to afford something, even at those levels. Can I give you an example of that? This is not one of ours, but we have observed, again in the west of the borough [Tower Hamlets] which is the more expensive part, a shared ownership property that is on the market currently for £600,000. To be able to afford 25% first tranche within that development you would need to be earning £78,000. Even for a person on £66,000 for that property would need a deposit of £58,000. I do not want to exaggerate this - there are plenty of places where we are currently developing where we are nowhere near those levels. We have just done some outright sales on the Isle of Dogs. If we were a bit more ruthless we perhaps would have sold them a bit later when the market was rising. When we did sell them, when we took the reservations, they were going for £350,000. Most of the values that I am seeing coming in are coming at £280,000 for one or two-beds, going up to £300,000-odd in the areas where we develop.

Tom Copley AM (Deputy Chair): Famously there is the example of Islington of £750,000 for affordable --

Sheron Carter (Chief Executive, Gateway Housing Association): Yes, in some other areas that £600,000, £750,000 is getting higher -- I went to one meeting where somebody was talking about doing shared ownership in Kensington and Chelsea at £1.2 million. It is perhaps not the thing that I would be drawn to do but people are considering.

Steve O'Connell AM: Can I just ask about your figures? This is a really good example, if the house cost around about £600,000 plus, and they are going to buy 25% thereof, which is £150,000, you said they would have to be earning what?

Sheron Carter (Chief Executive, Gateway Housing Association): I know that you can get better prices than this, but assuming 4.99% interest on a mortgage, you would be paying about £718 per calendar month for your mortgage on that 25% share. On the rent that leaves £450,000 value. The maximum that we would charge on that is 2.75%. That gives you £12,375 per year, which is £1,031.25.

Anna Clarke (Senior Research Associate, Cambridge Centre for Housing & Planning Research): I think it is important not to get too caught up on the issues of the very expensive central London. As Sheron has just pointed out, a lot of shared ownership is in cheaper parts of London and elsewhere in the country. If you look at the average income it is only £30,000 something. There is lots of shared ownership getting built for people who have very moderate incomes. The issue of how far you drive up is I think essentially a political one to do with how much do you think people on these income bands need to live in these really expensive areas.

I think the other thing to caution very much from our research is that there are real problems with shared ownership if you drive down the percentage shares. Sheron has just given you calculations based on a 25% share. These people are never ever going to step up into full ownership, even if they find a partner who also is on £78,000 who moves in with them. They still cannot buy out. There are issues around long-term maintenance of properties that are bought on shared ownership but at these very low levels of shares. We were suggesting in our research that you should not really go below 40% if you want it to be a sustainable tenure, certainly not if you want it to be a stepping stone.

Tom Copley AM (Deputy Chair): 40% ownership?

Anna Clarke (Senior Research Associate, Cambridge Centre for Housing & Planning Research): You are asking people to take all the cost of the maintenance of a property that they only own 25% of. Who is really bothered if the roof is falling down? There are issues in the long-term over these kinds of things.

If you push your income things down you have either got to accept that people are not going to get shared ownership in the expensive parts of London, which as I say is probably the sensible view, or you have got to be prepared to take very low shares which I think is problematic.

Vidhya Alakeson (Deputy Chief Executive, Resolution Foundation): I would echo those comments. I think shared ownership does not work as a model to meet the kind of needs of the people that you are trying to meet in more expensive parts of London. You cannot do it. Why would you have a subsidised product subsidising homes that cost over £1 million? It just makes no sense. I think the reality is that --

Murad Qureshi AM: It does not actually cost that much to produce it. That is the value.

Vidhya Alakeson (Deputy Chief Executive, Resolution Foundation): Yes, but why would you subsidise somebody on incomes that are close to £100,000? That is what you would need to have in order to get into a shared ownership property of over £1 million.

Tom Copley AM (Deputy Chair): Do you think --

Vidhya Alakeson (Deputy Chief Executive, Resolution Foundation): I just think that is not the group that the product was ever designed for. Those people are in a different kind of housing need, which is much more about not being able to live in the areas they want than actually not being able to find a home to live in. I think the reality of the London housing market is that shared ownership does not work as a subsidised product in those expensive areas.

Going back to Anna's point, some of the experiments that some of the housing associations have done around micro-shares, like 10% shares, have generally failed. There is definitely a push to bigger equity stakes rather than smaller ones.

Tom Copley AM (Deputy Chair): Do you think there should be a limit on essentially the value of a shared ownership property? Would that even work?

Vidhya Alakeson (Deputy Chief Executive, Resolution Foundation): We have not thought it through practically, but I think we are in reality talking about a product that is for travel Zones 2 and beyond in London. I do not think it works in the central areas.

Sheron Carter (Chief Executive, Gateway Housing Association): If you keep your income limits, but you also have a lower percentage share limit, you effectively produce a limit on the house value which would be created by virtue of those two things.

Neil Stubbings (Head of Housing, LB Hillingdon): From Hillingdon's point of view it is probably one of the more reasonable places to buy a property, and is probably getting closer to the type of place where low-cost home ownership can work. For two-bed need, because that is the biggest need that we have got in the borough, the average income of the people we have got on our waiting list at the moment for low-cost home ownership is £35,000 with average savings of around about £15,000. When it comes to purchasing a property, the average property that is being purchased is a new-build that is £221,000 with 44% average share purchased. That gives a mortgage roughly of about £98,000. On top of that people have got an average annual rent to pay of around about £5,600. On top of that an average service charge of £87, and then on top of that their mortgage at about £100,000 so whatever their mortgage rate is. That is what is typically happening in Hillingdon. The actual salary ranges anywhere from £17,000 up to £80,000. We do think that actually the salary that low-cost home ownership should be directed at should be lower than £66,000 because if you do straight multiples, £80,000 times three, three-and-a-half, you can get on the property market in Hillingdon for less than that so we think it is too high.

Tom Copley AM (Deputy Chair): That brings me onto my next question to you, which is do you, as a borough, place any additional eligibility requirements? I think each borough can have a lower threshold for at least a month after the property is marketed?

Neil Stubbings (Head of Housing, LB Hillingdon): Every local authority has a period of time in which they can make nominations to the individual low-cost home ownership. I think it is eight weeks.

Tom Copley AM (Deputy Chair): Eight weeks?

Neil Stubbings (Head of Housing, LB Hillingdon): Yes, it is normally eight weeks. In order to get on the housing register Hillingdon has got a significant residency test, which is ten years. It is more difficult for us to apply that to low-cost home ownership because it is the providers who are actually in the midst of building the majority of that. That was one of the reasons that we came up with our first-time buyer initiative. You can have restrictions on there if you want to put them on, but it is unlikely the providers would accept a ten-year residency.

Tom Copley AM (Deputy Chair): You cannot put a ten-year residency requirement on?

Neil Stubbings (Head of Housing, LB Hillingdon): No, we do try to say we want people to have a local connection. It is interesting. We are having real difficulty getting information from our providers over the type of people that are buying. Because although we do want local people to actually purchase properties in Hillingdon, out of the 27 shared ownership completions that we have had in the last year 15 we do not know anything about because we have not been able to get any information from the registered providers. There is bit of a problem for us at the moment in getting that information. We do not know where they came from initially. We do not necessarily know what their income is. We do not know what level they have gone and purchased or rented.

Tom Copley AM (Deputy Chair): This is very odd to me that as a borough you would not, as a matter of course, get that information.

Neil Stubbings (Head of Housing, LB Hillingdon): We used to get it through the agent, it used to be available, but that is now not in existence. We have got a very active low-cost home ownership officer who tries to get that information but has not been able to in 15 of the 27 cases.

Tom Copley AM (Deputy Chair): I would be interested to hear from a provider perspective with your boroughs what that relationship is like, and whether there are any additional requirements or eligibility requirements they have put on?

