Appendix 1

Housing Committee – 10 February 2015
Transcript of Item 5: Affordable Home Ownership in London

Darren Johnson AM (Chair): That brings us on to item 5: affordable home ownership in London. This is the second of our sessions on this topic. We have Jamie Ratcliff from the Greater London Authority (GLA); Kush Rawal from Thames Valley Housing Association (TVHA); Stephen Hill from the National Community Land Trust (CLT) Network; and Alex Hilton from Generation Rent. Good morning to all of you.

Firstly to Jamie: a recent paper to the Mayor's Housing Investment Group stated that the capital's housing market is not working for an increasing number of Londoners on modest incomes. What do you see as the main reasons for this?

Jamie Ratcliff (Assistant Director - Programme, Policy and Services, GLA): The main thing that meant is that housing costs in London are very high, particularly in relation to incomes.

In terms of the reasons behind that, some of that is due to the popularity of London as a city where lots of people want to come. We are seeing significant population growth at the moment. London is now the biggest it has ever been in its history. Undoubtedly some of that is also due to a long-term failure to build enough homes for London, which we are seeking to redress with the current Housing Strategy and the new targets that are in the London Plan.

Some of that is also down to recent, much lower levels of wage growth than we have seen historically, which means it is even harder for wages to keep up with housing prices. Two indicators you would probably pick out to evidence that are the increasing numbers of people who are in work and on housing benefits and needing support to pay their rent in the private rented sector, some in the social rented sector, and declining levels of home ownership across London which is now below 50%.

Darren Johnson AM (Chair): We just want to set the scene at this stage because obviously we read day in and day out about the problems that Londoners on modest incomes face in trying to access the housing market. Kush, do you want to start off?

Kush Rawal (Sales and Marketing Director, TVHA): From what we are seeing, there is significant pressure. TVHA has been involved in shared ownership for close to 30 years. The types of people we have been seeing accessing the product have changed over that time.

The biggest issue we are seeing is the significant demand. If you look at your own First Steps website and the number of people registering for help and trying to access it versus the actual help that is out there. It is significant. Mortgage availability is also a little bit difficult. We had the Mortgage Market Review and there are more affordability pressures being put down on applicants. It is a very difficult situation.

Darren Johnson AM (Chair): How big an impact are schemes like this having on the overall market or is it just really a drop in the ocean given the trend is so overwhelming?

Kush Rawal (Sales and Marketing Director, TVHA): On a micro level we have a significant impact. For the communities where we go in and are building and are able to do it on scale, it can really give people who have been in that area for a long time a way of actually getting access to a home. Looking at the bigger picture, the actual level of supply is wholly out of kilter with the level of demand that is there. We recently launched a site in Wandsworth. For every single property we had there, we had ten people who were able, willing and ready to purchase. That was sold out in the matter of a day.

Stephen Hill (Trustee, National CLT Network): I think we all accept that London is bit of an aberration in the United Kingdom housing market.

I was travelling in the United States last year on a Churchill Fellowship and looking at exactly the same phenomenon in what I would call 'over-successful' cities like Boston, New York, Los Angeles, San Francisco and Toronto. They all have exactly the same kind of phenomenon of people on middle incomes being effectively displaced. Often they are much smaller cities and the impact of global capital inflows to the city have a much clearer displacement effect than they have had in London until about now. London has been able to absorb a lot more of that pressure but is no longer able to.

Alex Hilton (Director, Generation Rent): Obviously London is probably more distinguishable in its size than the effect. There are other places in the UK that are seeing the same issues, for example Bristol, Oxford, Cambridge and York.

You have this captured consumer that has not really existed before. When we moved from having job security being given to you by an employer to job security being given to you by an economy, it meant that people no longer have the choice to find a job somewhere else because they do not have job security with that job. We have never seen the differentiation in demand across the regions that we see today. Demand is crystallised on the functioning jobs economies of the UK and London is the biggest, fattest, hugest one of them.

What has not been touched on yet is this captured consumer. The consumer is captured because neither at the social housing end nor in the home ownership end can they escape the private rented sector. Neither can they escape London because they are in London because that is where there are jobs. You have to live near a job. This is driving up the investment returns for a property developer because you have captured a consumer, a whole bunch of them. That, in turn, creates this cycle. It increases the capture and makes the viability of building social housing in London less and less realistic. It is an unsustainable system. The question is how you break that down and create new avenues for people into home ownership and indeed social housing.

Tom Copley AM (Deputy Chair): Jamie, why does the Mayor want to support shared ownership?

Jamie Ratcliff (Assistant Director - Programme, Policy and Services, GLA): There are three main reasons behind that. I will try to break them down a little bit as I go through them.

The first is helping people into home ownership. It does that in two different ways. One is through the lower monthly costs that you get from the subsidised rent on the unsold equity. The other is through lower deposits because you are buying a share. Therefore, if you buy a 25% share, your deposit will typically be four times smaller than it would be if you were buying the whole of the property and increasing access there.

The main benefits that people will get through home ownership will be around the security of their tenure. As long as they can pay their rent and mortgage they will be able to stay in that property for a 99 or 125-year lease, however long they need it. They will have rights of customisation over the property to do what they want to it, subject to the terms of their lease, which you do not get in the private rented sector; as well as ownership of an asset which may appreciate over time. Also, there is the fact that their housing costs that they purchase with a mortgage are then fixed at a point in time so inflation will deflate the real cost of those mortgage payments. That is it from a consumer.

The middle one I would flag is around mixed communities. Shared ownership is a really good way of getting home owners into a community, getting some tenure diversification and people on different incomes. There are a number of boroughs which are really keen on seeing that provide a mix. We are seeing quite a lot of that coming through our housing zones programme, where people see shared ownership can really drive that.

The third one I would say is around supporting overall supply, which is obviously incredibly important. We need to deliver at least 42,000 homes a year. Also, there is the accelerative impact that shared ownership can have. In our First Steps Challenge Fund paper that we published at the end of January, there is a chart that I am really proud of that Richard Donnell [Director of Research] from Hometrack provided us with. It shows the size of the market in different areas for home ownership. What it showed was in Newham there were about 600 households who could afford to purchase outright, about 8,000 who could afford the private rented sector and about 24,000 that could afford shared ownership. The market is 38 times bigger than the market for sale and so you can deliver faster. It is three times bigger than the market for private rents and so it is a way of opening up to a different range of people which means you can build homes, particularly on large sites, a lot quicker.

Tom Copley AM (Deputy Chair): You cited Newham but something I want to come on to is the variance around London as to how affordable shared ownership genuinely is. First, I want to ask a few questions about the profile of people who are accessing shared ownership. The Housing Covenant says the target group for it is those who are earning between £11,000 and £38,000. The Mayor told Stephen Knight [AM] in January that the median income for those accessing shared ownership is £37,435, which obviously sits right at the top of that band. Presumably this figure varies widely across London, particularly between inner and outer London boroughs.

Jamie Ratcliff (Assistant Director - Programme, Policy and Services, GLA): Basically, shared ownership is a market-related product that you buy a share of the property based on its market value. In higher value boroughs that share will cost you more and the rent on the unsold equity will be more, whereas if it is in a lower value area it will be lower.

Tom Copley AM (Deputy Chair): Do you have a breakdown of the average incomes of people by borough who access shared ownership?

Jamie Ratcliff (Assistant Director - Programme, Policy and Services, GLA): I have it but I would have to send it to you because it is not something --

Tom Copley AM (Deputy Chair): I do not expect you to read it all out, obviously, all of it, in the meeting.

Jamie Ratcliff (Assistant Director - Programme, Policy and Services, GLA): From memory, there was not actually as much variation as you would expect. Some of the numbers you had to treat with a little bit of caution. Where there are only three sales in one borough over the period, then you need to be a bit careful of the numbers. The highest median income in any of the boroughs went up to about £50,000 and that was in one of the central London, very expensive boroughs.

Tom Copley AM (Deputy Chair): Kensington and Chelsea, something like that?

Jamie Ratcliff (Assistant Director - Programme, Policy and Services, GLA): Yes, I am not going to speculate which it was but it was definitely one of those high value areas. Then it was in the £20,000s in some of the further out areas.

Tom Copley AM (Deputy Chair): Have any households earning £11,000 actually accessed shared ownership?

Jamie Ratcliff (Assistant Director - Programme, Policy and Services, GLA): I do not know.

Tom Copley AM (Deputy Chair): You could provide those figures to us?

Jamie Ratcliff (Assistant Director - Programme, Policy and Services, GLA): I could see what we have on CORE.[1]

Kush Rawal (Sales and Marketing Director, TVHA): From a TVHA point of view, I can give you a few statistics which will hopefully paint a bit of a picture. This is based on 250 sales in the boroughs of Wandsworth, Hounslow, Kingston and Richmond. The average age of our buyers is 31 and 58% of those are female. The deposit they would have on average would be 10% with an income of £33,000. The majority of them previously were renting. 60% of people that we are selling have come in via the First Steps website. In an average year 3% of the people whom we have sold to in London are staircasing. That is buying more equity.

To answer your first question, we have sold to people on £11,000. To be honest, the majority of those are where there is a divorce or similar and where there is a significant amount of cash coming in, a very low income and a high deposit.

Tom Copley AM (Deputy Chair): Thank you for that. It would be good, Jamie, if we could get the breakdown of the figures sent to us.

Jamie Ratcliff (Assistant Director - Programme, Policy and Services, GLA): Yes, we definitely have that and I will see what we can do in terms of the lowest income on our statistics as well.

Tom Copley AM (Deputy Chair): Particularly the variations between inner and outer London.

I will ask you about some of the comments that the Deputy Mayor for Housing [Land and Property, Richard Blakeway] has made. He said last week that shared ownership does not work where property values are in excess of £600 a square foot. He went on to say that,

> *"The bulk is not being delivered in those areas and there is a real risk because we know it does not function properly in Zone 1 and in most of Zone 2 it starts to undermine the product."*

You mentioned mixed communities earlier and the importance of shared ownership for that. If you are now getting to a stage where in a large swathe of Zone 1 and Zone 2 it is not working as a product, to what extent can it be said to be contributing to mixed communities in those areas?

Jamie Ratcliff (Assistant Director - Programme, Policy and Services, GLA): There are a few clarifications that are needed on those comments, which may have been taken slightly out of context. The key point is it is less about pounds per square foot than it is about the overall value. We explain this relatively clearly in the First Steps Challenge Fund paper. Once you get to £600,000 overall value, if you are purchasing a 25% share with a 5% deposit, it is over 45% of your net income for somebody on £66,000. What that means is for it to be affordable to somebody within our income ranges they will need a deposit bigger than 5%. It

[1] The COntinuous REcording of Lettings and Sales in Social Housing in England (CORE).

does not mean it does not work but it starts to stretch the point. Part of the point of shared ownership is helping people on lower incomes. If you need bigger and bigger incomes it is not working as well. That is why in the First Steps Challenge Fund we have said we want to see a focus on the medium and lower value areas where also we are seeing less overall housing supply. There is a need to drive those.

Tom Copley AM (Deputy Chair): Is this essentially an acceptance that shared ownership really is not working in much of inner London or will not work?

Jamie Ratcliff (Assistant Director - Programme, Policy and Services, GLA): Shared ownership will work less well when you have got values at £600,000 or more. When you get significantly above, you need a very large deposit and so it is not a product that is going to help that many people there.

Tom Copley AM (Deputy Chair): I take on board what you say but, given he has basically said these homes do not work in these areas, how many homes are currently being built in these areas where the property values are in excess of £600 per square foot?

Jamie Ratcliff (Assistant Director - Programme, Policy and Services, GLA): The £600,000 total value is the important thing.

Tom Copley AM (Deputy Chair): Total value is the most important?

Jamie Ratcliff (Assistant Director - Programme, Policy and Services, GLA): Yes. A one-bed property pounds per square foot could be quite a lot higher than that but its overall value could be less than £600,000. That will work for somebody who wants to purchase that property. It is hard to pinpoint the exact number because obviously values change during the development process. We could look at the number of shared ownership homes which we are funding in a selection of higher value areas but I could not pinpoint exactly how many are going to be over £600,000, partly because they are valued at the end of the process. What we are very consciously doing is trying to focus going forward, particularly the First Steps Challenge Fund, on delivering shared ownership homes in those medium to lower value areas of London. That is what housing zones are focused on as well.

Tom Copley AM (Deputy Chair): That is a shift essentially and we might see small shared ownership properties continuing to be developed in inner London, but particularly for bigger properties you are talking the lower-value areas?

Jamie Ratcliff (Assistant Director - Programme, Policy and Services, GLA): Yes, it depends. In some mid-value areas where there are particularly large properties, they will have quite high values as well. We will be working with our partners, where they have the problem of a property which is too high in value, to see what we could do in terms of changing the tenure of that unit: whether it is better to change it to affordable rent or intermediate rent, or look at other options.

Tom Copley AM (Deputy Chair): Changing the tenure of existing shared ownership properties?

Jamie Ratcliff (Assistant Director - Programme, Policy and Services, GLA): Of properties that come into the market. If there is a property that cannot be sold, it is in no one's interest to try to find --

Tom Copley AM (Deputy Chair): Then you can convert that to a different model. I see. What about existing homes? We hear about these homes going up and up in value. Would there ever come a point where it becomes completely unviable? Do market forces essentially keep the value of the property down in the sense that you have to be able to get a mortgage on part of the property? Is the value of a shared ownership property in these very high-value areas somehow constrained by market forces like that or what you can get a mortgage on?

Jamie Ratcliff (Assistant Director - Programme, Policy and Services, GLA): No, because it is subject to the market value. If you were selling your shared ownership home and say you owned 50% and it had gone up significantly in value so that the overall value was significantly over £600,000, you would still be entitled to sell it for that value. If you could not find somebody who would purchase your partial share, you could sell the whole of the property on the open market and then staircase at the same time you sell. It is likely that those very high value properties would be staircased out at the point they are sold and then the funding provided back to the housing association (HA) --

Tom Copley AM (Deputy Chair): They are sold at the full market value to a buyer?

Jamie Ratcliff (Assistant Director - Programme, Policy and Services, GLA): Yes, and then the funding would be recycled or reused in delivering new supply, either in that borough or elsewhere.

Kush Rawal (Sales and Marketing Director, TVHA): A second-hand home, a resale as we call it, will always be cheaper than a brand new home. The rent level is pegged to the initial purchase price. If that home was sold five years ago, the rent that you would pay on it is pegged to that price. It will always be a cheaper alternative than a brand new home and so it will hit a wider affordability spectrum. From our experience of resale homes in the sorts of locations we are talking about, those affordability issues are not necessarily as much of an issue as we are seeing on brand new homes.

Andrew Boff AM: Just on that small detail, do you mind? Are you saying if you have vacant possession of a home, you then still go back to the valuation of when it was first occupied, or do you revalue the property on vacant possession?

Kush Rawal (Sales and Marketing Director, TVHA): The share will always be sold on market value but the rent of the unpurchased portion will always be pegged to the initial purchase price.

Jamie Ratcliff (Assistant Director - Programme, Policy and Services, GLA): The rent essentially rises at the retail prices index (RPI) plus 0.5% but property values could rise significantly higher.

Andrew Boff AM: From the initial contract?

Jamie Ratcliff (Assistant Director - Programme, Policy and Services, GLA): Yes.

Andrew Boff AM: Somebody else moving into that property would still have the benefit of that previous valuation?

Jamie Ratcliff (Assistant Director - Programme, Policy and Services, GLA): On the rent.

Andrew Boff AM: On the rent side?

Jamie Ratcliff (Assistant Director - Programme, Policy and Services, GLA): Yes.

Andrew Boff AM: Thank you. Sorry for the interruption.

Tom Copley AM (Deputy Chair): That is OK. Just finally on this point: what do you think the likelihood is of the conditions within inner London, with very high prices, spreading more to outer London boroughs and affecting the viability of affordable home ownership there?

Jamie Ratcliff (Assistant Director - Programme, Policy and Services, GLA): I make a rule of not making house price forecasts and so I am not going to do that for outer London. If we do not build the homes that London needs, then you will see increasing prices across the board. At some point, and I am not going to say when, then you would see those kinds of prices in outer London that you are seeing in some of the inner areas of London. The key challenge is building as many homes as we can and meeting the supply challenge to make sure that does not happen.

Darren Johnson AM (Chair): Alex, did you want to come in on this point at all?

Alex Hilton (Director, Generation Rent): I would say there is a threat to people entering this market. It is not just shared ownership but shared equity and help-to-buy. These are vehicles for getting people into large amounts of debt that previous generations would not have considered going anywhere near in relation to their incomes. If you are focusing your work in the cheaper areas, which is a *fait accompli* as that is the only place you can do it, these are the places where a knock to the London economy will hit house prices first. You are going to disproportionately have those people bearing more of the risk of a knock on house prices than your average home owner.

I will say it another way, Generation Rent believes - and not just us but the Confederation of British Industry (CBI), London First and the London Chamber of Commerce and Industry - that the housing market is a threat to London's competitiveness. In the event that London did reach a tipping point on its competitiveness and jobs started leaving London either to other cities in the UK or to other cities in the world, it would detract from house prices because it is those jobs that stimulate demand. The demand reduction is going to be in the cheaper places where you are building shared ownership properties before it is going to be in the premium parts of London.

Kush Rawal (Sales and Marketing Director, TVHA): The average loan that we have on our books for people is about three-and-a-half times their income. In terms of historical perspective and in most of history, people have had to lend at that sort of level. In another perspective, you could say actually they are better protected. It is something we saw in the last recession. With your exposure at 25% on a property, you have far less to lose than if you had bought 100% of that home. In fact, with shared ownership, the ability exists for us to go in there and rescue that individual if they are in financial difficulty, who then sell a portion of that share back to us to reduce that financial burden. Actually, they are in a much safer position than if they are buying outright.

Alex Hilton (Director, Generation Rent): I would say we are also in an era where you could find, in the event of a tilt in the London economy, falling house prices and deflation at the same time, which is exactly the opposite position that previous generations have found themselves in where the sensible advice would be borrow everything you can because inflation is going to inflate away your debt in no time at all. I certainly appreciate that the HAs engaged in this are approaching this in a sensible way but I would like to see how you are stress tested in the event this was a whole market effect. With an individual going through a difficult thing is one thing, I am sure you carry it. If there was a whole market effect and the whole HA sector was hit at once, I would like to see where you would find the money.

Jamie Ratcliff (Assistant Director - Programme, Policy and Services, GLA): It is probably a wider question but from the Regulator of Social Housing's point of view, it is looking at stress testing of HAs at the moment and has at least expressed interest in the Bank of England's stress testing of what a significant drop in the housing market would have on different people's businesses. It is a well regulated sector that is very financially strong.

Stephen Hill (Trustee, National CLT Network): Just very quickly, the point that Alex [Hilton] is making is well made. It is also important to remember that here are lots of different housing markets even within London. Jamie [Ratcliff] made the point at the beginning about London getting back to its peak from before the Second World War. Actually, within London there are huge differentials. For the six core inner London boroughs, the population is still half what it was in 1900, which is when it was at its peak. It has been declining really until about 1990 and is now just beginning to climb up a bit. Most of the outer London boroughs have been growing without a break since 1900. Actually, there are two things that have happened. When the population of London went down, that was in the centre, but the outer London boroughs were always going up and they still are. There clearly is latent demand if those trends continue, and there is no reason to suggest that they will not.

Murad Qureshi AM: I was keen to come in on the first question but if we could open up later the dialogue that will be useful because I think Stephen [Hill] wanted to come in there.

As we are going into shared ownership in quite a bit of detail now, there are just one or two comments I wanted to follow up. Kush, you mentioned 3% are staircasing up. We were not able to get any figures last time from anyone about the extent of that happening in London because no one seemed to have it and so I am grateful for that. Of that 3%, how much is happening in Thames Valley, where I think you function mostly, and actually happening in London, even though it is only outer London as well?

Kush Rawal (Sales and Marketing Director, TVHA): This year we have seen bit of an anomaly in that we have had higher rates of staircasing in areas like Wandsworth compared to core areas for us like Bracknell. If we discount the difference in volumes, in percentage terms we are seeing higher rates happening in areas like Wandsworth. We have stock there that is a maximum of about five years old. There is no, from what we are seeing currently, discernible difference between the two areas.

Murad Qureshi AM: Do you have to submit those details to the Homes and Communities Agency (HCA) in your annual returns?

Kush Rawal (Sales and Marketing Director, TVHA): Yes.

Murad Qureshi AM: Thank you for that because I have tabled questions and got nowhere with the GLA. It seems as though the information you have just given to us publically we are not able to get from the GLA. I would like some exact figures. I understand some of the officers have access now to the HCA's database. It is clear HAs have to give that information to the HCA and there should be figures on London on the extent of staircasing or not. Let's face it, that is the main premise that people enter shared ownership: this aspiration to --

Darren Johnson AM (Chair): Jamie, what figures do we have?

Jamie Ratcliff (Assistant Director - Programme, Policy and Services, GLA): There is a really interesting debate around whether that is the role of staircasing and the role of shared ownership. Just on the numbers, we have recently found it within what used to be called the Regulatory and Statistical Return and is now called something slightly different, which is made by all HAs that own more than 1,000 homes. What that showed is that in 2013/14 there were 1,558 shared ownership staircasings, which, taken as a percentage of the overall stock, is about 3.5%.

Murad Qureshi AM: I am glad you have that information because when I put written questions on this I did not get the figure that --

Jamie Ratcliff (Assistant Director - Programme, Policy and Services, GLA): Yes, it is only literally in the last couple of weeks that we have found --

Murad Qureshi AM: It is very important because --

Darren Johnson AM (Chair): If you could supply the available data that would be very useful. Thank you.

Murad Qureshi AM: There is another point. The median income was said to be £37,435 in response to Stephen's [Knight AM] written question. When you use that term, though, there is a spread. What is the lowest and what is the lowest?

Jamie Ratcliff (Assistant Director - Programme, Policy and Services, GLA): I will confirm that again as well. The highest will be constrained by the income cap which is £66,000.[2]

Murad Qureshi AM: People mention that there is also the average but that is not the same thing. You have to do it in the context of --

Jamie Ratcliff (Assistant Director - Programme, Policy and Services, GLA): Yes, we use the median because we think that is probably fairest and it does not get distorted by particularly high or low examples. It just shows --

Murad Qureshi AM: I accept that but you also need to know where it stands with the highest and the lowest point.

There is a very specialised mortgage market for shared ownership. At the same time the Bank of England has made it more difficult - for very, I would say, good reasons - to get mortgages. What impact is that going to have on this market, Kush?

Kush Rawal (Sales and Marketing Director, TVHA): We have been operating for a number of months now under those conditions. We have a very active and involved lending market for the product. There are ten key lenders who operate in that space. Over the amount of supply that we have, there is more than enough lending activity available. If we were to scale up significantly, there would be concerns about the lender numbers. The major impact and the group of people we have seen hardest hit by the changes are families. The moment you have someone with child responsibility, there is a significant impact on what a lender would see as affordable for that.

Jamie Ratcliff (Assistant Director - Programme, Policy and Services, GLA): Just to reiterate the work we have done looking at the capacity in the mortgage market, in the Housing Strategy we said we wanted to double the delivery of shared ownership and then double it again to 2025. The doubling the current mortgage market could absorb. Once you get to doubling it again, you probably need to bring in more lenders. Of the

[2] Following the meeting, the Assistant Director clarified that in addition to the £66,000 income cap, the income cap for families purchasing homes with three or more bedrooms is £80,000.

five top lenders, four of them are participating in shared ownership. It would be really great to get the fifth one and we will continue to push for the Royal Bank of Scotland.

Darren Johnson AM (Chair): Thank you. I want us now to move on to the secondary market for shared ownership, which Andrew is lending off on for us. Thank you, Andrew.

Andrew Boff AM: We have received evidence from various places that the secondary market for shared ownership can be problematic. What I would like to know is - aside from the pilot marketing campaign that was carried out - can you provide, Mr Ratcliff, an update on other steps the Mayor is taking to improve the secondary market for shared ownership?

Jamie Ratcliff (Assistant Director - Programme, Policy and Services, GLA): Probably the most significant thing we have done is change the eligibility rules. There used to be nationally a view that once you had bought a shared ownership property you had had your bite at the cherry, that was it and you could not get any further help. We looked at shared owners in London who might have purchased a small property, their family circumstances might have changed and they then need a larger property. Under eligibility rules they were barred from then buying a property either in a suitable location or one that was suitable for their size, which we felt was not logical or helpful for those people so we changed it so that existing shared owners are eligible where they have got a need to move to a larger property or to a different area. That makes quite a significant difference. In the past it was certainly something that was raised by a number of HAs that we work with. It is something that they wanted to see changed but it was something that previously, before the devolution to the Mayor, was a policy that sat with the Department for Communities and Local Government (DCLG) and so was not something that changed, whereas the Mayor was able to make that change relatively rapidly after taking control of housing budgets and responsibility in London.

The second thing that has not happened yet but I am very keen to see it happen, at least on a pilot phase initially and we talk about it again in the First Steps Challenge Fund. It is around recognising that need for mobility of existing shared owners but also recognising that typically the larger properties are less likely to be built and where they are built they could be at quite high values, which means they are not affordable to those households. I will try to explain this clearly but if I do not correct me. It basically ports your assistance to another property in the second-hand market. If you are a shared owner with a 50% share in a £400,000 property, you could then find another £400,000 property elsewhere on the open market that was suitable for your needs and your shared ownership assistance could effectively move with you and you could remain as a shared owner but in a property that is appropriate for you. We suggest this in the First Steps Challenge Fund as being something that could be attractive to institutional investors who are very keen on seeing that long-term rental stream and a way of making sure they can maintain that in suitable properties. It also could be beneficial to HAs as it diversifies their portfolio so they have a greater spread of different property types, sizes and locations.

Andrew Boff AM: That is a suggestion from that --

Jamie Ratcliff (Assistant Director - Programme, Policy and Services, GLA): It is a suggestion. There are a number of people working up proposals to see how that could work.

Andrew Boff AM: All right. I will not throw questions about that. We are going to see something coming forward on it?

Jamie Ratcliff (Assistant Director - Programme, Policy and Services, GLA): Hopefully, yes.

Andrew Boff AM: I am interested to see how they would get investment on another property which obviously has all sorts of different characteristics.

Anyway, we know that TVHA did some marketing material with regard to the secondary house market. Mr Rawal, could you explain that to us and also tell us what effect that marketing had on the secondary market sales?