Sheron Carter (Chief Executive, Gateway Housing Association): I think it is about the relationships that are formed in individual boroughs. In Tower Hamlets it is polar opposite. We engage on almost everything locally, and share information on almost everything locally.

To meet the eligibility criteria in Tower Hamlets you have to either live or work in the borough. That is one of the criteria, and they are the criteria that we work with. We place the criteria on, and I think it is still advertised on, First Steps. At the moment we are developing the first older people shared ownership in the borough, it has not been tried before. That criteria, in terms of the age category, will be on the property details that are promoted.

This feels to me that these are the things that we already do. It sounds from what I am hearing that there may be some exceptions in some places, but that seems to work quite well in Tower Hamlets.

Tom Copley AM (Deputy Chair): There is clearly something in some parts of London where there is not enough communication between providers and boroughs.

Neil Stubbings (Head of Housing, LB Hillingdon): I think it is down to the registered provider. We have a very, very good relationship with some of them that work in the borough, and with others it is much more difficult.

Darren Johnson AM (Chair): Thank you. I have had complaints from constituents about eligibility criteria not being made clear in the first instance. Should providers be required to make the additional eligibility requirements clear on the First Steps website?

Neil Stubbings (Head of Housing, LB Hillingdon): As far as I am aware, and certainly I can only speak for Hillingdon, they are all available on our website. I think the issue comes when you are trying to, certainly from us, establish who has actually got access to the properties in the first place and what eligibility criteria they met. To come back to what I just said, for 15 of them we do not know what the information is. That would be where the issue is. We certainly publicise it on our website.

Darren Johnson AM (Chair): The others?

Vidhya Alakeson (Deputy Chief Executive, Resolution Foundation): Is the issue sometimes people go on Rightmove, and other more general marketing websites, and then the eligibility is not so obvious on those. That might be the case.

Darren Johnson AM (Chair): Yes.

Vidhya Alakeson (Deputy Chief Executive, Resolution Foundation): If you are trying to reach a wider audience it is not so compatible with having all the eligibility --

Anna Clarke (Senior Research Associate, Cambridge Centre for Housing & Planning Research): I mean it seems straightforward that it should be transparent to purchasers.

Sheron Carter (Chief Executive, Gateway Housing Association): All of the criteria are advertised but there is a counter-argument that I am constantly hearing about shared ownership: that people do not understand all of these products that we sell. It means nothing. Some people are actually moving away from using that language because they feel that they can get more people through the door in marketing terms.

I pick up the point that you are making, that when you look on websites like Rightmove and Zoopla. I was probably too eager and I was trying to encourage my son to move on. I was looking through the magazine and I saw a one-bedroom for £54,000. I nearly fell off my chair; then you uncover it and you find it is because it is shared ownership. I can see with some of those advertisements that people think they are getting a real bargain, then when they explore it a bit further it is not quite so straightforward. I can see the frustration there.

We need to do a bit more work to get the marketing right so that we are appealing to a wide pool of people by not putting them off by the language that we use, but not also misleading them.

Darren Johnson AM (Chair): I also had complaints from people who have ended up buying into a scheme that has proved wholly unsuitable for them. They felt the marketing did not spell out what the full implications were in terms of costs and everything else, and so on.

Vidhya Alakeson (Deputy Chief Executive, Resolution Foundation): The work that we did did suggest that people actually do not really understand the product very well. One of the issues we find is that shared ownership is very popular with people who are not in it. People who are in it tend not to like it that much. A lot of it is because I think they get into it without fully understanding so there is a real resentment about the need to pay rent. There is a lack of understanding that you do not actually own the whole thing. The trade is you pay rent on the part you do not own. There seems to be a general lack of understanding. There is a constant stream of innovation around part-rent-part-buy products, home purchase plans etc, which are all marketed slightly differently. They are all marketed as different kinds of products. I think it is just very confusing for the consumer. One of the suggestions we made is that they should be presented as different gateways into the same product, rather than each new initiative has a whole, "Look at this new thing that we have developed". Essentially they are all variations on the part-rent-part-buy products. People generally, I think, really struggle to understand. They get the basic concept but the actual detail slightly surprises them. That is where a lot of the resentment comes from in terms of the product.

Stephen Knight AM: Yes, this is really around what role shared ownership can play in increasing levels of owner occupation in London: in particular, what are the barriers to more being built. I think we have covered some of this, I guess, in terms of in central London the land values are so high that it is not really viable. Is shared ownership really something which is really viable in outer east London? Probably at 20% per annum housing inflation going on is going to become increasingly less viable even in those areas. It is a sort of temporary measure, is it not, that may work for the next few years but sooner or later even the Bexleys of the world will become too expensive for this model.

Anna Clarke (Senior Research Associate, Cambridge Centre for Housing & Planning Research): I think the straight answer to your question is none at all, because it is not owner occupation. In terms of increasing owner occupation, no, it is not increasing home ownership. It is diverting houses that might be in owner occupation into a different tenure. A lot of the research we have done suggested we do need to recognise and acknowledge its role as a hybrid tenure. People may buy into in the marketing as, "I am going to become a home owner" and they may feel they are home owners. A lot of the resentment is because they get there and then realise they are actually not. They are still paying rent, they are still paying service charges. We need to talk about it as a hybrid tenure, not a home ownership solution. All the issues around welfare dependency and older age, they still apply to people who are paying rent on their shared ownership property if they do not get out of it, if they are still in this property.

In terms of barriers to producing it, we do not necessarily need to assume that house price inflation is going to rocket forever more, it may not. Yes, we do need to think more carefully about where to build. That is the biggest thing, where and what to build. The idea that shared home ownership all has to be new properties is possibly also one that is worth thinking about. The DIY shared ownership did have the advantage that it brought in the cheaper second-hand properties into the shared ownership market, which can then bring the value down to a price at a different kind of level.

Stephen Knight AM: You said earlier if you could start moving into that market then of course you are subsidising demand within the housing economy, and potentially forcing prices up.

Anna Clarke (Senior Research Associate, Cambridge Centre for Housing & Planning Research): That was the argument with it but the counterargument against that is that we are building extra supply. I think it is questionable whether the shared ownership that is being built under section 106, and whatever else, is actually extra supply or whether if we did not have it as shared ownership it would still be housing and it would still be built. Are we getting it in where possible under some of the rural exception sites and so forth, we are getting extra housing that would not otherwise get built in most of the London schemes. I think that is probably less the case. If you are building more housing then does it matter which housing is shared ownership.

Stephen Knight AM: However we do it we are subsidising demand effectively?

Anna Clarke (Senior Research Associate, Cambridge Centre for Housing & Planning Research): Yes, and it is not just about where you build. It is also sometimes thinking about the houses that are already in shared ownership. Some of the resale difficulties people get into is when their property has zoomed in value since they bought it and they then cannot afford to sell it on a shared ownership basis because people within those income thresholds cannot afford to buy them out. It is one thing that was not covered in the last question is that you can set your price on your new housing, and you can make sure it is affordable to that kind of group, you cannot always manage that process when a house has increased in value, the shared owner wants to sell and nobody on that income limit can afford to buy their share. I think in those cases the housing association very much needs to step in either to sell the whole property onto the open market or to buy it back and then sell a lower share if necessary.

Stephen Knight AM: I understand that Shelter has an ambition to increase the number of shared ownership homes nationally to 1.8 million. Is that realistic? Who would like to comment on that?

Neil Stubbings (Head of Housing, LB Hillingdon): I just had a point to make on the previous question that you raised about getting into owner occupation. I think that is probably where I ought to just mention Hillingdon's first-time buyer initiative. That is where we do help people get into owner occupation. It has been going since 2007. We have helped 253 people into owner occupation by matching 7.5% of a deposit for them, up to a maximum of £18,750 now. The issue there is that we insist that those people are all in work and they have lived in the borough for ten years, and it is the first property that they have bought.