Kush Rawal (Sales and Marketing Director, TVHA): The backdrop to this is in 2012 we commissioned some research from the University of Cambridge looking at the secondary market as a whole, both staircasing and reselling. With the resale picture what became very apparent was there were high levels of dissatisfaction from existing shared owners as to the services they were receiving from their HA. What we embarked on was a way of changing from an administrative function, which is what we are providing and more a case of checking boxes and providing a function, to a service. It was really pulling on what the market offers. If you were to go down to your local estate agent, what are the services that you would be able to get from them? We packaged up an offer which included online educational materials for people wanting to purchase and also a service which was part online driven for people wanting to sell their home.

The major impact for us is we went from a position of selling 70% of the homes that came to us to 95% of the homes in London. Most of the homes that we are selling in London sell within about a month and a half, and out of London the average is about two months that it is taking. A lot of the issues that we noted perhaps are more aligned to the fact that a lot of the research and a lot of the conversation happened when the market was depressed as a whole. If you bear in mind the point I made right at the beginning, we are selling homes in Wandsworth and we are seeing ten applicants for one property. It is no different for the resale picture. In fact, those homes are cheaper and so the demand is ever much more.

The biggest barrier that we have with reselling homes is local authority involvement where there is a desire to try to keep those homes retained purely for a specific group of people within a confined local authority area. If we can remove that and make it mobile for all Londoners, anyone wanting to apply, that would make it far easier.

Andrew Boff AM: Mobile for all Londoners? That is an interesting thing you have said there because there is a lot of pressure locally to have local homes for local people. We hear it all the time. I do not think people would object to saying, "Have local homes for Londoners". People would not have a problem with that. Is that something you have talked to local authorities about?

Jamie Ratcliff (Assistant Director - Programme, Policy and Services, GLA): We introduced a new policy in the Housing Strategy under Further Alterations to the London Plan which said that local authorities could impose local marketing restrictions but only for a maximum of three months. If they want to impose a lower income threshold or that people have to live or work in the borough they can do that, and then three months is a reasonable window to sell the property but after that they should be opened up on a pan-London basis. Thirty of the boroughs have already changed their policies and the other three are in train to do so.

Andrew Boff AM: Mr Rawal, you said that it had quite an effect, the marketing of the secondary market sale. Remarketing, marketing; it gets a bit confusing. What business did the GLA take away from the pilot and how will you implement what you have learnt from the TVHA pilot? How will you learn from that and change the way you market properties?

Jamie Ratcliff (Assistant Director - Programme, Policy and Services, GLA): The marketing of properties is down to individual HAs and we are keen not to impose too many requirements upon them because we need to make it attractive for them to work with us and deliver new affordable homes going forward. The main thing I took was that there were some fairly straightforward things you could do in terms of process and contact with customers that could make quite a significant difference. It was not about spending a lot more money or necessarily working in a very different way: it was hoping to highlight the good practice that TVHA have used to help retain properties within the sector so that it is not just the first purchaser who benefits but then there can be other purchasers who can buy that share as well, which we think is quite important.

Andrew Boff AM: I understand your reticence in getting involved in what the HAs are doing, but there is a benefit to the GLA to encourage the secondary housing market to thrive, is there not? It is worthwhile you investing some resources in that?

Jamie Ratcliff (Assistant Director - Programme, Policy and Services, GLA): We did not invest any money in the pilot so I am not sure that there is a case that we need to invest further money going forward. Encouraging people to take that up and to provide a better service to shared owners across the range of services is more --

Andrew Boff AM: Saying you are going to encourage costs money. Encouragement costs money. How would you fund that?

Jamie Ratcliff (Assistant Director - Programme, Policy and Services, GLA): The term 'encouragement', in terms of staff time, of flagging good practice that is out there and of raising it with partners that this is important to us we can do. In terms of producing further guidance or putting conditions in contracts, that is stuff that we would not necessarily want to do.

Andrew Boff AM: What effort has the GLA made to broadcast the success of that pilot to other HAs?

Jamie Ratcliff (Assistant Director - Programme, Policy and Services, GLA): There was a good practice session held shortly after. There is a London Home Ownership Group, which is a co-ordination group that exists across the main HAs that are delivering affordable home ownership in London. The GLA regularly attends that and we use that as a forum to put out key messages in relation to intermediate markets, including the importance of the secondary market.

Andrew Boff AM: What additional work do you think needs to be done in order to encourage the secondary market?

Jamie Ratcliff (Assistant Director - Programme, Policy and Services, GLA): This pilot porting will make quite a big difference. You could tie that into a condition that the existing property will be remarketed and retained as shared ownership or you could work in slightly different ways. I see that as an important thing going forward.

Stephen Knight AM: Thank you. I will start off with the TVHA, if I may. How often is the pre-emption right exercised in the case of TVHA?

Kush Rawal (Sales and Marketing Director, TVHA): Just for clarity, there are two aspects here. There is a nomination right and then there is a 21-year pre-emption right. When it comes to nomination - that is the ability when someone is selling a home for us to go in and say, "We have a buyer for you" - for 95% of the homes that are resold in London through TVHA we exercise that right successfully.

When it comes to the 21-year pre-emption right, which essentially is where somebody has brought the home outright, they have staircased and own it 100% and we have a right under their ownership to go in and make the first right of refusal. We have never exercised that right within London or outside of London. Pre-emption and getting a sense of nomination are very, very important.

It is really, really crucial for me to stress to you that the average home that we have on our books ends up helping four or five families. If we just wash our hands of it the minute that first family goes up, the likelihood is it will go to an estate agent who will hold on for whatever period you restrict and then it will be sold on the open market and that home will be lost for affordable provision. 95% of the homes that are coming through us are maintained within the system. That is a really important point I just want to stress.

Darren Johnson AM (Chair): That is just 5% staircased up to 100%, then?

Kush Rawal (Sales and Marketing Director, TVHA): No, even within that 5% they would end up going through an estate agent and we would actively work with them to try to reduce the number that are actually converting to staircase.

Stephen Knight AM: If they have bought outright, then obviously they just sell on the open market but you do not have a pre-emption right in those cases or you do have?

Kush Rawal (Sales and Marketing Director, TVHA): We cannot nominate a buyer for it but what we have is first right of refusal. As a 100% owner --

Stephen Knight AM: You do not exercise that?

Kush Rawal (Sales and Marketing Director, TVHA): We do not exercise it but it is a concern for lenders and we are seeing more and more issues arising as a result of it. There is a consultation going through the HCA at the moment where they are looking to actually remove that pre-emption right. Out of this whole discussion, I would say that would be the one to focus on.

Stephen Knight AM: You would not have a problem with it being removed where somebody has bought outright, but where you still have an equity interest in the property, you said 95% of properties fall into that category?

Kush Rawal (Sales and Marketing Director, TVHA): Yes.

Stephen Knight AM: For those, you nominate a new buyer and you have no shortage of buyers?

Kush Rawal (Sales and Marketing Director, TVHA): No.

Stephen Knight AM: Given what we have heard earlier about the affordability - particularly in relation to central London, where the affordability of the share becomes more difficult and particularly the older properties that were built in central London before the housing inflation of the last few years made them unaffordable - is there an issue where people who have bought a share of a property in central London cannot actually find someone to take it on because the share is now worth so much that nobody within the eligibility criteria can afford to buy it?

Kush Rawal (Sales and Marketing Director, TVHA): We have not had that instance but I cannot categorically say that it does not happen.

Stephen Knight AM: Is that a problem in central London?

Jamie Ratcliff (Assistant Director - Programme, Policy and Services, GLA): Yes, there will undoubtedly be some. It is a function of two things. It is also the share. Where you bought quite a high 60% or 70% share in a property, which was affordable at that point for lots of properties in inner London, now it is going to be pretty hard for somebody to purchase that share. Also, the overall property values once they get over £600,000 as a whole becomes more challenging.

Stephen Knight AM: As housing inflation goes up, presumably more and more properties will fall into this category?

Kush Rawal (Sales and Marketing Director, TVHA): There are two things that drive affordability. There is the share and then there is the rent level. As a HA we have it within our gift to manoeuvre both of those up to a minimum of 25% share and potentially a zero rent charge, not that we would normally do that but those are two levers we can play with to make things viable and affordable. Going back right to the beginning and to that question of "is shared ownership viable in Zones 1 and 2?", it really depends how much subsidy you are willing to put behind it and also what the offer is. You can tailor shared ownership to an extent where they are paying very little rent and they are owning a 25% share and you can make it more affordable.

Stephen Knight AM: I just push back on this. Are you offering as a HA additional rent subsidies on any of your properties in order to sell them?

Kush Rawal (Sales and Marketing Director, TVHA): Where we have high value locations where we are operating, we will want to target to that median income. We will change the level of equity and change the rent level to make it affordable to that target group.

Stephen Knight AM: You will buy back some and so, if somebody has a 50% share of a property you will actually buy back, say, a quarter of it and then sell it on to someone --

Kush Rawal (Sales and Marketing Director, TVHA): No, I am talking about brand new homes here, not secondary homes.

Stephen Knight AM: I am talking about the secondary market.

Kush Rawal (Sales and Marketing Director, TVHA): That is not something we do proactively in terms of resale. Back to my earlier point: if somebody is in financial difficulty and they want to stay in that home, then that is something we would address.

Stephen Knight AM: I am really talking about the affordability for the new purchaser of that home and the point at which they are buying a 25%, 30%, 40% or 50% share, whatever the share happens to be. Inflation - and we are seeing lots of inflation in the housing market - has meant that it is a vastly more expensive share to buy than it was when it was first built yet you still have to fit within the income eligibility criteria. At what point are we going to find that there is nobody left who can afford to buy, particularly in central London? Presumably they will then be lost to shared ownership because they will be sold outright.

Kush Rawal (Sales and Marketing Director, TVHA): That is not something we do.

Jamie Ratcliff (Assistant Director - Programme, Policy and Services, GLA): There is an opportunity cost there as well, is there not? The money that you could use to reduce down the share or somehow subsidise it, could you better use that somewhere else to provide more homes for people? That is a decision for individual HAs to make.

Stephen Knight AM: I suppose what I am getting at is whether we are seeing a lot of things that were built as shared ownership in central London as people move on and sell out that not only is it no longer viable to build new shared ownership properties in central London but presumably the existing ones will be lost to shared ownership as well over time.

Jamie Ratcliff (Assistant Director - Programme, Policy and Services, GLA): I am pretty sure that we have statistics showing the breakdown of the 43,000 shared ownership homes across all the boroughs. I can include that in a further briefing to you. The thing I would say about where they are is that it is not a dichotomy of there are not any left in the higher value areas and there are lots in the lower value areas. It is driven by supply. Boroughs where you have seen high levels of housing supply, some of which do have relatively high average values, have still got large amounts of shared ownership properties proportionately. I will include that further information.

Stephen Knight AM: A lot of these are ones that are still occupied by the original purchaser, presumably?

Jamie Ratcliff (Assistant Director - Programme, Policy and Services, GLA): They could be, yes.

Stephen Knight AM: Does anyone else have a view on the issue of this removal of the pre-emption right? What is the GLA's view?

Jamie Ratcliff (Assistant Director - Programme, Policy and Services, GLA): We are watching it with interest. It is important to note the consultation specifically excludes London. We will see what actions the DCLG and HCA want to take and decide whether we want to do the same as them. Broadly I would agree with Kush [Rawal] that the nominations period is important because you want to retain those properties as shared ownership wherever possible. The pre-emption right is very rarely used. The two circumstances where you can see it might be used are if an association needed to get properties quickly and it was trying to buy in the open market but this was then another supply of properties it could get; and potentially inner estate regeneration schemes where it wanted to buy back properties to help some redevelopment. In both cases you can still buy on the market. You can approach those buyers. Some Members have raised it as a concern and if there are things that can be done to streamline them.

Stephen Knight AM: I understand the GLA took part in discussions with the DCLG on the issue. Presumably you lobbied to have London excluded or is that --

Jamie Ratcliff (Assistant Director - Programme, Policy and Services, GLA): No, I expressed that view: the thing that is very important to us is retaining properties through the nomination period and that we do not want to lose shared ownership properties. The pre-emption right seemed to be used less and so we had some discussions with DCLG along those lines.

Stephen Knight AM: The current proposal does not affect London?

Jamie Ratcliff (Assistant Director - Programme, Policy and Services, GLA): No.

Stephen Knight AM: Opening up more widely, what more could be done in the future to make the shared ownership market function more like the traditional private market? Maybe the traditional private market is in failure and I suppose we do not want it to operate like the traditional private market. What more can be done to preserve shared ownership properties in shared ownership and help people into them? Does anyone have a view?

Stephen Hill (Trustee, National CLT Network): it is also in answer to your last question. CLT is very much based on having pre-emption rights simply because there is usually a very large inbuilt subsidy in terms of the land which can be kept out of the sale and resale price. Therefore, the nature of the trust in itself is usually very much a place based community, thinking about the work of that asset to the community. Historically up until now it has mainly been small settlements, villages and small towns. We see the same thing emerging in cities as well and can quite clearly identify communities wanting housing for them. Therefore, the opportunity to use those pre-emption rights to make sure you get suitably qualified people, usually in terms of income but also in terms of their social and economic value to the community while they are there. In villages this is not for people who want a holiday home; it is for people who need to live and work there and so on. There is a strong drive to maintain what the trust exists for. It is the steward of that process and at the scale at which they currently operate it is quite workable.