What that enables them to do is they can go to anywhere in the borough to buy a property. They are not restricted to where low-cost home ownership is built. They then tend to focus on trying to buy a property that has not got a service charge associated with it, and then they have not got a portion to rent to pay either. They get straight into owner occupation. Provided they do not sell it within three years, they do not have to pay anything back at all. Past three years they can recover the full increase in equity which then allows them to go and sell to anybody on the open market, at a full market value, to then move on up the property ladder.

We have had a massive number of people coming through the system on this one. We opened a waiting list for five weeks in April and got nearly 100 people coming through the system on that. It is on a first-come-firstserve basis. We have a budget of around about £500,000 a year for that so we do about 30 grants a year. It is an innovative way to get people into owner occupation which was your question on how you increase it.

Stephen Knight AM: Are you worried that, if it was done on a mass scale, then effectively it would just have an effect of boosting demand and pushing prices yet higher and making it even more unaffordable for the same group of people to afford to get on the ladder, as you put it?

Neil Stubbings (Head of Housing, LB Hillingdon): There is always a problem, is there not, the more demand that you have in a market where there is insufficient supply then, yes, you are going through laws of supply and demand and you are going to increase the levels. Yet that is possible, and it is a political aspiration of the administration to help people into owner-occupation on the basis that the people who do not get into social housing, have no chance of getting into social housing, there was no product available for them. Therefore, the administration came up with the first-time buyer initiative. It is directed at people below the £80,000 salary threshold, therefore it tends to go to people on a lower salary.

Stephen Knight AM: Thank you. Just returning to my question about Shelter's ambition --

Anna Clarke (Senior Research Associate, Cambridge Centre for Housing & Planning Research): I have just been working out my numbers. I reckon on the current rate of production it is about 250 years it would take to make Shelter's 1.8 million target!

Vidhya Alakeson (Deputy Chief Executive, Resolution Foundation): I am not sure what their timescale was! However I think the issue of scale is really pertinent in that a lot of the problems with the secondary market are because shared ownership currently is not on a large scale, so was it 174,000 units you said? While I completely agree with Anna [Clarke], 1.8 million feels completely unrealistic, unless you can grow the scale of the tenure, you cannot fix some of the problems in the secondary market, etc. I think one of the issues is really that too much shared ownership is delivered entirely through section 106 agreements rather than being planned up front by local authorities as part of the wider kind of local plan. So I think there is an extent to which it is an offshoot from other kinds of development rather than part of a strategic plan for how an area addresses its housing need. Although that is not universally true, some local authorities do sort of take a more proactive planning approach to it.

Stephen Knight AM: I have heard that in some ways London is less viable for this model than other parts of the country because of - in the larger parts of London - the already very high price of housing that means that buying the quarter share or the 40% minimum itself is unaffordable unless you are already very wealthy, in terms of your income.

Vidhya Alakeson (Deputy Chief Executive, Resolution Foundation): Yes, however I think the dynamics are not different from the regular housing market. I would like to live in zone one, however I cannot, therefore I live in zone five. The same is true of shared ownership. This is not a product that is going to work with the income requirements we have for most of prime central London and even the sort of zone two area. It is going to be a product that works for lots of outer-London boroughs. I do not think you can change the economics of that.

Stephen Knight AM: The question is, is shared ownership a model, which can be used on a much bigger scale in London, or is it more applicable to lower-cost areas of the country where it is more viable for people to buy the quarter, the 40% share. Is it more limited in London in terms of the offer that is viable?

Vidhya Alakeson (Deputy Chief Executive, Resolution Foundation): I think it can be used on a bigger scale, however it cannot be a London-wide solution because there are parts of London where it is just not going to work. However there are other parts where I think it can.

Sheron Carter (Chief Executive, Gateway Housing Association): To answer this question in a slightly different way - looking at our 2015-18 programme, within that just over 50% we are planning to do for general needs rents, just over 20% for shared ownership and 27% for market sale. I am drawing your attention to the latter part of that. In each scheme that we develop now, housing associations, some never -- this is the first time, we have just sold our first market sale, we never ever did it in the past. Even small associations like us are moving in that direction because it is the only way to make the scheme stack, and that is the challenge with all of this. Wherever you are building, the makeup of the scheme will depend on what you can stack. If you can get more general needs renting, you can get more shared ownership on there, then fine. However you are getting now £20,000 per home for shared ownership. It is not enough to fill the gap to do a scheme where it is just shared ownership and just general needs rent. You need the market sales to cross-subsidise the rest of the scheme to make the general needs work. I think that is the driving force.

I have heard in some of the questions, several questions, the assumption that shared ownership can somehow be contributing to driving the values up within London. I have not done any research on that, however I would be really surprised if that was the case. I think that it is the move towards investment buying. When my parents bought their home, you bought the home to live in. It is the rise in investment buying that is driving up the market. Even when we are doing market sales, we are always on the lookout for block purchases, does this look as though we are going to have lots of ghost lettings within the schemes, which is what we do not want. That is what we are finding more challenging in terms of trying to keep a lid on values for where we are developing.

Murad Qureshi AM: In defence of shared ownership owners, I think they are as baffled with their finances and their housing as people with mortgages on owner-occupation, and I always have to remind owner-occupiers, "You do not own that property until you have paid that last payment", for example. That is why I do not get invited to dinner parties anymore.

Cambridge University have done some interesting research on staircasing nationally, which I think will illuminate the discussions. Can you firstly outline - and I know you did touch on it - what are the main barriers at the moment to increase in staircasing?

Anna Clarke (Senior Research Associate, Cambridge Centre for Housing & Planning Research): The rates, as we found, were very, very low. We were estimating from different sources, however it appeared to have gone down to less than 1% of the stock being staircased up per year, which is obviously not the aspiration when you think of it as a stepping stone to home ownership.

The main barrier - the overwhelming one really - is that people cannot afford to buy the rest. They bought to the maximum of their ability, they are encouraged to do that, housing associations are encouraged to make sure they make good use of their resources by making sure that people buy as much as they can afford, however their incomes have not increased since then and sometimes the demands on their resources have increased. For instance, if they were a couple when they bought the place, they may have children, then they have reduced their earnings, perhaps they have increased their expenditure; that share that they did not buy is never going to be affordable. Therefore there is a large amount to which staircasing is just never going to happen.

The other barrier, as we found, was very much the overhead costs. When you sell a house, your association and whoever else is involved in the process, solicitor and all the rest, they all take a cut, however only at the point when you sell. Whereas, to sell a staircase, as in shared ownership, there is very often a cost to the housing association and the valuation cost, which the occupant did not understand. People do not understand that a formal valuation is different from an estate agent just coming around and saying, "Yes, I will put this on the market for around £200,000." They do not understand that those are different things, therefore they feel that there is this big cost upfront, only at the point of getting somewhere and staircasing is uncertain.

Therefore we found that there was some limited interest even in downwards staircasing, which most housing associations do offer in certain circumstances, and sometimes people's circumstances have decreased, given that they hit retirement and things like that and they were at the point when they were looking in that direction rather than upwards, although the vast majority of it is upwards. Very much people only want to staircase right up to 100%, they do not want to do partial staircasings, they just see that as bureaucratic and why would you bother because you are still going to be a shared ownership at the end of it. Because, if you can get all the way to 100%, there was an interest in that because they would want to get that far.

Murad Qureshi AM: Essentially you are saying, wage inflation, if there has been any wage inflation, is certainly a lot less than house price inflation.

Anna Clarke (Senior Research Associate, Cambridge Centre for Housing & Planning Research): Yes.

Murad Qureshi AM: Considerably. I understand nationally you have come out with figures that staircasing to 100% has been reduced from 4.3% more than a decade ago to 0.9%. What would you think the figures are for London?

Anna Clarke (Senior Research Associate, Cambridge Centre for Housing & Planning Research): I do not know those figures for London unfortunately. We did look at the regional differences in the second-hand sales of shared ownership and they were lower in London than anywhere else. Therefore fewer shared owners were selling their shares to someone else and buying, however --

Murad Qureshi AM: Given what you have nationally, would you expect the numbers to be lower in London?

Anna Clarke (Senior Research Associate, Cambridge Centre for Housing & Planning Research): Given that the major barrier we found was people's inability to afford the extra shares, I would guess that they would be lower in London, but I have not done that analysis.

Murad Qureshi AM: We have heard, one of the hard-sells we hear about shared ownership is making your way, getting yourself on that ladder, making your way to 100% ownership. Is this not a bit of a con if this is the reality that most people are not getting to 100% ownership?

Anna Clarke (Senior Research Associate, Cambridge Centre for Housing & Planning Research): I think we do need to acknowledge it as a long-term tenure for lots of people and some of them are very happy in it long-term, some of them are frustrated because they wanted something else, however it is a tenure that may suit people in the long-term. It is not always a stepping-stone to home ownership.

Murad Qureshi AM: Because it just strikes me, those figures, and we know what has happened to wages in recent time, you have to move, if you are a teacher, from being a teacher to being a super-head in an academy to be able to get to get the wage level necessary to staircase.

Anna Clarke (Senior Research Associate, Cambridge Centre for Housing & Planning Research): Yes, it is unlikely. Shared-ownership owners are typically a bit older than other first-time buyers when they purchase. They are not purchasing in their mid-20s, they are purchasing in their 30s or so, therefore they have already hit their peak earnings, or quite close to them, their incomes are not likely to be shooting up, they are not buying at the sort of young trajectory that might shoot up a lot, as some other first-time buyers are.

Murad Qureshi AM: You have heard my views on staircasing just now. Are there any ways of getting around it within the present model?

Anna Clarke (Senior Research Associate, Cambridge Centre for Housing & Planning Research): Yes. I presume Sheron might want to talk on this, however some of the successful things that we found that some of the housing associations were doing was a very tailored approach where they spoke to shared owners and said, "Do you want to consider this?" and sort of giving them some detailed information, calculators that say, "This is how much you can save in the future", and shows how well it is working, some advertising kind of things, reducing the upfront costs and recouping them at the point of staircasing or in other ways was definitely a big sell to the shared owners who were not wanting to pay those upfront.

Also, Thames Valley Housing Association for whom we did the research has recently introduced a model. I am not familiar with the detail of it, however it allowed some kind of gradual 1% increases in share owned to be bought. Therefore, rather than going through the formal process with listings and valuations every single time, there was some sort of incremental thing you could buy into when you could -- like with paying your mortgage really, you could overpay and you would gradually increase the share you owned.

Vidhya Alakeson (Deputy Chief Executive, Resolution Foundation): Yes, you basically sign up to a higher rent payment, which buys 1% equity stakes over time. It is more similar to a home purchase plan sort of idea where everything -- your monthly payment is accumulating equity over time, rather than these chunks, the idea of staircasing where you are buying chunks of equity, so trying to smooth that process for people and almost lock them in. Therefore not rely on savings behaviour from individuals to accumulate more money to then go and buy a new share, but to make it a monthly payment so that you sort of by stealth accumulate without really noticing.

Anna Clarke (Senior Research Associate, Cambridge Centre for Housing & Planning Research): Yes, I mean this is new, it is too soon to say if it has worked, however it certainly shows promise I think.

Murad Qureshi AM: That is interesting. I had not heard that. Can I come to Gateway Housing Association, I think it seems as though you appear to buck the trend in staircasing. Can you explain how you have managed to do that? You have given us some idea of where you do most of the homes, the farthest west you go is Tower Hamlets, the farthest east is Barking and Dagenham, is there something happening there that the rest of us do not know about?

Sheron Carter (Chief Executive, Gateway Housing Association): Historically, outside of our main operational area, we had less than five shared-ownership properties in the 1980s. Most of the stock that we develop now is within Tower Hamlets and we do not develop in Aldgate and Canary Wharf. It tends to be Bow, which is a very desirable area, and Stepney and those areas where it is a little bit cheaper. However, a third of people who started off as shared owners are now fully staircased up to 100%.

We have 300-odd altogether. Two years ago it was 110 and we are getting sales up to 100% each year, therefore it is about a third of our leaseholders are fully staircased up, therefore that is quite an amount.

What we have found, when we started to do the research, *Moving On Up*, we thought we were bucking the trend because the research that had been done was suggesting that it flat-lines at whatever the tranche is and there is very little movement, therefore we thought, "Oh, we are bucking the trend". When we spoke to other associations, including Thames Valley, what we were finding, in the past three years, there has been movement across the housing association sector, not just with Gateway.

Anna Clarke (Senior Research Associate, Cambridge Centre for Housing & Planning Research): Our research was two years ago, based on data that was three years old.

Sheron Carter (Chief Executive, Gateway Housing Association): Yes, it would have been historical then, however in the past few years this is where we found out things have shifted. In 2012/13 it was 4.7%; 2013/14 5.2% staircased up; in the six months to September we have already achieved 4.4% and we are expecting that to get up to about 6% by the end of the year. In a three-year period, each year, the numbers have gone up.

Andrew Boff AM: Sorry, can I understand those figures a bit more? You are saying 4% of your existing shared owners have bought a larger proportion of their homes?

Sheron Carter (Chief Executive, Gateway Housing Association): Yes, although not all of them have gone up to 100%. The average share is 51%, therefore, for some people who already have that, or near that amount, they will have fully staircased up. For some who have 25% they will have staircased up to 75%. I do not have the figures about the percentage that fully staircased up in --

Andrew Boff AM: In this past year, 4.4% have increased the proportion of their share. Sorry, it is just funny to apply a percentage.

Murad Qureshi AM: To make it easier, could you just tell me how many properties that means?

Sheron Carter (Chief Executive, Gateway Housing Association): I have not brought that. I have brought my percentages rather than the numbers; therefore I will have to send that to you.

Murad Qureshi AM: You said you had 350 properties?

Sheron Carter (Chief Executive, Gateway Housing Association): There are 300-odd, therefore it is a dwindling number. We are a smaller provider, therefore those figures are not going to be huge figures, however it still gives some indication of what is happening, and when we have spoken to other housing associations they are also picking up some of those trends.

However, what might be of interest to you is the reason why people have told us that they are staircasing up. One of the things I think that is driving this is the unpredictability of the market. For a number of people there was this feeling that, "I might not be able to get a mortgage in the future; therefore I had better get it now". "I better buy now because the property prices are constantly going up and if I do not buy now I am never going to be able to afford it." Therefore rising house prices are a big thing, and also building up the investment.

For some people they want to move on and there is a perception that it is easier to sell a property where you own the 100% than to try and sell one where you are just selling the shares. Therefore, for some people it is at that point where they are really thinking that, "We want to move on now" that they will give themselves that push and then they will buy that extra share, so that they can sell on. They might be putting themselves into some short-term financial difficulty to be able to make that leap.

What we did find, though, was that the people that tended to staircase fully up were on average about £15,000 better off in terms of income. On average their salary was about £48,000 a year, compared to the ones that did not staircase up, which was in the lower £30,000s.

Anna Clarke (Senior Research Associate, Cambridge Centre for Housing & Planning Research): Is that their salaries when they bought initially?

Sheron Carter (Chief Executive, Gateway Housing Association): £48,000 was the average for those that fully staircased up. At the point of fully staircasing up, the average salary was around £48,000. The average salary for those that did not staircase up was £37,370.

The other thing that we found is that the increase - there is some information on the increase - that for those that had fully staircased up they had achieved an increase of, on average, over £16,000 from the time when they first purchased. The other trend that we found is that some people were able to staircase up because they received an inheritance, therefore the circumstances would vary. Some people had invested their money elsewhere and they had received income from that. Other people received their inheritance and they were able to staircase up from that. Those are the kind of issues that we found when we did our research.