CLTs would also take a very hard line on the idea that most of the things that we are talking about are about queue management rather than asking the question about why is there a queue. Any kind of demand-side subsidy, given the shortage of supply and no effective control on house price inflation, will always inflate prices. It just will happen. CLTs take the view that there is no point them doing that for their communities because it is just going to make matters worse for them and for everybody else.

Stephen Knight AM: It does not stop the DCLG doing it in many other cases, does it?

Stephen Hill (Trustee, National CLT Network): You talk to civil servants off the record and they know jolly well that most of what they are doing is inflating house prices. At least they used to. I am a bit older now. The idea is that you can use the mechanism of a CLT to provide the culture in which people say, "It is more important for us to live here than to think of our home as a kind of investment". People buy into that because they are buying into a particular place, a particular kind of community. The model that is being trialled in east London is in a sense very draconian because there is no capital uplift related to the market. It is not shared equity, it is limited equity. Your buying and selling price are limited to what you earn based on the area median income. If area median incomes go up, there is a little bit of uplift related to that. You are basically creating a product that reflects the labour market rather than the housing market. It is an extreme version, no doubt about that. However, we take the view it is not worth doing the other thing because it is just making everything worse.

Alex Hilton (Director, Generation Rent): In our experience, the feedback from people in shared ownership is there are real challenges with CLTs and with shared ownership of scale. Where CLTs work it is because it is a very local-based thing, yet London has scale. For a city of this size to have a mature shared ownership market that has achieved only 43,000 homes, the scale is really important. It is when you have scale that you have public understanding. You have worked really hard on lender understanding and you have managed to get ten lenders in there. You do not really have a real public understanding of it as a market. Certainly for people in shared ownership it is potentially at a late stage that they find out that, "Hang on, I have an entirely different contract to my friend over here in shared ownership". You have a plethora of different contracts with different restrictions even within an HA. I am sure you do not. Certainly as the market has matured, HAs have developed their contracts. It is not like you know what product you are buying when you buy it. You have to look at a lot of fine print. You have bought a home. You have lived in a home. That is fine. You have time to leave your home. That is great. It is only then that you discover there are no pets allowed and you have to tell the new buyer who is buying half a house that they are not allowed to have pets or they are not even allowed a cat flap.

Darren Johnson AM (Chair): Actually, that has led us nicely on to the next area of questioning, which is on the whole issue of buyers' understanding. I will bring in Tom [Copley AM]. I would actually like to hear from all of you on this because it was something that came up at the previous meeting.

Tom Copley AM (Deputy Chair): Let us start off continuing on that point, given that you started it. If you were to buy a leasehold would there potentially be conditions like that attached? Would it be similar?

Alex Hilton (Director, Generation Rent): Firstly, you have scale. You have a public understanding of what it means to be in leasehold. Secondly, you have statute on your side. There are leaseholder rights and you do have an Ombudsman that you can go to and you do have a mechanism as a leaseholder to take over the management if enough leaseholders want to do so. You actually have statutory rights that apply largely because of the scale of leasehold that exists.

Tom Copley AM (Deputy Chair): There are no statutory rights in this instance?

Alex Hilton (Director, Generation Rent): You have certain rights but you do not have public understanding of what those rights are because you do not have scale. There is not really a drive at policy level to turn this into a tenure of scale. Neither is there a drive at policy level to turn CLTs into a tenure of scale.

Tom Copley AM (Deputy Chair): Are you calling for if not identical contracts in every instance certainly a standard set of things all shared owners can exist and for that to be publicised?

Alex Hilton (Director, Generation Rent): I will come on to what I am calling for. You do not want to knock shared ownership or CLTs or any of these opportunities. Regardless of their market effects, they are helping individual people and families that need help. That is respite for those people. If you wanted to achieve scale from CLTs or through shared ownership, you would create a standardised framework and you would have from now on all HAs and CLTs operating under those standardised frameworks. Then you would be able to create market understanding and also lender understanding at a higher level.

Tom Copley AM (Deputy Chair): Let me put that to Kush [Rawal] and to Jamie [Ratcliff] to see what their response to that is.

Kush Rawal (Sales and Marketing Director, TVHA): In 2009 there was a lot of work done to standardise a lease. There are eight fundamental clauses which sit in every single lease that is issued up and down the country, including London. It is a lender requirement and it is a regulatory requirement. There is an effort out there to try to standardise it. I totally agree. There are a lot of things which are historical perspectives. Things that have been put in that lease which make it a little bit antiquated, a little bit odd and a little bit strange. For example, you cannot go outside your house and shake a rug. That is one of the things which we find in a lot of our old leases. There is a need to get rid of some of the --

Tom Copley AM (Deputy Chair): I am sorry, what?

Kush Rawal (Sales and Marketing Director, TVHA): You cannot shake a rug outside your home[3]. It is an old --

Andrew Boff AM: Can I just ask? I do not understand why this is unusual. Loads of Londoners have these conditions on their houses. Outside my house I have to look after the front of the house. It is not my property. I cannot have an aerial on. There are certain conditions about resale and what colour I paint it. It is part of owning a property. I do not understand why that is uniquely confusing in this market whether you own a home or a lease.

Alex Hilton (Director, Generation Rent): There is a cultural basis. The first cultural basis is that an Englishman's home is his castle. This is a presumption that actually has impact.

Andrew Boff AM: Not if you lease the castle.

Alex Hilton (Director, Generation Rent): This is the point. Leaseholders are in this area of conflicting property rights which is well understood and even the problems in it are well understood by lots of people. I know the people at DCLG are scratching their heads about what to do about it but the problems and the limitations are understood. When it comes to any other tenure, your home is not your castle. Your home is your landlord's castle, your HA's castle or whatever else. We are finding clauses that you cannot put up posters promoting a political party during a general election. Is that not a fundamental democratic right? We are approaching a general election and there are 43,000 who probably are not allowed to display posters.

Tom Copley AM (Deputy Chair): They may not even know that they are not allowed to because they have not necessarily read the fine print. I want to get back to this whole point about your response to what was said.

Kush Rawal (Sales and Marketing Director, TVHA): I do think there is a case to make the leases that are issued a little bit cleaner and a little bit simpler so there is better consumer understanding of exactly what they have bought into it. Nobody can really argue that is a bad thing.

The bigger issue is actually the management model. It is the structure and the way these homes are managed. That in fact is the exact issue that we have with any leasehold property up and down the country. The Competition and Markets Authority has done a great piece of research looking at issues with the leasehold tenure generally. The complaints, the problems and the downfalls are exactly in common with those that are often cited with shared ownership. The biggest issue really, to me, is the management. The product in itself works.

Alex Hilton (Director, Generation Rent): The only thing I would add is that TVHA has a reputation for operating in a very professional manner. HAs have a wide range of capacities and they are not all as good as you. We have to bear that in mind. When you look at a system, you are at the leading edge of that system and others are a long way behind.

Tom Copley AM (Deputy Chair): Jamie, do you think there is scope to really pull together a certain set of things and maybe look at some of the conditions that are in the contracts that do not really need to be in these contracts?

---

[3] Metropolitan Police Act 1839, S60, www.legislation.gov.uk/ukpga/Vict/2-3/47/section/60

Jamie Ratcliff (Assistant Director – Programme, Policy and Services, GLA): There are a few things that are worth saying. One is that the standard lease was quite a lot of work in terms of updating that. I led that when I was at the HCA and so I was closely involved. The old lease did have some very difficult-to-understand things. There was a slide I used to use that was a full slide of text condensed down to one sentence. However many times I read it, I still did not understand it.

The aim when we were going through that process was to achieve a Crystal Mark for the whole lease in plain English but the lawyers, after much prodding from us, said it was impossible. Instead, there is a front page that is, I think, three-and-a-half pages long, which explains all the key clauses in plain English to someone and their solicitor is supposed to read that to them as part of the conveyancing process. Some good HAs, like TVHA, have a video that explains things very clearly to customers so that they do understand that.

There probably is a wider issue in terms of consumers' understanding of complex financial contracts. When buying cars and houses, probably lots of people do not necessarily understand all of the process.

Tom Copley AM (Deputy Chair): There is an issue. If, say, you have that front cover, which is great, to explain what it is, they are still signing something they do not necessarily understand.

Murad Qureshi AM: It is like mortgages.

Jamie Ratcliff (Assistant Director – Programme, Policy and Services, GLA): I would say that that is a wider thing for citizenship that needs to be picked up.

Tom Copley AM (Deputy Chair): Yes, it is a wider point.

Andrew Boff AM: Within the shared housing work.

Alex Hilton (Director, Generation Rent): Again, it is important that complexity is not the only barrier to scale. There is complexity and you are doing what you can about that.

The other barrier is that it is intrinsically self-limiting. If you looked at the total number - and I think Jamie [Ratcliff] said that this piece of work has been done by HomeLet - of what the market for shared ownership is, that is today. If you look at the snapshot about, "How long am I going to qualify? When am I ready?", and then the other questions people have about shared ownership, "Are there restrictions on me? How easy will it be to get in and out?", you are not really any longer an actor in a market at that point. You are a person making a decision to leave a market at some point, but it is hard thing to do. There is a small number of Londoners at that point who fit into that criteria as the total maximum market and they do not all know whether they are in that market or not. It is really hard within that context to develop this at a scale that has an impact on the housing market in London and that meets the need for housing in London.

Tom Copley AM (Deputy Chair): I want to move us along, if that is all right, as interesting as the conversation is. I wanted to ask basically about what Kush [Rawal] was saying. From your perspective as a HA, what is your experience of buyers' expectations versus the reality of shared ownership?

Kush Rawal (Sales and Marketing Director, TVHA): Home ownership is a difficult, emotive thing. We all want it, but at some point the realities dawn when you have to maintain that home, when you have to pay your bills and when prices, council tax or whatever it is, starts hitting you and you cannot necessarily live your life in the way you used to. The key for us is that we really need to educate the consumer from the point of entry that they are making a massive commitment here and what the quantum of that commitment is. It is about understanding that, yes, there are going to be some restrictions - for example, their ability to sublet that home - and, yes, their rent will invariably go up as the time goes on. As long as you can frame it in a way that they can understand it and they can take away from that exactly what it is that they are buying into, you are in a much better position, absolutely.

The other thing is really about the reality of them being able to own the home outright. That is another common thing that you need to get across to purchasers about how they are going to do it and what the prospects are of them doing that.

Tom Copley AM (Deputy Chair): How realistic it is that they will be able to achieve?

Kush Rawal (Sales and Marketing Director, TVHA): How realistic. In that vein, just very quickly to pick up on the secondary market, the other thing that came up for us was that we had a lot of people saying they wanted to own more of that home and they were not able to do it. We created a product called Shared Ownership PLUS and we are piloting it with the GLA at the moment. The idea behind that is we allow people to buy a further 15% more of their home at a fixed, predetermined price. They are buying tranches of 1% per year at a price at any point they want within that year and that price they know from game-on coming into that shared ownership.

Tom Copley AM (Deputy Chair): Do you think there should be additional legal protections for shared owners and what might they be?

Jamie Ratcliff (Assistant Director – Programme, Policy and Services, GLA): Do you want me to jump in with one quick thing?

Tom Copley AM (Deputy Chair): You can, yes.

Jamie Ratcliff (Assistant Director – Programme, Policy and Services, GLA): There is a very obscure case called *Richardson v Midland Heart (2007)*, which looks at the legal basis of shared ownership where, effectively, you are an assured tenant. There are processes in place from regulation protocols with the Council of Mortgage Lenders (CML), the HCA and the GLA to manage out some of the inconsistencies in that. However, ideally, you would base shared ownership on a secure statutory footing that places them as a shared owner rather than as an assured tenant, which is explained in the coversheet but probably is not widely understood by lots of shared owners.

Tom Copley AM (Deputy Chair): That would require primary legislation?

Jamie Ratcliff (Assistant Director – Programme, Policy and Services, GLA): It would require probably quite a lengthy process, but it is something that I will push every now and again when I get the opportunity.

Tom Copley AM (Deputy Chair): When you are talking to the DCLG and things like that? OK.

Stephen Hill (Trustee, National CLT Network): Just a quick one. I just wanted to go back and just question the statement that was at the beginning of the background for questions four and five. It says, "Shared ownership has historically been sold as a stepping-stone to full ownership". I have been around long enough to have been here when we originally invented shared ownership. At the time, there was a really strong debate about whether it was appropriate for public money to be used both to help people become full homeowners quicker than they otherwise would have been and to help people who were never likely to be able to afford full homeownership and so you were providing them with a below-market product that they could stay in forever. It was never really resolved and lots of different associations took different views. I worked for Samuel Lewis at the time and we took the view that we should be aiming at the market where people were never likely to be able to afford full homeownership and so we were targeting people who were never likely to staircase. Others took a different view. That has never really been resolved up until this day. It operates in different markets in different ways.

Tom Copley AM (Deputy Chair): We are still having that debate here now.

Darren Johnson AM (Chair): That probably feeds into all of the issue about the confusion and expectation of buyers and so on.

Stephen Hill (Trustee, National CLT Network): Yes, absolutely.

Kush Rawal (Sales and Marketing Director, TVHA): Help to Buy has really killed that debate, has it not?

Tom Copley AM (Deputy Chair): Did you want to come back on the legal protection side? Then I have a couple more points for Alex [Hilton].