Murad Qureshi AM: That is useful. I, with my basic maths, worked out the balance, about 12-odd properties in your sample base, out of all the ones in London. Therefore I am not sure to what extent we can make assumptions for the rest of the shared owners in London and what is happening there.

You mentioned earlier, an interesting comment you made about the costs of properties and that there is a difference between cost and the market valuation. Am I right in thinking that the cost of producing a two-bed in Tower Hamlets is no different from the cost in City of Westminster, however the valuations will be different? Am I right in assuming the cost is much the same in say Tower Hamlets to the City of Westminster?

Sheron Carter (Chief Executive, Gateway Housing Association): Construction costs?

Murad Qureshi AM: Yes, that is what I mean, construction costs.

Sheron Carter (Chief Executive, Gateway Housing Association): Construction, I mean, whenever we go out to tender, you do get variations in the prices that will come through. One of the things that developers are saying to us, why the prices have gone up: the cost of labour has increased, the cost of bricks has increased -- There is always something that seems to be increasing in price, which is driving up the build cost. Therefore we have seen, I think compared to about three or four years ago, build costs have gone up by more than 20%. Therefore build costs are going up as well as land prices are going up. They are not sort of staying static, but that will be the same, whether that is Westminster or whether it is within east London.

However, just to go back to the point that you are making, our sample is a small sample, however when we did our research we spoke to a number of other housing associations that do shared ownership at greater volume and they were finding similar trends. One of the things that our report said, whereas we thought we were bucking the trend, we are not bucking the trend, in the past two or three years there has been quite significant movement in terms of shared ownership, where it was static before. When we have spoken to some of our housing association partners, they are also finding that the percentages of upward staircasing and also second-hand sales have gone up.

Murad Qureshi AM: Are you telling me that if I went to Notting Hill Housing Trust in west central London, they would have similar figures for upwards staircasing?

Sheron Carter (Chief Executive, Gateway Housing Association): I cannot tell you specifically who our researchers spoke to. There is a group of housing associations that form part of the London Home Ownership Group. I am not familiar who belongs to that group.

Anna Clarke (Senior Research Associate, Cambridge Centre for Housing & Planning Research): It is most of them in London I think.

Sheron Carter (Chief Executive, Gateway Housing Association): However, our researcher spoke to a number of the members of that group and they were suggesting that they have also seen movement in shared ownership in the recent year.

Murad Qureshi AM: I asked that latter question about the costs and the values because clearly, in my time in the sector, the costs were much the same. However the valuations were the difference and that, actually, if there is a shift that the model needs it is possibly on the basis of selling them on market value and not possibly moving it towards the cost value.

Now, I would be very surprised if schemes in west London, from the central London postcodes outwards, had the same pattern of upwards staircasing given the nature of valuations in those prime locations. That may explain why a lot of people go into shared ownership in the first place, because it is the only option they have to stay in the neighbourhood. However, once they are in, there is very little scope for them to go upwards in their aspiration of higher ownership.

Anna Clarke (Senior Research Associate, Cambridge Centre for Housing & Planning Research): We could look at that data. We have not done so, however it could be looked at, it is in the Homes and Communities Agency's statistical data return that has records on shared ownership, therefore you could look at that issue.

Murad Qureshi AM: Sheron, you touched on another area: the secondary markets. To what extent has that developed, if at all? I mean I have not been aware of it myself. How does that work? I mean how does someone who is in a one-bed shared-ownership scheme move up to a second or out of it completely if they see fit?

Sheron Carter (Chief Executive, Gateway Housing Association): There is the same way that you mentioned earlier where there is eight weeks for us to sell it and, if we do not sell it within those eight weeks, then it will then -- they can then get in an estate agent to sell it on. However, the figures that I have, again they are small, and on the second home market I do not know whether what we are seeing is common across the sector as a whole, however we are looking at, for the three-year figures, 5.4%, 5.9%, and in this current year 3.9%. Therefore we are selling them on.

One of the things that we believe is happening is that the finance market I think are really waking up to shared ownership. I think increasingly there is an understanding that, if you want to buy, in some parts of London it is the only game in town because it is becoming more difficult for people who do want to have some financial stake in a property to buy outright.

We are certainly seeing that recently there has been a little bit of movement in terms of mortgage availability for people who want to get into shared ownership. However, I have a sense that it possibly is what you mentioned, Neil [Stubbings], earlier, that for people who are registering with the local authority for housing, and they are seeing that the private sector is the only alternative, that more people now are thinking, "Well at least if I can buy, whether it is 10% or 40%." I agree that the 10% is not a sustainable model. However the primary concern for people who do not have a roof over their head is, "How can I get a roof over my head?" Therefore, in years to come, they might find that the 10% model is not a great model. However I am finding that what is really driving some of these decisions is that people have less choices and they are making the best that they can out of the choices that are available to them.

Murad Qureshi AM: Yes, that is certainly something that I picked up in central London boroughs. I think most people who find themselves in shared ownership have been forced into it, particularly if they want to stay in the neighbourhood and in the locality. That is often the decision most people find themselves doing and I think you will find that very clearly.

Vidhya Alakeson (Deputy Chief Executive, Resolution Foundation): I mean, in our research, people saw that as a positive rather than being a forced thing. They wanted to stay local, they wanted to stay more centrally, and they found it was a positive to be able to do that through shared ownership rather than be pushed out. Therefore I think we need to be careful about the idea of them being forced. I mean they may not be able to staircase out --

Murad Qureshi AM: It is the only option, most of the people I have come across in the City of Westminster certainly, it was the only option available, therefore it was either that or move out.

However, just coming back to Cambridge University's research, I mean what kind of research have you done in the secondary market and what do you think about that?

Anna Clarke (Senior Research Associate, Cambridge Centre for Housing & Planning Research): Quite a lot. The report that you referred to on staircasing; that was the other main focus of it, and we have looked at it by region. I mean the country overall, for most of the last ten years, just over 2% of the shared ownership properties each year change hands, and it is quite hard to find an equivalent figure for the private sector, however where we did make some estimates it is about double that, which suggests that shared ownership properties are half as likely to come up for sale each year as owner-occupied ones, which is quite concerning, and they were lowest in London. The rates in London were between 1.5% and 2% turning over each year.

The barriers that we found to that, though, they are not to do with lack of buyers overall. I mean, as Sheron said, there are people who want shared ownership, it is to do with lack of opportunities for the shared owners to move anywhere else. They did not want to move back into rented housing mostly, a few of them could staircase up by going and buying another property elsewhere, mostly if they were prepared to move somewhere cheaper, however mostly they could not move anywhere else, therefore they were -- and they cannot move within the sector at all, which is the other thing we highlighted as a policy suggestion is that it would be sensible to give shared ownership the same prerogative as currently given to social renters if they want to move within the sector, with a few provisos possibly. However, at the moment, they cannot move anywhere, that is why they are not selling.

Murad Qureshi AM: Ironically, while they may be moaning about the service charges I mentioned earlier, they feel fairly secure there rather than being private rented.

Anna Clarke (Senior Research Associate, Cambridge Centre for Housing & Planning Research): Yes, they saw it as a step up from private renting in the most part, except as possibly a short-term measure before you buy outright, as people do when they make long-distance moves.

Murad Qureshi AM: How soon can we expect to see adverts in the *Evening Standard* for secondary shared ownership schemes?

Anna Clarke (Senior Research Associate, Cambridge Centre for Housing & Planning Research): Second-hand ones? You will see them already, whenever they have not managed to sell within the eight weeks, people will put their things up for sale themselves. That does happen.

Murad Qureshi AM: OK, so a fair amount of flexibility there.

Sheron Carter (Chief Executive, Gateway Housing Association): This association with service charges is not about shared ownership. You can buy a shared ownership house and not have a service charge. You can buy 100% property on the open market; in Tower Hamlets 85% of the housing stock in Tower Hamlets are flats. Whether you will buy an outright sale or whether you are buying shared ownership, the chances are you will be buying a flat, and you are going to be paying service charges.

Darren Johnson AM (Chair): It is a 'blocks versus houses' issue rather than a home ownership tenure issue?

Anna Clarke (Senior Research Associate, Cambridge Centre for Housing & Planning Research): Associations do charge a leasehold charge, maybe yours do not, however a lot do charge a leasehold charge for managing the shared ownership element of it.

Sheron Carter (Chief Executive, Gateway Housing Association): Yes, however it is not -- anyway I will not go into it.

Murad Qureshi AM: I do understand what you are saying. There are plenty of properties in central London, in mansion blocks, for example, where the biggest gripe is the service charge that they have to pay annually, it could be £5,000 plus. That is very rarely the debate that we have in housing policy, because essentially it is thing they have to have with their freeholder.

Darren Johnson AM (Chair): Talking now about the shared ownership properties going on the open market and being advertised in the *Sun* and so on. With house prices rising, is there not an issue that each staircase in a shared ownership gets more and more, once they are resold and resold, that for the new buyers it is getting a more and more unaffordable option simply because of the cost of the 40% bit that they bought on the open market is going to get more and more expensive in terms of repayments, as well as the rent on the 60%?

Anna Clarke (Senior Research Associate, Cambridge Centre for Housing & Planning Research): Unless you are in two situations: either the house prices have risen a lot since it was bought; or when there has been a partial staircasing. Those are both situations that cause the amount that you need to pay for the shared owner's share to be more than people can afford, even within the income limits. In those situations I think housing associations need to look at what to do with that stock, because one of the barriers to selling second hand was that they could not find anybody who could afford within their limits.

Vidhya Alakeson (Deputy Chief Executive, Resolution Foundation): Unless you covenant the properties and sort of create a model like the Rural Housing Trust tried to create where you can staircase, however you can never staircase to full ownership, and therefore you are managing the price.

Anna Clarke (Senior Research Associate, Cambridge Centre for Housing & Planning Research): That just makes it harder, the people in those situations get really stuck because they staircase up to the maximum amount, which is 90%, and then they cannot find anybody who can afford the 90% share of their house that is now worth £400,000 and within the shared ownership restrictions on who can buy, therefore their only option is to wait it out for eight weeks and then sell to whoever can do it, or to staircase up to 100% at the point of sale, which sometimes people will do. They only own 100% for a matter of minutes while the sale processes through.

Darren Johnson AM (Chair): Is there a role for the Mayor here in terms of some of the issues around this secondary market?

Sheron Carter (Chief Executive, Gateway Housing Association): I do not know. I think that there is more that we can do. I have not thought about the Mayor's role. However, I think that there is more that we can do to support people to sell on. It is a tricky situation though, because, to go back to staircasing in terms of some of the disadvantages that we do have when people staircase fully up, is that often, increasingly, the people that they will be selling on to could be an investment buyer. For the local associations that have a number of right-to-buy properties, they have been sold on to investment buyers. One of the challenges that we are having, when we have to tackle antisocial behaviour, there is uncertainty about who is living in the property, being able to chase people, and so, even though it does not work for selling on, I can understand why some associations go for that 90% model, because then, with that, there is some certainty that (a) the person who is going to buy the property meets the need group that they received the subsidy to support, and also you can have more certainty that the family that is supposed to be living in the property is living in the property. Once it goes up to 100%, generally what we are finding is that subletting, investment buyers increase, and then we have the management difficulties that come along with that.

Nicky Gavron AM : When it is shared ownership within a housing association, are you capping the amount that 90% can be sold for?

Anna Clarke (Senior Research Associate, Cambridge Centre for Housing & Planning Research): It is market value, I believe.

Anna Clarke (Senior Research Associate, Cambridge Centre for Housing & Planning Research): There have been a few experimental models with doing that sort of thing, however if anybody is going to get a mortgage against the property there always has to be a fallback that means that, after a certain period of time, it can be sold on the open market. Pegging house prices to local wages is one thing that has been experimented with, so it has to be no more than three-times medium wage for this region, then effectively the market value is twice as much as that. The people just sit it out for three months, or whatever the period of time is, and then sell on the open market, because they would be mad not to. Why would you sell your house for half what the market value is? If you do not have those safety nets in place a mortgage lender will not lend against it because they do not want it to be restricted and not able to sell it. If you cannot sell a house at market value, nobody is going to lend you a mortgage against it.

Nicky Gavron AM : There are other ways it could work.

Anna Clarke (Senior Research Associate, Cambridge Centre for Housing & Planning Research): That is the other way that I have come across is a few experimental models have been done like that, mostly without the use of housing associations, mostly it is developers or local authorities experimenting in some new type of low-cost home ownership, and it works along those lines. However, it is questionable whether you are producing something that is affordable in perpetuity, even if that is the aim of it, because there is always this clause that allows them to sell and you have to have that in place.

Neil Stubbings (Head of Housing, LB Hillingdon): Our experience shows us, with people who are looking for low-cost home ownership, is, if you put anything in that is too complicated, people do not really understand the product at the moment anyway, and some of the lenders do not either. Make it too complicated, people just move away from it completely.

Nicky Gavron AM : Can I ask, what about the Right to Buy though? What about, instead of discounts, having equity shares.

Anna Clarke (Senior Research Associate, Cambridge Centre for Housing & Planning Research): They used to have that, until about 2002 or so. There was a scheme, it was called the Rent to Mortgage, and it was effectively a shared ownership scheme that you could buy into; it was an alternative to the Right to Buy. It was within the Right to Buy scheme. They abolished it because it was very unpopular, despite the fact there was no rent on the share that you did not own, it was purely an equity stake that the council kept, and it was not popular. I think it just shows people's enthusiasm for outright ownership or renting. They are not really enthusiastic for things that are in between.

Nicky Gavron AM : However that was a long time ago.

Anna Clarke (Senior Research Associate, Cambridge Centre for Housing & Planning Research): It was ten years ago or so, yes, the Right to Buy --

Nicky Gavron AM : It is a different market now.

Anna Clarke (Senior Research Associate, Cambridge Centre for Housing & Planning Research): Shared ownership was going by then and the Right to Buy has had a good long run and over those years there have been more than a million sales of Right to Buy 100% and very small numbers of the shared ownership one. It may have been oddly marketed, I do not know.

Steve O'Connell AM: These schemes, in desperately searching for solutions, are reaching out to more complex schemes potentially. The flipside of it is, formerly I used to sell mortgages myself, I declare an interest, I do not anymore, mortgage lenders are getting a little bit more scared generally in lending, but also more complicated schemes. While trying to reach out for solutions and think outside the box, conversely we may be making it more difficult for the good people to borrow money. Neil, that was your comment, was it not?

Neil Stubbings (Head of Housing, LB Hillingdon): I absolutely agree with that. Simplicity: everybody understands it. What is seen as a risk is very much reduced and I think it is very much about having as many different products on the market that are available, however are as simple as possible. Now we also have discount market sales that we use in Hillingdon as well where we sell at 80% of the market price, however it is again full owner operation. When the purchaser goes to sell on they are only allowed to sell on and keep 80% of the current market valuation, therefore that is how we keep that in perpetuity a low-cost home ownership option as well. We have done that by building flats above any new libraries that we may build in Hillingdon, for example, proven to be very popular. However, again, even with that, it can be seen as a little bit too complicated for some people and then some people just say, "Well, no, I just want to go for your first time buyer initiative because I know exactly what that is, it's just pure outright ownership".