Kush Rawal (Sales and Marketing Director, TVHA): Yes. Just to echo what Jamie [Ratcliff] has said, really, the main area for me is the management of the product and people feeling that they have control over that relationship with that managing agent and that their voices are going to be heard, giving them direct voting rights when the management company gets set up and putting direct relationships between the management company and the owner. It is a key change for TVHA, really, in terms of giving the shared owner more of a voice in that relationship.

Tom Copley AM (Deputy Chair): OK. Alex, did you have any more points? I have a couple more questions, if I may.

Alex Hilton (Director, Generation Rent): No, go ahead.

Tom Copley AM (Deputy Chair): On the whole, we have mentioned the private rented sector. Do you think that if private rents were lower and tenancies were more stable, households would be able to save for a deposit for a home and would be happier to rent for longer without the need for essentially a state-subsidised form of home ownership?

Alex Hilton (Director, Generation Rent): Absolutely, but you have to raise the question of how that will happen because no pretender to Downing Street is proposing to do anything about that.

I mentioned earlier that the CBI, London First and the London Chamber of Commerce are concerned that the cost of housing in London is hitting its long-term competitiveness. This is a serious thing. What that means is that every Londoner is now a keyworker. A housing product that targets some Londoners becomes less and less relevant because of the various changes that have happened to the definition of the word 'affordable' in the English language in recent years. If you take one definition, anyone at any income level can find a home for a reasonable proportion of their income. If you take that very, very fluid definition of 'affordability', London is not affordable, not for the rich, not for the poor, not for the people in the middle. What you are finding is a better functioning market at the very top and no functioning market anywhere else.

Our competitiveness is not with Leeds, Sheffield, Doncaster, Stoke or anywhere else in the UK. It is measured against Dubai, Frankfurt, Singapore, Hong Kong, Shanghai, New York and Paris. I do not know what they do in Shanghai, frankly, and Dubai has plenty of land, but in every single one of those cities but one there are rent controls suppressing the rents. New York has two different forms of rent control with many tens of thousands of homes protected. In Germany and Paris, they are extending their existing rent controls to be even tougher. This is how they suppress rents and the suppression of rents suppresses house prices and land prices in general.

The exception is Singapore. Singapore is wonderful. In Singapore, 82.5% of the entire population lives in state-subsidised housing. The Housing Development Board builds a block of homes and sells them at cost price. It just sells them at cost price and there is a condition that if you then sell it on in the free market, you pay a surcharge back to the Housing Development Board. This is a model that operates at scale because you get the money straight back. If you put £1 billion into housing, you immediately get £1 billion back. There is no state subsidy other than the cost of servicing the borrowing of that £1 billion.

What we would argue is that that would not work for London where it is today because we are so out of kilter, but what we would suggest is to turn it into a permanent secondary housing market. Put £1 billion into building the hell out of it and just provide it as equity to HAs and councils whose values would want to deliver this work. Sell these things at cost price and let them be for evermore at cost price or at a level of inflation that is modest yet regulated and that will give comfort to lenders. Put a rent cap on those homes. Then you will instantly get the private sector and individuals with private mortgages buying cost-price homes. The first thing they do is the funding of a replacement home again and again and again. Under a statutory framework - and you would need a law to do it - you would have an entire new scalable market operating at scale. It would have to operate at scale straight away. People would understand.

Do you know what? Singaporeans love the Housing Development Board. It is like an object of affection to Singaporeans. This is how they are going to end up beating us. Their financial sector is going to end up beating our financial sector when bankers cannot afford to live in London anymore.

Tom Copley AM (Deputy Chair): How does that sound to you?

Jamie Ratcliff (Assistant Director – Programme, Policy and Services, GLA): There are many interesting lessons to learn from Singapore and from a lot of its public services, but there are probably two things that I would draw out.

One is that there is a really interesting question of what home ownership means to people and what element of it is it that people want. If you take away the opportunity to accumulate value over time, does that take away a large part of the attraction? Is it the customisation that is really important? Is it fixing their income in a certain place? Is it the tenure? You need to understand that in more detail because, depending on what those drivers are, you can see how that kind of model - and I guess the CLT model to which it is quite similar - could appeal to different people.

The second thing I would say is that there has been a huge number of different products and initiatives in the intermediate market. When I was at the HCA, we did a count and there had been 20-odd different product names including, absurdly, New Build HomeBuy both capitalised and uncapitalised, which were two entirely different products. We just have to be really careful about inventing lots of new initiatives. We have heard a lot about how scale is important and complexity for the consumer is a problem. Creating more products which do not operate at a significant scale and have to be understood afresh by consumers is a problem. That is why we think shared ownership is the large intermediate housing solution we have at the moment and significantly expanding that is the thing to do.

I do not have a spare £1 billion, but we have put £180 million into this First Steps Challenge Fund to try to drive up some scale in shared ownership and get us towards that 250,000 target by 2025.

Alex Hilton (Director, Generation Rent): The challenge to scale is means-testing. It is that qualification at the beginning. If you are going to accept that every single Londoner is a keyworker because that is what keeps London's economy successful and if your outcome is making sure that London is competitive sustainability and is the best city in the world for the next 25 years, then you are not doing it because the fact is that the priority you are giving to shared ownership is not going to create a market-impacting scale in terms of the competitiveness of London. You do not have a proposal or plan that would do that because it would have to be significantly larger, like ten times the size. There is a measure that it has not been prioritised. This problem has been understood too late. I know that Boris [Johnson, Mayor of London] is now interested, but I have not seen him hanging off a building or a zip line. That is how you know when Boris is prioritising something.

Tom Copley AM (Deputy Chair): Are you clear that this is not something the Mayor could do and that you would need primary legislation to do what you are advocating in terms of this Singaporean idea?

Alex Hilton (Director, Generation Rent): Absolutely. That is the wonderful thing about mayors. They can get it if they needed it. You could even get private legislation. Local authorities, the City of London and the GLA are allowed to promote private legislation in Parliament themselves. Obviously, they would need to negotiate first, but local authorities get legislation when they need it. You need it to have a public drinking-free zone in a town centre. That is done through parliamentary powers. It is not unheard of.

Darren Johnson AM (Chair): All right. We are going to move on to the whole area of alternative schemes --

Andrew Boff AM: Can I just come in here? I just wondered if we have to do everything else that Singapore does, including restricting civil liberties, making gay people illegal, stopping freedom of speech and all the rest of it. You can certainly achieve a lot through centralising everything, but it just seems to me that basic liberties are quite important as well, really.

Jamie Ratcliff (Assistant Director – Programme, Policy and Services, GLA): There was one other important point I was going to make on that. It is given to Singaporean citizens and there are quite a lot of people who live in Singapore who are not Singaporean.

Andrew Boff AM: They get nothing, yes.

Jamie Ratcliff (Assistant Director – Programme, Policy and Services, GLA): In London, as part of the European Union and a larger labour market and there are different restrictions, which would affect our ability --

Andrew Boff AM: Yes. You have no human rights as a foreign worker in Singapore. You have no housing rights --

Tom Copley AM (Deputy Chair): I do not think Alex [Hilton] is advocating importing Singapore's attitude to human rights to the UK. It does not necessarily mean that the --

Darren Johnson AM (Chair): Important though human rights are, I do want to wrap up on the issue of shared ownership. Is this in relation to legal protection for shared ownership?

Murad Qureshi AM: I just think we are losing sight of it.

Darren Johnson AM (Chair): Yes, but that is why I want to finish off on shared ownership.

Murad Qureshi AM: Sure. On shared ownership, one of the misgivings a lot of people have and the kind of thing that I get people approaching me about is about service charges. We have not touched on that. We touched on it at the last session briefly, but can I just remind you how small the sector is? In the whole of London, we are talking about 28,000 properties or about 1.6% of owner-occupied stock. It has to go a long way before it becomes a major provider, though it does need to be sorted out as a model.

One of the biggest angsts is the way housing associations pass on their management costs. Most shared owners really do not know where they are coming from on this at all. It is not made clear from the outset in their agreements. Kush, you are a leading HA. How do you deal with that one?

Kush Rawal (Sales and Marketing Director, TVHA): Again, it is about the management and it is about transparency and control. At the moment, if we buy some properties built by an ex-developer, we will have a contract with that developer and we will be leasing those homes for shared ownership to the people moving into them. All the bills come to us. We then simply pass that bill to the shared owners and they pay up.

What we are trying to do is to say, "No, actually, for the shared owner who is in that home, we need that managing agent to be accountable directly to them. They are the one living in that home. They are the one paying the bill. Let them have the voice and the control in that respect". When we are now developing, we are trying to require the developer to have that direct relationship with the customer. We do not charge any fees on top. It is simply passing on that bill.

It also comes back to the fact of what you are building and where you are building it. If you looking inside of London and if you are looking at a very big apartment complex, those bills that the shared owners are going to pay are no different to what a private owner would pay. The law does not allow you to discriminate between those two types of ownership. They all have to contribute proportionally to the upkeep of that building. It is about just giving the shared owner the transparency and control.

Murad Qureshi AM: I am glad you made that point about the difference between shared owners and, say, a mansion block where they get lumped with huge service charges. It is usually the Duke of Westminster at my end of town and it is feudalistic, quite honestly. It just seems to be the case that this kind of model has been replicated in shared ownership because of the nature of land ownership.

Kush Rawal (Sales and Marketing Director, TVHA): As a matter of course, for any TVHA property that is sold that TVHA develops, we will collect a sinking fund. That is across the board. We will collect that on a monthly basis and accumulate what we can. Historically, they have not been collected in most shared ownership instances, as far as I am aware. That is a lesson learned.

Murad Qureshi AM: Major repairs are something that a lot of shared owners really do not take on board when they enter these contracts. Is that right to say?

Kush Rawal (Sales and Marketing Director, TVHA): As probably are most leaseholders as well.

Murad Qureshi AM: Yes, that is a fair point.

Kush Rawal (Sales and Marketing Director, TVHA): It is also dealing with the nature of the beast. As a HA, our approach to life is that actually, if we have a customer here who cannot afford to make that payment, most HAs - many that I know of - are not going to say, "OK, you cannot pay that. You are out". Our relationship with that customer is to say, "OK, we will make that payment. You pay us over a period of time and we will collect that payment". We have to think about who these consumers are buying from. An HA is a very different animal to a developer or a profit-making entity.

Murad Qureshi AM: Some would say they are becoming very much like developers, but anyway.

Jamie Ratcliff (Assistant Director – Programme, Policy and Services, GLA): Just a very quick point. That is exactly right. It is the same problems that shared owners face as general leaseholders and there was a very good Assembly report about 18 months ago highlighting some issues with leaseholders. Many of the recommendations we have taken board, but we continue to lobby for additional protections for leaseholders to try to make that whole process work better for them.

Murad Qureshi AM: This is coming back to the presentational aspect of shared ownership and the First Steps website, Jamie. After its launch, I was just wondering what proposals you came to when reviewing its performance.

Jamie Ratcliff (Assistant Director – Programme, Policy and Services, GLA): We are very pleased with how it is working and I guess there were two primary things that we were judging it against, one of which was streamlining the process for customers. We have heard a fair bit about that and how sometimes shared ownership can feel like you are applying for a social home and having to go through a very bureaucratic process. We want to make that more streamlined and open for people who are more used to operating in the market. Secondly, in terms of cost savings, we were paying the previous HomeBuy agents £1.7 million a year. That has been reduced to zero and so there will be a recurring, ongoing, very significant saving that accrues to the GLA.

In terms of how it works, the process removed the unnecessary duplication of having to apply to the HomeBuy agent and then to each individual association that you were looking to buy from and that kind of happened at a stroke.

In terms of the website working, there are 105,000 people registered on the website. It gets a significant amount of traffic. There are a large number of properties advertised on there, albeit nowhere near the level that we actually need to be delivering. Therefore, by all of those measures, it is a success.

Murad Qureshi AM: How does an individual who is not computer-literate still be considered in the system for shared ownership schemes if they are not particularly able to get through to the First Steps website? You are assuming an enormous amount of computer literacy, which I am not convinced is always the case. The danger with that is that you limit access to people.

Jamie Ratcliff (Assistant Director – Programme, Policy and Services, GLA): All the statistics I have seen show that the vast majority of the population, even when you look at very low-income groups, do have access to the internet. That might not be through a fixed computer that is plugged in or quite often through a smartphone. There are other ways of accessing it. I have seen data from a number of HAs looking at their tenants and the vast majority do have access. You can access it in public locations like libraries as well. There was never a face-to-face service that was funded by the HCA or the GLA and so this has not changed that. What you do have obviously is that if you see properties being developed in your area that might be where you are most likely to want to live, you can go in and look at show homes or call a number for the HA that is providing those from the billboards or the advertising. There are other ways of accessing it.

Murad Qureshi AM: What is more important: the billboards or the website?

Jamie Ratcliff (Assistant Director – Programme, Policy and Services, GLA): From Kush's statistics, 60% was coming from the website.

Murad Qureshi AM: 60% from the website?

Kush Rawal (Sales and Marketing Director, TVHA): Yes, from First Steps. The website from TVHA's point of view does its job and First Steps does its job in terms of educating and informing people what the product is and where it is available. Even where you have someone who cannot follow the application process or does not have access to the internet, what they will do - and we have a very small number of people who do this - is come to our office and we have the ability to service that need directly. For the absolute majority of people, the website does exactly what it should.