Steve O'Connell AM: We are having a debate around in London about sustainability or the non-sustainability of these models, and does that lend itself perhaps, Neil, from a council point of view, to you starting thinking on the flipside, about building more social housing? If you are thinking ahead, "How can I house my residents?" and I know this is slightly outside the box here, just bear with me. However, if our logic continues to the degree that almost it is going to be unsustainable, certain models of affordable housing, and I know we will be inventing ways around it, would the boroughs - and I am seeing the Chief Executive of Croydon [Nathan Elvery] later to talk about this - be thinking, or your borough be thinking about, "We have to look at building social housing in the estate, etc"?

Neil Stubbings (Head of Housing, LB Hillingdon): Absolutely. I speak on behalf of Hillingdon, but also west London, absolutely, and sort of the rest of London from the work I do in London Councils. Any local authority at the moment worth their salt is looking at recycling the Right to Buy receipts, going in to provide full provision of the one for one replacement, and maximising the amount of general needs housing, and then also looking at low-cost home ownership, looking at affordable rents as well, and even possibly, dare I say, looking at market sale as well to make schemes stack up, to look at how we can maximise the number of units that are built. Absolutely that is what we are all doing.

Steve O'Connell AM: OK, thanks. My question really was, it has been quite well exercised, and it will lead on to solutions, which my colleagues will talk about, is about the sustainability in London, bearing in mind the maximum is £66,000 and we talk about Zone 1 where it just does not seem to work. Are we heading towards the conclusion that in certain parts of London, if we look forward sustainability-wise, the current models that we have in place, even the regulatory system we have in place, just is not sustainable? Is that the conclusion that we have reached in this morning's debate, colleagues, would you say?

Anna Clarke (Senior Research Associate, Cambridge Centre for Housing & Planning Research): I think so, I would say so. Going back to your question, I do not think we really gave much of an answer on what the Mayor can do. I think one answer might be in relation to that, if we are going to acknowledge shared ownership is a product that does not work in some parts of London, and yet local authorities have been given the rights, if they want, as Neil was just saying here, to put quite lengthy residents' requirements, where do the people from central London go? There might be a need for a cross-London approach towards making sure people in London do have access to shared ownership somewhere in London or the greater London area. That might not be in the borough that they live in right now, especially if they are in the high-priced boroughs, they need to be able to access shared ownership in the outer London boroughs and not be excluded because they are not currently resident or working perhaps in that borough. They may be working and resident in a more central one where shared ownership is completely unviable for them.

Steve O'Connell AM: Because there is almost an issue - a highly charged political issue - about gentrification, almost ghettoisation, where people cannot bring up their families where their families were brought up because they have been priced out and they have to come out of central London and start looking at the outer regions, which is a highly charged political issue, is it not, really? Therefore, if solutions are not found, perhaps through regulation or otherwise, there is a danger that there will be hundreds of people -- because they will not be able to find affordable housing in zone one where historically their families were always brought up, their families are now, they want to bring their children up. They are going to have to look at moving away unless there are some solutions. Would you see that potentially, Vidhya?

Vidhya Alakeson (Deputy Chief Executive, Resolution Foundation): I think that is clearly an issue, however I also think that in the end shared ownership is a small subsidy on what is otherwise a market product that is pegged to the market. I think what you are highlighting is that, in some of those very expensive parts of London, a product that is pegged to the market is not going to be one that is going to remain affordable for very long. Social housing is a more sensible option to meet those population's needs in those parts of the London.

Steve O'Connell AM: Should the taxpayer be subsidising people on £65,000, £66,000, a year, to live in places that they choose to live, and they are already high earners by any means --

Andrew Boff AM: And they could choose to live somewhere else.

Steve O'Connell AM: -- and they could in fairness choose to look at their budget, on £64,000 income, and go and live in somewhere else?

Darren Johnson AM (Chair): Yes, following on from that, there is an issue. Because it is aimed at a certain market, there is the maximum income cut-off point, however because of the affordability on the other side there is the minimum income requirement, and we are finding that these two numbers are moving closer and closer together. I think there is a case in Southwark recently with a shared ownership scheme, the minimum worked out at £64,100 and the maximum worked out at £66,000. That is not a huge variable market, is it, really?

Vidhya Alakeson (Deputy Chief Executive, Resolution Foundation): I am sure that was still oversubscribed, even in that £2,000 band.

Darren Johnson AM (Chair): Thank you, right. Andrew, we will bring you in now on looking at other models.

Andrew Boff AM: Before I ask my question, I am quite curious, along with that phrase on the Underground, "there is a good service on all lines", "affordable housing" is one of those terms that annoys people because they say, "Affordable to whom?" I mean is there another term for affordable housing? Obviously it is affordable; one could argue that affordable housing is affordable because somebody has afforded it, however it does not really represent what we are trying to achieve as a policy. I mean I wondered if you would just briefly - I know this is not on our questions - if there was another term?

Anna Clarke (Senior Research Associate, Cambridge Centre for Housing & Planning Research): "Sub-market" is what I would use. You are right; affordable is thoroughly confusing and there have been cases of planning inspectors rejecting a local authority's challenge on the developer saying they were building affordable housing where they said, "No, you are not, you are building market housing", and the planning inspector said, "Well it must be affordable to someone because they are going to sell it". It is confusing. Also, there is affordable housing that is not affordable to a lot of people, which causes resentment, so, yes, I think you are talking about "subsidised" or "sub-market".

Andrew Boff AM: Sub-market, anyone else have any pitches?

Sheron Carter (Chief Executive, Gateway Housing Association): I would go with that, yes.

Andrew Boff AM: It does not look good on a sales leaflet though, does it?

Neil Stubbings (Head of Housing, LB Hillingdon): There are a whole range of terms that are used. I mean the previous one that used to be used by everybody was social housing, that was the original phrase, was it not, that was used?

Sheron Carter (Chief Executive, Gateway Housing Association): It is still used for rented.

Neil Stubbings (Head of Housing, LB Hillingdon): It is still used for rented. Intermediate housing, affordable housing, then there is -- it depends on which rent scheme you want to look at, you have affordable rent or discount rent or capped rent, and those are two new terminology that we use at the moment. I would go I think sub-market is the one that everybody understands.

Andrew Boff AM: Well that is the one that I am going to use in the future then. What other schemes should the current or any future Mayor promote in order to increase affordable home ownership in London? What can the Mayor do? What should a Mayor do?

Sheron Carter (Chief Executive, Gateway Housing Association): There was one thought that I had, and it is not something that we are looking at, I have to say, however it was around the issue of this growing group of Londoners who are on really good salaries, however the market is running ahead of them. I wondered whether there was room for what I would call a "higher-income shared ownership model". What I mean by that is that it does not have the subsidy that traditional shared ownership has, however there are a number of housing associations that are now developing homes for market rents, and it may be that those people - and that is coming from people investing rather than it being subsidised - there may be a desire for some of those renters to be able to buy shares of those properties. Should we be subsidising people on £60,000-odd, £70,000-odd? My feeling is no, however there could be a different model of shared ownership that has no subsidy that could possibly meet a need for that group.

Vidhya Alakeson (Deputy Chief Executive, Resolution Foundation): I think the idea of greater flexibility of tenure is a really important one and one that I think is more needed now than before. People need ladders from renting to owning in the way that they were able to jump from one to another in the past. I think the only caution on some of those is that, in the past, where they have been tried, so rent-to-buy sort of schemes, they depended on individuals saving money that in the end they do not ever save. What we have learned now is that you have to build that savings behaviour into the design of the product, so you have to charge people additional money on their rent, and then in that way they are accumulating equity, rather than developing a savings plan for them, which in the end their day-to-day reactive life means they do not save any money. I think those products need to be designed around human behaviour rather than the behaviour we wish everybody displayed.

However, in terms of what the Mayor can do around affordable home ownership, I think there is more that could be done with public land, I mean the issues around the scarcity and the competition for land significantly affect both the development of build-to-rent schemes and also shared ownership schemes. There has been some use of the Greater London Authority's land for dedicated build-to-rent schemes, you could see similar initiatives happening around mixed rental and shared ownership schemes, or shared ownership only schemes, where the area was ripe for that.

Equally, there is interest from institutional investors in getting into affordable home ownership, however that would need the accumulation of portfolios across different housing associations. Therefore an investor is not going to do a deal for 12 units here and 12 units there, those portfolios would have to be put together on a kind of pan-London basis and there is potentially a role for the Mayor in doing some of that to bring in some of that private capital.

Andrew Boff AM: We have some pilot schemes of that nature already being established, do we not, and it seems to be a bit of a breakthrough for institutional investment. Perhaps it is too early to say "breakthrough".

Vidhya Alakeson (Deputy Chief Executive, Resolution Foundation): There are several thousand units now coming through the pipeline from Thames Valley and London & Quadrant housing associations, attracting institutional investment, so I think there is a sort of critical mass starting to build, however it is mostly around build-to-rent. I think there are similar opportunities around shared ownership, however the portfolios will need to be assembled.

Neil Stubbings (Head of Housing, LB Hillingdon): I think, from a local authority point of view, what we are trying to do is to highlight people who already live in existing local authority housing to see whether or not we can help them move out into other alternatives, such as low-cost home ownership or some other form of home ownership, to free up the general needs housing that we already have. Therefore what we are looking at is services such as advice and help services to speak to people, linking that in with the new options that we have for flexible tenancies rather than lifetime tenancies. Therefore, when we come to the five-year review or whatever, we speak to the individuals, we look at the type of property that they are living in, is it right for them based on their family circumstances and their income, which I think is the critical thing here, and then go through with them what are the opportunities for moving out if they can afford something else, and that is what I think we need to be doing in local authorities in future is to put more effort into speaking to the tenants that we have to get them to understand what the options are and what the opportunities are.

Something else not done at the moment that used to be very successful were local authority mortgages, and whether or not local authorities should consider giving mortgages to people who are currently living in their properties to move out. That may be something that would work as well, along with the cash incentive schemes. There is a lot of Right to Buy that goes on at the moment where people then just go into the buy-to-let market. That is what we know happens. Perhaps one of the things that we should be doing is saying to people, "We will give you a sum equivalent to, perhaps not as much as, what you would get as your discount to go off and buy on the market, then we can keep the property that we have". It is that sort of thing I think we need to be looking at.

Andrew Boff AM: You referred earlier to removing land or doing something about the cost of land. None of you have mentioned the potential for community land trusts, which are of course a thing that has come online, which effectively does that. Do you see any opportunities for using that?

Sheron Carter (Chief Executive, Gateway Housing Association): There is one just off the Mile End Road that is happening as we speak. The issue that we are coming across when it comes to Government land is that, I am not sure where that is being sold off, because, with the pressure that local authorities are facing, everybody is trying to get through these financially difficult times the best way that they can, and some Government-owned land is also being sold at a price that is not much cheaper than anywhere else. What I wondered is whether there should be some requirement for some of that land to be ring-fenced for community interest. Whether that is a community land trust or to ensure that some level of social housing, whether it is full-rent or whether it is intermediary, can be built on that land and just a very basic price for that land will be exchanged, I do not know, however it just seems to me that the way that Government land is being disposed of at the moment is not providing any real opportunities for housing associations to be able to redevelop that land and making those schemes more viable than going to the open market.

Andrew Boff AM: Some of the pieces of land that are available are very tiny. Do you think we should be subsidising self-build?

Sheron Carter (Chief Executive, Gateway Housing Association): You can do self-build. The thing everyone focusses on with housing associations is often the G15 and that is only 15 associations. There are 1,000-odd other housing associations, a number of them are small. Gateway is a small association, however we are developing, and there is lots of capacity within small housing associations for development that needs to be tapped into. The small associations will take those small plots of land and develop them. The advantage/disadvantage, however you put it --

Andrew Boff AM: You will build one or two houses, three or four houses, on patches of land?

Sheron Carter (Chief Executive, Gateway Housing Association): We have developed at that level, small associations will do that. The great thing about London -- my head of development came from outside of London, and at first he was surprised about where we would build. I said to him, "We will build next to the train line if we can make it work". You can make lots of sites that will not work in any other area work in London. Therefore, if you had some of those small pockets, Gateway would certainly be interested in redeveloping them.

Darren Johnson AM (Chair): The community land trust model could be a useful model, taking the land out of the equation, and I would assume then the issues around the secondary market and so on would be far less complex if the land is owned in a trust, however the bricks and mortar are sold off --

Anna Clarke (Senior Research Associate, Cambridge Centre for Housing & Planning Research): I do not think they are less complex, because you still have to --

Darren Johnson AM (Chair): Would that not be less complex than the shared ownership?

Anna Clarke (Senior Research Associate, Cambridge Centre for Housing & Planning Research): You still have the issue that you need to either sell it at market value or not sell it at market value, unless suddenly the whole country is turned into a community land trust, then market value is going to be much the same. If you enter into it as a small scale, they are not going to fundamentally change the market price of housing.

Andrew Boff AM: However, what if you were to permit self-build on Government land and say that the land remains the Government?

Anna Clarke (Senior Research Associate, Cambridge Centre for Housing & Planning Research): Would the people who were interested in self build in London not be kind of very rich architects and those who employ them?

Andrew Boff AM: You would be surprised that they are not. Very underdeveloped, the self-build market, very underdeveloped, 10% of the housing provision in Germany is self-build. It is less than 4% here.

Vidhya Alakeson (Deputy Chief Executive, Resolution Foundation): I think the scalability of some of the community land trusts and self-builds is the issue. I mean I do not think they are bad ideas, however it is the extent to which they are really going to fix problems at scale.

Andrew Boff AM: If you were to tell me, "I can solve the problems of housing in London with one solution", I am sorry, I would not believe you.

Vidhya Alakeson (Deputy Chief Executive, Resolution Foundation): We often talk about it in those terms.

Nicky Gavron AM : If we are talking about diversity of tenure, can you say something about co-operatives, whether they are ownership or renting co-operatives, like LILAC [Low Impact Living Affordable Community]?

Anna Clarke (Senior Research Associate, Cambridge Centre for Housing & Planning Research): I think there is a real potential for co-operatives to give some of the benefits of ownership to people who cannot afford to own their own house. When we look at those to disentangle what the benefits are of ownership, people feel a stake in their community, they feel a sense of ownership, they feel that they belong, they have a permanent security, attachment to area, all those sorts of things that we see higher in owners than in renters, and a lot of those are possible to achieve from people in a co-operative, even if their salaries are not enough to permit them to own outright. It is one solution to how can people rent better.

Sheron Carter (Chief Executive, Gateway Housing Association): This is probably not the nice trendy thing to say, however I think that those things are niche things. There will be small groups of people that want to do self-build, want to get into co-operatives. One of the reasons why Gateway has come about is that we have consumed probably about four co-operatives over a number of years because they have not been functioning very well. A number of co-operatives have not functioned well because the founders who set them up have moved on and most people, what they want, is a home, a decent home that they can afford, and do not want to be bothered with all of that. I think that the big challenge in London is in how can we develop at scale the types of homes that people can afford. I think, whether they have built it themselves or whether they are going to a co-operative is a niche market for some small groups of people that are interested in that sort of thing.

Andrew Boff AM: As I say, self-build in Germany is 10%. That is not niche. That is a significant contribution.

Sheron Carter (Chief Executive, Gateway Housing Association): I think here it is niche.

Nicky Gavron AM : And co-operatives in Europe are much bigger.

Murad Qureshi AM: Housing associations were niche in the 1960s and 1970s.

Darren Johnson AM (Chair): I think it all points to the need for other forms of tenures and an imaginative look at those in addition to the models that are now available, and it has been a useful session. Thank you to all four of our guests.