Jamie Ratcliff (Assistant Director – Programme, Policy and Services, GLA): An analogous point I would make is the Seaside & Country Homes scheme that my team runs, which is aimed at people who are over 65 and existing social housing tenants moving out of London, which I guess is a group you would expect to have comparatively very low levels of computer literacy and access. We moved to an online system of applying for that and, although you can still download and access hard copies, the vast majority - a percentage in the high 80s - of applications now happen online. Even amongst that group, there is a lot of computer access.

Murad Qureshi AM: We just should be more mindful of that at all times when we rely on websites as main access points to these schemes.

You have gotten rid of the First Steps agents. Have we lost anything by not having them around anymore, Jamie?

Jamie Ratcliff (Assistant Director – Programme, Policy and Services, GLA): The main thing you have lost is a process where you had to fill in quite a lengthy application form in order just to be able to look at the properties that were available and an initial checking of, "Yes, these people are under the income threshold and are otherwise eligible". That was then passed down to the HA, which, in the vast majority of cases, needed to carry out those checks themselves because of their charitable objects that they need to demonstrate they are meeting internally. Therefore, the main thing you have lost is duplication.

Probably the other thing I would add is that there were a number of shows to demonstrate the First Steps properties that were available and to explain that to customers and that was not initially in the specification for the First Steps website. Actually, there was quite a significant demand for them and so First Steps has taken that on. It has now run three of them and the next one is sometime in March. They have proved very successful and that was something that we were able to add into the service, again, at no cost to the GLA.

Murad Qureshi AM: Presumably, Kush, it saved you a step in the whole process.

Kush Rawal (Sales and Marketing Director, TVHA): We have lost something. We have lost a whole lot of bureaucracy and we have lost a whole lot of confusion for the consumers because they are getting one clear and concise message from the website. They are coming to us better educated and better informed and then we are able to take off from where the website finished and take them through the process.

Darren Johnson AM (Chair): OK. Thank you. We will move on then to the Gentoo Genie scheme, which has been operating in Newcastle, I believe. Jamie, can you set out how the proposal will operate in London?

Jamie Ratcliff (Assistant Director – Programme, Policy and Services, GLA): We have given an allocation of £40 million to Gentoo Genie, which we want it to take forward as part of what we call the 'revolving fund' element of the Mayor's Housing Covenant 2015-18 Programme. We are in the process now of agreeing the detailed contract that we will sign. Essentially, Genie is a no-mortgage home ownership product and you do not need a mortgage to buy. Instead, you pay a residency fee or it might be called something slightly different, but effectively it accumulates equity over time. It is quite similar to the way that Kush [Rawal] described Shared Ownership PLUS. By paying this fee, you accumulate equity over time and then, depending on the value of the property and the decision, you would acquire full ownership over either a 30-year period if you paid that or a 40-year period. If you choose to sell at an intermediate point in time, you are entitled to whatever percentage of the equity you have accumulated at that point.

Darren Johnson AM (Chair): It is effectively a more sophisticated shared ownership scheme. Is that right?

Jamie Ratcliff (Assistant Director – Programme, Policy and Services, GLA): No, it is a different offer. You do not need a deposit to purchase it and you do not need a mortgage and you will accumulate equity over time, but it will have some strengths and weaknesses compared to shared ownership. It is something we are interested in seeing how this works. It was Sunderland where it was initially trialled, which obviously has a different pattern.

Darren Johnson AM (Chair): Yes, Sunderland has a very different housing market to London. What might the key risks be both to operators like Gentoo Genie and to Londoners who enter one of the purchase plans?

Jamie Ratcliff (Assistant Director – Programme, Policy and Services, GLA): One of our initial big risks in assessing this was the treatment of stamp duty. It is relatively complex but it was resolved in the Autumn Statement when there was a change in stamp duty treatment for what is called 'Islamic financing', which effectively this is similar to because you pay rents rather than own part of a property. That is really good.

Getting to the scale that we want is a challenge. Genie has not developed homes in London before. It has been in discussions with some landowners and HAs and it is an ambitious number of homes and so there is a challenge there. In terms of the contract, we have annual targets for them to deliver for homes, which they will be held to on an annual basis. We have the ability to restrict or remove the allocation if it is not working. Therefore, there is a calculated risk to be taken there, but we can manage that.

There is a big question in terms of customer appetite for the product. It has not been tested in London and we will have to see if this is something that appeals to customers at scale. Obviously, Genie has done its customer research and has suggested that there is strong customer appetite, but having these properties available for sale is going to really test that. Also, potentially there are some issues to get through in terms of the planning process and making sure that this product is explained well to planning authorities that can understand how it should be treated through that process.

Darren Johnson AM (Chair): In terms of the financial management systems, there has been some criticism by the HCA of Genie's long-term financial management systems. Have you had assurances that those concerns will be addressed in the London model?

Jamie Ratcliff (Assistant Director – Programme, Policy and Services, GLA): I cannot speak on behalf of the regulator and it is probably unfair for me to say anything on behalf of Genie. What I can say is that the deal is still subject to contract and we are going through that process and agreeing a contract.

Darren Johnson AM (Chair): You are taking those criticisms seriously and putting the necessary pressure to get some answers and reassurances?

Jamie Ratcliff (Assistant Director – Programme, Policy and Services, GLA): Yes. We have a legislative duty to co-operate with the HCA as the regulator and a memorandum of understanding.

Darren Johnson AM (Chair): Whereabouts in London are the Genie homes likely to be built?

Jamie Ratcliff (Assistant Director – Programme, Policy and Services, GLA): From the research Genie has done and shared with us about where this works best, it is areas that are lower than £450 a square foot and so it is not going to be the higher-value areas of London. It is going to be the middle to lower-value areas. Some of those opportunities might appear through housing zones.

Darren Johnson AM (Chair): We keep hearing this issue about scale, which Alex [Hilton] has put forward so eloquently. Is this a model that could be scaled up, Kush, Stephen [Hill] or Alex? Kush first?

Kush Rawal (Sales and Marketing Director, TVHA): Yes. Initially, for me, it is a great product and, if we can make it work in London, it is fantastic. There have been things that TVHA has offered in the past which were similar in a way. We have had shared ownership mortgages where we offer 100% funding and there is a definite demand for that sort of product offer, albeit this is quite different.

The major barriers from my point of view and from a scale perspective would be that you are tying up an investment for an extended period of time. For an organisation like TVHA, shared ownership is a great thing. We are putting a load of cash in and we are getting a big slug of it back straight away. Here, it can be a very long time until we see that money.

Also, to make it work and to make it affordable, you need access to very cheap money. If you have people getting loans on this, developers, and those loans are fixed for a short period of time, there is a risk to the consumer as those loans are re-priced that you are going to have to knock that on to the consumer.

The final thing for me is a regulatory issue. To do this, you need to be Financial Conduct Authority (FCA) regulated. There are a lot of hoops that you would need to jump through in order to offer a scheme like this. It is not something that I would fancy.

Darren Johnson AM (Chair): That is telling. Stephen [Hill], would you fancy one of these?

Stephen Hill (Trustee, National CLT Network): Yes. I am aware of it a bit and I can see that it might work in some markets. I am not sure about London because, clearly, it is relying on the capacity of people to be able to pay more of their income as a percentage on their housing outgoings. If they are going to do it in the same proportion as they are doing it in the northeast, it is going to be quite at the top end of what people can afford.

I did some work on something quite similar with Graham Moody for the Chartered Institute of Housing (CIH) and the Institute of Public Policy Research (IPPR) about 15 years ago on tenant equity stakes, which was a Labour Party manifesto commitment in 2002. This has similar aspects to it. One of the issues that does not seem to be very clear from anything I have been able to find is whether effectively the saver has any real legal equity stake in the property as a result of making the extra payments and it is appeared that they do not own anything at all, as such, until they actually get the property at the end of the term. It is basically a savings contract linked to a property. That was one of the things that we came up with in the equity stakes work. The actual transaction cost of acquiring equity in small tranches is very high and, therefore, you need a side-by-side arrangement. However, it does feel to me that there are risks for people in the London market where they are likely to be moving probably more quickly than they would in more stable markets.

Darren Johnson AM (Chair): That is very useful. Alex?

Alex Hilton (Director, Generation Rent): This idea of buying one three-thousandth of a home every month or something as you pay your rent is very seductive and you can see it as another opportunity for people who want to escape renting because it is the Wild West. It is another opportunity. Again, for somebody entering it, as long as these caveats are addressed, for somebody renting, it is another escape and it is another demand stimulus. While that individual might benefit from entering this contract - and we would always welcome that - you may find that at the other end you are creating more of a demand stimulus for housing in London that is unbearable for buying in London because it pushes the house prices up.

Where I am concerned is with this idea, as you touched on, that an institutional investor can invest a big pile of money and forego capital gain on that property. You are going to see that capital gain. Each month, as a bit more of that property is sold off at the original purchasing price or thereabouts, you have foregone having access to that capital gain. Over 40 years, that is a hell of a lot of money. An institutional investor, even somebody who is interested in an investment with that length of timescale, say a pension fund, might be thinking to themselves, "Hang on a moment. We can probably get better returns from some people who are willing to bear a higher risk". It is very hard to see how this could be the best return for an investor looking at a 30 or 40-year investment.

Darren Johnson AM (Chair): That is helpful. Is it something that could be combined with another scheme, say the CLT? Could it form part of the CLT?

Stephen Hill (Trustee, National CLT Network): It adds a whole layer of complexity which we tried very hard to get out of because people seem to think that CLTs are very complicated. We have made it absolutely as simple as possible and I do not think we would be at all interested in bringing back any kind of complexity at all.

Darren Johnson AM (Chair): Yes, and so you do not want to bring it in.

Stephen Hill (Trustee, National CLT Network): The only thing I would say is that on the back of 88 units, which I think is the number that Genie has done, we would be very pleased to be offered £40 million revolving on the back of a rather larger number of units in CLTs elsewhere.

Alex Hilton (Director, Generation Rent): There is an in-principle issue here that the problem with the housing market in London is that the market price is too high. This is another product.

Andrew Boff AM: No disagreement with that.

Alex Hilton (Director, Generation Rent): Buying houses costs too much. Renting houses costs too much. Everything costs too much. Another product aimed at the market price, even if you are making the market price more accessible, is not going to be the answer. It is the answer for that individual who gets access to it, but that is just respite for a small number of people.

Darren Johnson AM (Chair): It is respite, rather than a reform of the housing market?

Alex Hilton (Director, Generation Rent): It does not fix the problem

Andrew Boff AM: It is not that we are in a mess; it is how we get ourselves out of this mess. That is where the political debate starts to come in.

Alex Hilton (Director, Generation Rent): Sadly, neither the Government nor the Opposition has a plan for doing so. That makes a wonderful opportunity for a Mayor of London because they can make that play when there is absence of a play from the Government.

Murad Qureshi AM: There is actually an opportunity. Given what we have heard in the last meeting or so, shared ownership is basically not working in central London. I just wondered whether it is time to consider shared ownership based not on market values but on a cost basis. We have been given figures here showing that the average cost of a shared ownership unit is £247,000. That is actually less than the market valuation. If the costs are at least covered for a shared owner - and it is not dissimilar to the Singaporean example - maybe that is where we need to go. Let us face it. The market at the moment is not just inflated by people from abroad coming here, but there has been a lot of printing of money or quantitative easing and it has all ended up in the property market and probably explains why it has been ballooning during the whole deflationary period that the economy has been lying in. I just wondered, Jamie. Is that something that would be taken on board?

Jamie Ratcliff (Assistant Director – Programme, Policy and Services, GLA): It is just worth clarifying that £250,000 is the average median value of shared ownership homes in London.

Murad Qureshi AM: I am just trying to check. What was the figure? I saw it here somewhere.

Jamie Ratcliff (Assistant Director – Programme, Policy and Services, GLA): The thing I would say on the point about scale and innovation is that you could constantly keep creating different products that work in different ways, but you are going to struggle in terms of getting consumer awareness of the way all these work. We have a good number of mortgage lenders particularly - which is challenging - that support shared ownership. For other options, there are fewer lenders to support them and it is more challenging.

You also have the issue of what home ownership means to people: will something that does not give them access to rising values fulfil what they are looking for in home ownership?

Therefore, it is not something we are actively looking into at the moment, but we are open to suggestions in terms of what else you could do to deliver intermediate homes in the highest-value parts of London. There are some difficult choices to make there.

Murad Qureshi AM: Would you accept that the cost, still, is lower than the market value?

Jamie Ratcliff (Assistant Director – Programme, Policy and Services, GLA): Yes, definitely.

Murad Qureshi AM: That bridges the gap. Actually, the bottom line for any subsidy is to cover costs. No?

Alex Hilton (Director, Generation Rent): What you would do, Murad, is you would really hit HAs' asset values and then you are hitting the comfort of their mortgage lenders and you are hitting the interest rates at which they can borrow. Therefore, you might find it is a zero-sum game if you approach that. It is very hard to see how you could make that stack up without piling in more state subsidy.

Murad Qureshi AM: The interesting thing about it, though, is that it affects the monetary side of the economy, does it not, not necessarily the real economy?

Alex Hilton (Director, Generation Rent): You have an adjacency between a domestic housing market and a global investment market and it is met at London. That is your problem. London property is a wonderful place to put your money, regardless of where you are in the world. The money is just gushing in and driving up prices and that is failing to meet the needs of the domestic population that actually needs housing.

Murad Qureshi AM: If I can just come in, it is also being printed here. That is the important thing. I am adding --

Darren Johnson AM (Chair): Jamie and then I am going to move on to CLTs.

Jamie Ratcliff (Assistant Director – Programme, Policy and Services, GLA): The important point is that the cost of building the home is not significantly higher in central London than it is in outer London. It is the land that is the key point. The land is where the costs are really high. Housing associations do not have access to huge amounts of land themselves unless it is redeveloping some of their estates, which in London they have less of than local authorities. If you are trying to tackle affordability, land is the key thing that you need to aim at.

Darren Johnson AM (Chair): On that note, with the high cost of land, it moves us nicely on to the next area of questioning on CLTs and how they can work. Andrew, can I ask you to lead off on this?

Andrew Boff AM: Talking of land, yes. How many actual CLT homes are there in London? I was surprised to see in our report in front of us that there are actually already some.

Stephen Hill (Trustee, National CLT Network): No, there are no actual completed ones. I can say there is a big round zero.

Andrew Boff AM: Thank you. I am not as stupid as I look, then? Perhaps I am.

Stephen Hill (Trustee, National CLT Network): No. You might take a view that something like the Coin Street Community Builders is effectively a CLT, but certainly in the modern generation of CLTs the first one was obviously in east London at St Clement's, which has 23. Looking at the urban programme that the Oak Foundation is funding to generate interest in urban CLTs, we have identified that there are probably about 600 homes in London that are in the pipeline and about 900 that are in existing council estates and want to turn themselves into CLTs.

Andrew Boff AM: Where is that?

Stephen Hill (Trustee, National CLT Network): West Kensington and Gibbs Green. You might imagine a slightly contested situation. Outside London, there are about 450 completed homes and about 900 with consent or on-site and about 2,500 that have been identified.

Andrew Boff AM: This is definitely growing?

Stephen Hill (Trustee, National CLT Network): It is growing very quickly now, yes.

Andrew Boff AM: Yes. From a standing start at zero --

Stephen Hill (Trustee, National CLT Network): In 2007, there were eight.

Andrew Boff AM: That is very impressive. What would you say are the strengths of this model of home ownership over anything else?

Stephen Hill (Trustee, National CLT Network): To me, looking at it, it is home ownership. There are some CLTs that are mixed tenure and there is rental with HCA funding in it and there have been one or two with HCA funding for shared ownership as well. There is a limited amount of staircasing on those, but they are mostly in the protected rural areas where there is a cap on staircasing and people cannot buy them outright.

To me, the really important thing about them is that they are an expression of community consent to more housebuilding in their places, often places where you would expect not to want more housing. For the rural communities, they are often places where they have resisted 'outsiders', in a sense, coming to build and that might include some HAs and developers, but because they recognise the need for housing in their area and their place, if they do it themselves, it is a much more acceptable proposition.

The lessons for London are the same. I have been working in London for 40 years and it seems to be extraordinary how, certainly in the last ten years, the amount of community opposition to development has grown to an extent that I have never previously experienced. It is very much more like out-of-London places. Part of that is just the kind of scale, and sometimes size, of some of the developments and people feel really threatened by the very significant changes. It seems to me that if we are not meeting even half of the GLA's target and if we are going to double what we are doing, what is the community consent factor going to be? Unless we find some way of enlisting communities in wanting more housing in their place, it is going to be a real uphill struggle, particularly because the reality is that we are going to have to do a lot more in outer London and they are obviously the places that are going to be even more resistant to more housing than inner London, which is probably more used to development. Therefore, to me, one of the real important aspects of it is how local authorities and communities working together can create environments that are pro-housing.

Andrew Boff AM: A fair summary of what you are saying is that the opposition to new housing is largely about the type of housing and the benefits from that housing rather than the housing per se. Would that be accurate?

Stephen Hill (Trustee, National CLT Network): Yes. Most opposition, in my experience, is, "This is other people. This is people we do not know". There is a fear of change and lots of things. It is an idea about how you re-humanise the process of development. It seems to me that what happened at St Clement's was very remarkable in that London citizens managed a small-scale community planning process before the site even came onto the market and so it prepared in a community in a way that was much more receptive to development. In fact, when the East London CLT first teamed up with Igloo as its preferred development partner, it was saying, "Get more on. Put more houses on", and so Igloo was encouraged to go up to 310 or 320 homes. Interestingly, the winning scheme had only 220 homes, but even during the community planning process with Galliford Try - and they ran an extremely good community planning process - the community was saying, "Get more on", and we had up to 250. For the GLA, there was a premium of 15% more homes.

Andrew Boff AM: What kind of help does the GLA need to give to promote more development of this kind?

Stephen Hill (Trustee, National CLT Network): The experience of the out-of-London CLTs is that they really gain momentum when there is some kind of enabling mechanism that is not each little village or each little town having to do it all itself.

What has happened is that a series of umbrellas have sprung up spontaneously and self-started. There is one in Cornwall; one for Somerset and Devon; one for Dorset; one for Wiltshire and Gloucestershire; one for the East of England; and one in the North West. Basically, they act like a secondary co-op, something like the CDS co-ops or Accord in Birmingham. Basically, there are one or two people in each of those regions who act as a kind of development manager for villages that want to develop their CLTs. They are often an access to retail funding and certainly in Wessex there is a lot of work being done on that. They have all the expertise. They have the relationships with the planning authorities. They can connect all the CLTs to the various sorts of funding that are available through the CLT fund and connect them to Triodos Bank and people like that who are supportive. Having something like that is a really important way of getting it to scale. Most of those umbrellas are managing probably anything up to 20 schemes each.

There is not anything like that in London and Jamie [Ratcliff] and the CLT Network have had conversations about this and about to what extent it would add supply to London that it would not otherwise get. It is important that we do not over-claim for what CLTs can do. Certainly, there are lots of community organisations that own assets themselves that are probably not very well used, things like churches. There is some work going on, although it is a bit unco-ordinated, about how faith institutions might make better use of their premises when they have bits of land that go with it. The East London CLT is actually talking to a couple of churches in east London at the moment about that kind of project. Therefore, in a sense, it is having some kind of umbrella facility that might be something new and bespoke or might be grafted on to an existing HA that wanted to do it. Not many do, I have to say and CDS is an organisation that is thinking about coming back into this kind of market to support new co-op growth.

The other thing is opportunity. I know the Deputy Mayor for Housing, Land and Property a long time ago said that he saw estate regeneration as a natural locus for CLT activity. Certainly, one iteration before the current one of the Housing Strategy had a proposal that GLA land and others in the GLA family would transfer the freehold of publicly owned land to community trusts. That is in fact what is happening at St Clement's. It is not the CLT that will own it. Actually, a standalone community foundation will own the freehold of that site.

Those are all things about how you create institutions in which communities feel they have a real vested interest and a stake in making it work and there are really good precedents for that kind of working with communities. Hackney in the 1990s was absolutely at the forefront of engaging its communities in a really positive way in its estate regeneration programmes, which were just building up to the idea of vesting estates in CLTs. Then it hit a whole load of financial problems and that got lost.

Andrew Boff AM: Yes, I remember.

Stephen Hill (Trustee, National CLT Network): One of the things that I feel really sad about at the moment is, having had all that experience in the past, some of the ways in which estate regeneration is happening at the moment seem to be local authorities really fighting against their own tenants and communities and completely losing their trust and goodwill. It just makes it hard work.

Andrew Boff AM: You gave the right disclaimer because, when anybody talks about housing, an audience might think you are proposing the entire solution to housing and there is none. However, you are saying that it is a positive contribution to alleviating the housing crisis in London. To what degree is it scalable? How much more can we expect from CLTs?

Stephen Hill (Trustee, National CLT Network): One of the interesting things is just going back to Alex's [Hilton] point about Singapore. We could do Singapore without that kind of authoritarianism.

Andrew Boff AM: Please do not.

Stephen Hill (Trustee, National CLT Network): Just in the last year, we in the CLT Network have been approached by a group of young people who are exactly the kind of market you are talking about. They are quite well-qualified, professional people who really want to stay in London. They do not want to move out. This is where they want to make their lives. "We are the economy of London", they say, "but we simply cannot afford it". They have done their own analysis of how much of their income they are spending on their housing costs. Actually, it is nearer 70% than 50%. They are very well equipped to come up with their own ideas about what kind of housing they want. This is a group called the Naked House Community Builders. You may have heard of them.

This is actually exactly the cohort of people for whom co-ownership housing was invented in 1964, which was the whole rationale for setting up the Housing Corporation. It was not set up to support HAs. It was set up to promote co-ownership societies, which were essentially cost-sale developments, at a time when land prices were much more sensible. There was exactly that kind of cost-recovery or profit-recovery mechanism so that, if you sold very quickly after you bought, you basically paid back any net profit you made and it went back into the society. It was a sliding scale a bit like right-to-buy discounts over the first five years. However, then, even from year five on into perpetuity, there was a 5% claw-back and therefore it also dealt with the point that you were making about making sure there were proper provisions for ongoing maintenance, repairs and so on. Actually, what a lot of them did was to use that accumulation of capital when people were moving out to build up a sinking fund and that actually made the current cost of occupation also quite modest. I lived in one in north Kensington. It was a very good way of making quite affordable accommodation and then, in 1967, the Leasehold Reform Act blew that all apart, really, and a lot of the original ethos was lost.

That is what CLTs are trying to do. If we are trying to create a segmented market for different levels of affordability, at the moment we do not have any real mechanism for maintaining that segmentation in the market. CLTs say, "That is what we will do. For this sector of the market, we will provide that permanent affordability and so it will always bear a relationship to what people actually earn". That is not for everybody and, again, when we come to market-test more than we have already done the east London project, it will be interesting to see how many people we really get to buy into this idea that you are not getting any capital gain.

Andrew Boff AM: Absolutely right. I used to live just behind Beck Road in Hackney, which was set up as an original artists' commune full of revolutionary heroes.

Stephen Hill (Trustee, National CLT Network): That was my very first job.

Andrew Boff AM: They have all sold up and moved to the country with the profits, of course.

There was a promise, incidentally, from the Mayor. I am sure he did make something of a promise about there being an area on the Olympic site for a CLT. Where has that moved?

Stephen Hill (Trustee, National CLT Network): It is slightly confidential, but it is moving.

Andrew Boff AM: It is moving?

Stephen Hill (Trustee, National CLT Network): There are discussions going on.

Andrew Boff AM: You are telling me you are happy with the speed it is going?

Stephen Hill (Trustee, National CLT Network): Yes.

Andrew Boff AM: That is fine.

Alex Hilton (Director, Generation Rent): Bearing in mind I actually live on the Olympic site, do let me know when you are in our --

Andrew Boff AM: Do not get me started on the Olympic site. What a complete and total waste of an opportunity, an utter eyesore if ever I saw one with blocks of housing. Anyway, sorry. You did get me started.

Darren Johnson AM (Chair): Jamie, did you want to say anything about what role you see CLTs playing in the overall housing picture?

Jamie Ratcliff (Assistant Director – Programme, Policy and Services, GLA): I would strongly agree with what Andrew [Boff AM] said. You cannot imagine that this is the one solution to London's housing challenge because there is not one. However, in order to deliver the homes we need, we need to try every single thing we can think of that is sensible and probably a whole load of other things as well to get us close to the number of homes that we need. This definitely has a part to play in that.

In terms of how big the scale is, some of that is emerging. In terms of what we could do to support it, we will continue to see what we can do in terms of helping umbrella organisations because there is quite a strong rationale for that.

Darren Johnson AM (Chair): Do you see some real potential for scaling this up and having far more schemes across London or is it just another scheme that is an extra irritation for you and is just adding additional complication to an already complicated market?

Jamie Ratcliff (Assistant Director – Programme, Policy and Services, GLA): To build a home you need some land and this model is not going to compete in the land market with speculative developers and probably HAs delivering other models. However, if there is a way of bringing land to market that would not otherwise come, churches and other communities groups sound like a really good thing and there are some really interesting ways --

Darren Johnson AM (Chair): The GLA sits on huge amounts of land.

Jamie Ratcliff (Assistant Director – Programme, Policy and Services, GLA): Not that much. Almost 90% of the developable land that we own is now either in contract or in a procurement process and the other 10% is following rapidly on. We will have exhausted all our land by 2016.

Darren Johnson AM (Chair): You have not considered CLTs for that?

Jamie Ratcliff (Assistant Director – Programme, Policy and Services, GLA): We are pretty proud that we helped to set up the first urban CLT at St Clement's and, without the strong desire for us to see that happen there, it would not have happened. Even when the original bid - for which The East London Citizens Organisation had teamed up with someone on the development panel - did not go forward, we were able to then bring them in with the successful bidder and that has been a good process.

The other thing I would say is that Stephen [Hill] made a slightly flippant comment about Genie and whether CLTs could have access to that capital funding. We are in a position where we do have capital funding for affordable housing, which is as yet unallocated. If there are ways that we could help make some of those CLTs deliver faster, I am definitely happy to look at them.

Darren Johnson AM (Chair): OK. That could be a useful recommendation, which I am sure we could look at.

Stephen Hill (Trustee, National CLT Network): That is right. One of the really useful things that happened - and I think I mentioned it in the evidence - was that the Cornwall Unitary Council has set up its own development finance revolving fund and that combined with the umbrella are the two things that have really given it motor.

Darren Johnson AM (Chair): Andrew, did you want to come in?

Andrew Boff AM: Thank you for coming in on that because I had actually forgotten to refer that to Mr Ratcliff.

It is about availability of land. You are absolutely right. Part of the problem is that local authorities have land on their books on which they have a value and therefore they will not let that land go unless they get that value back, even though it is an accounting value rather than a real value. Is that part of the problem?

Jamie Ratcliff (Assistant Director – Programme, Policy and Services, GLA): As to how much the best value and the accounting treatment for local authorities is an issue for them doing this, I am not sure. Probably if you look at public land more widely, part of the problem is that it is not just an accounting problem that they have that value, but they then also need to realise some of that funding to help them achieve savings they have commitments to elsewhere. That is an issue with the National Health Service that we are experiencing at the moment.

Stephen Knight AM: And the Fire Authority.

Jamie Ratcliff (Assistant Director – Programme, Policy and Services, GLA): They have a strong driver to achieve a high receipt and they do not mind if homes are built on that or not. Somebody speculatively coming along and saying, "I will pay you a lot of money for this", but you know that they are not going to build the homes, is not the issue for the NHS, whereas somebody else might offer slightly less but has a guarantee of delivery. That is where we think we can help them.

Andrew Boff AM: Yes. I can take you to bits of Tower Hamlets where pieces of land could have been built on anytime over the past 20 years but they have not been because they have not realised and, effectively, the local authority has been speculating against the value of its own land.

Murad Qureshi AM: Westminster did that, certainly.

Andrew Boff AM: Yes, all local authorities have.

Alex Hilton (Director, Generation Rent): It is in common with pretty much every local authority - whether it be a fire brigade or whatever - everyone is under pressure. Where that release means giving it to a property developer to make huge amounts of money, you can understand why, when a local authority or any other authority is obliged to get best value in that sense, it can be hard to release that into the private sector if it knows it is not going to get that much back of what it is actually looking to make.

Andrew Boff AM: I never liked the idea of best value. It was the worst thing that ever came out. The whole 'best value' stuff was ridiculous. It stopped you from being able to discriminate.

Alex Hilton (Director, Generation Rent): Of course, only local authorities have any housing obligations. Anything that is not a local authority but is still a statutory authority is not going to meet any of its core needs beyond its financial objectives.

Andrew Boff AM: Yes, but is there not some argument for saying that local authorities - and anyone, really - should not be allowed to leave great chunks of land unbuilt upon and unused?

Alex Hilton (Director, Generation Rent): Including private property developers and --

Andrew Boff AM: Yes, including them. I am not excluding them. In other countries, you have to pay a lot of money to leave a piece of land empty.

Alex Hilton (Director, Generation Rent): Going back to the CLTs: the city of Brighton, for example, has taken a good look at its housing need and has said, "How can we fix this?" I am not saying that it has the answer but it is running headlong towards one. What it is proposing is to set up a CLT or a similar type of organisation and release land that is currently undeveloped green land because it understands that it has to make a big, difficult decision if it is ever going to release it and if it is ever going to fix the problem for Brighton. It is a big problem for Brighton, much like it is a big problem for London. It has taken the approach where it is going to do everything it can to try to get relatively high-density housing built on land that is currently undeveloped. It is going to meet its objectives and not have just a free-for-all for property developers by doing it through a CLT-style approach. It is saying that there is scale and there is a possibility to do this.

I know Brighton is smaller than London, but its problems in comparison to London are proportionate. You do not have one solution to the housing problem, but you do not have ten solutions to the housing problem that add up to a solution, either. You do not have ten solutions that add up to solving one-tenth of the housing problem in London.

One of the challenges about the CLTs is that, firstly, when renters are paying upwards of 50% of their income on housing costs towards 70%, I start to care less about homeowners' objections to housing being built in their neighbourhoods. Homeowners bought property when it was cheap and it was cheap because the state was building shedloads of social housing and sucking out demand from the market. They do not know that they had taxpayer subsidy that is not available to younger people. Therefore, I would start looking at saying, "Forget about too much cosying-up because it takes a very long time to get a community to accept housing". I would say, "Bribe them. Give these people half a year off their council tax if something is built in their area".

Andrew Boff AM: That was my idea.

Alex Hilton (Director, Generation Rent): You would just create a counterbalancing movement of people who did not mind about housing and were not really engaged in the planning of the development but, frankly, would like half a year off their council tax.

Andrew Boff AM: It is very nice that we are coming to the end of this meeting and we are now agreeing on something.

Alex Hilton (Director, Generation Rent): Now, when it comes to CLTs and land, what I would challenge CLTs to do is to start embracing tall buildings. The moment --

Andrew Boff AM: Then you would just destroy it.

Alex Hilton (Director, Generation Rent): No, because, again, 40% of the population would be very happy to live there.

Andrew Boff AM: Should we ignore the social outcomes for families who live in tall buildings?

Alex Hilton (Director, Generation Rent): What we should do is develop tall buildings in a modern way. The mistakes that we made in the 1960s and 1970s are not mistakes that we will make again.

Andrew Boff AM: Yes, of course not.

Alex Hilton (Director, Generation Rent): High-quality homes can be built tall, but what you get out of tall buildings is you get more homes for the price of the land.

Andrew Boff AM: Yes. You sound like the guy who --

Alex Hilton (Director, Generation Rent): Jamie [Ratcliff], you cannot compete with property developers who will build luxury apartments in tall buildings unless you are willing to build at a similar style of density. If CLTs could start embracing density - and we are in a global city and of course the land prices are based on density - then we would start to see them being able to penetrate at a greater scale than they currently can.

Stephen Hill (Trustee, National CLT Network): I would say in defence of CLTs only that I just came from a Create Streets event this morning and Savills has very convincingly shown that high rise does not equal density.

Andrew Boff AM: It does not. You are quite right.

Alex Hilton (Director, Generation Rent): It does not, no, but density --

Stephen Hill (Trustee, National CLT Network): It is intensity of use.

Darren Johnson AM (Chair): We all agree that we need high density, especially in a city like London with a growing population and land at such a premium, even though we may have different ideas about the design.

Andrew Boff AM: Just build them in Hertfordshire.

Murad Qureshi AM: Stephen [Hill], just for your personal information, the last job I had before I resigned to join the Assembly was at the Housing Corporation. You are quite right: it lost its way a long, long time ago.

What I really to know from you is coming back to shared ownership in central London and whether it can work there on a cost basis. Is there a role for CLTs to play there, for example, as custodians of the land on which future shared ownership schemes are built in central London? Surely that would give people the sense of security that they are looking for in a lot of ways.

Stephen Hill (Trustee, National CLT Network): I am not sure. It is very difficult to generalise. The situation at St Clement's is a very interesting one in the sense that the Deputy Mayor for Housing, Land and Property made a commitment that the land would be transferred to a community trust without being very specific about what it was, partly as a way of responding to a lot of media pressure that had been generated by the CLT at a moment when it looked as though the CLT was going to fall off the agenda. This was a way of saying, "There will be something". The CLT's response was, "That is fine, but that is not a CLT. That is a community foundation".

The idea is that you take the income from the land in terms of ground rents and you apply it to charitable works in the neighbourhood. That is a very good idea. There are particular circumstances at St Clement's which make it an even better idea because there is also a building there which might be a locus for some of these works and it is something around which the community has really focused its attention. They are the people who are not going to live there yet.

As a general proposition, going back to Richard Blakeway's [Deputy Mayor for Housing, Land and Property] idea about estates, the idea that the communities own the underlying freehold of that is a really good idea. There is a real visceral sense of ownership that comes with legal ownership as well. It is a very emotional thing. Certainly, I worked on one in Hackney back in about 2000 and that was something that fell off the agenda because Peabody was involved and ran into financial problems and the whole project died. However, the community was really up for the idea that they could work with a partner because they were going to be the people who owned the freehold. They really welcomed the whole process of redevelopment because they had a real stake in it.

That is what is so problematic about development in London. People feel there is so much being done over which they have no control. It is about whether you can find ways of giving them control. I have to say that in some more progressive boroughs, they really do not get this. They do not get the idea that they can do things with citizens. They think it is all about them - the politicians - wanting to do it and they think they are the agents of change.

There was a very good project that I will not go into now in which a community came up with a proposal for five times more infill homes on their estate than the local authority, but it revolved around having a CLT and a long-term regeneration strategy for that estate, which the local authority had never had. Basically, the local authority has scooped up the extra housing dividend and told the community to piss off, frankly.

Murad Qureshi AM: I will just say that of course Jamie [Ratcliff] at least did offer 10% of the GLA land stock, which needs to be sorted out in the foreseeable future.

Darren Johnson AM (Chair): OK. Thank you. I am just going to allow each of the guests to give us any final thoughts in terms of key asks both to the Mayor and to the Government on this whole issue of affordable home ownership. Alex?

Alex Hilton (Director, Generation Rent): All right. I am kind of past caring which party runs the country or London anymore. If you look at the scale of the approach to sorting out the housing problem, nothing on the table comes close to making a difference. If you look at what that means, you can look at it in an economic sense in terms of London becoming less competitive or you can look at it in a human sense, which means people under pressure, renters trapped in renting where they do not want to be, paying unaffordable rents and huge amounts of their income, having to make compromises in their lives in order to bear it and having to live in unbearable conditions in order to be near a job. This is unacceptable and it is also unsustainable. Something will break somewhere. It is a pressure cooker.

Unless you have a Mayor willing to take on the Government in a serious way or a Government willing to address the problems, you are going to find people having to make their own way. You saw that with the New Era Estate. A body of people came together and got extensive public support behind them because somebody did something legal and rational to them. A business made a rational business decision.

This is where we are. We have a city that is more than 50% rental and it is only getting bigger. By the end of the next Parliament or by the end of the next mayoral term, 49 of London's parliamentary seats will be majority rental. If there is still not a party doing everything it can for the *Daily Mail*-reading, home-owning swing voters in marginal seats in suburbia, then you will find that these people will just step away and none of the parties that you see today will be running London. This is a real challenge. This does not come in a smooth way when somebody says, "I am a party. I will come up with an answer for you". It comes when people get angry, it comes from rent strikes, it comes from eviction resistance movements and you will find a lot of mess on the way there. I would rather that the mainstream parties just bucked their ideas up and got on with solving the problem.

Stephen Hill (Trustee, National CLT Network): I am a chartered surveyor and a land economist and so CLTs are a very natural home for me. They have a bit of economic rationality. When I was in Boston last year, I spent some time at the Lincoln Institute of Land Policy talking to them about what is happening in these world cities. Their view is that there is not much that is happening in these cities that is economically rational and that the success trajectory they are on is very limited and finite. There is a really big issue for us, which Alex [Hilton] has identified. We have to look at that.

CLTs are a finger in the dyke, but we are saying that unless you re-inject some rationality into land markets, we are stuffed. That is absolutely fundamental. For the people on the ground, what we get is people saying, "I do not care about capital appreciation. All I want is security and certainty: security that I am not going to be thrown out at the end of six months; and certainty about what I am going to have to pay from year to year". The East London CLT has developed the tagline, "Buy a CLT home and live a normal life".

Alex Hilton (Director, Generation Rent): Do not forget that you may not get capital appreciation but you do get to accrue your own capital. You do not get that as a renter.

Kush Rawal (Sales and Marketing Director, TVHA): Shared ownership has had a lot of bad press. You have all read it. You have seen it. However, the reality is that what it does is it offers an opportunity to people which most people in London are marginalised in some way from.

If you look at it as a provider view, it is a product that we have been offering for many years. It is self-funding in many ways. All that money coming back through the staircasing is building more new homes not only for shared ownership but also for rent. It is a product where there is significant demand. As I mentioned right at the beginning, you will see that for any scheme that is developed in London, there will be queues of people wanting to buy. It is a product that is flexible. It is one that can change with the needs of an individual. If they are in financial difficulty, there is a safety net that we can put there. There are opportunities of course for us to streamline it, to make the message a little bit clearer and a little bit more consistent and to look at that management and make sure it is something that people can work with over the length of their time in that home.

However, in reality, the biggest difficulty for us is the supply of land. Jamie [Ratcliff] alluded to it a little while ago. We have an appetite and we have a desire to try to deliver as much as we can. However, delivering shared ownership in a market where you are competing against private developers is extremely difficult.

Jamie Ratcliff (Assistant Director – Programme, Policy and Services, GLA): I have three Ss: simplicity, standardisation and scale. As Kush [Rawal] said, there is a real danger in talking down shared ownership. It does have some challenges to its delivery and it does not do everything for everybody, but it is working quite well for a large number of people. In recognising some of its limitations, it should not lead us to talking it down too much.

Equally, there are a range of other products you could come up with and innovate with, but there is a real danger of having millions of different products in this area that are not understood by people and, crucially, are not supported by retail lenders, which is a real big barrier.

On scale, I would just go back to that accelerative point. The size of the market of shared ownership can mean that large sites, which are where we have quite a lot of planning permissions, can be built much faster if you do significant proportions for shared ownership. That is something I really want to push. The £180 million fund that we have made available will, hopefully, bring some of these forward. Hopefully, TVHA and other HAs are preparing proposals to bring to us with that. That should start to build the scale that we need for shared ownership as well as make a really crucial contribution to overall supply.

Darren Johnson AM (Chair): Thank you. Can I thank all four of our guests today?