London Assembly Housing Committee – Thursday, 4 October 2018

Transcript of Item 5 – Question and Answer Session with Housing Associations

Sian Berry AM (Chair): That now brings us to our main item today, on housing associations. For a while now, the [London Assembly's Housing] Committee has been asking members of the public via our website and via Twitter to suggest questions that we ask housing associations. One of the reasons for calling them in today and why they have agreed to come, I think, is because the vast majority of the Mayor's funding for new housing is going to housing associations rather than councils. They are the first tranches that have come forward. We want to ask them questions about what they will do with that money, but we also have questions arising from our separate investigation into resident engagement. We tackled that in much more detail during that investigation but we will have some questions today. Other issues that have come up include things like repairs and transparency and we will have questions about them as well.

First of all, I want to show a reminder of why we are here in the video that we are about to play. We visited a tenant of Hyde Group in Peckham to look at issues she had had with her property, and she has a question at the end of her video that we will get to as part of our questions as well. Are we able to play that?

> *So, this is the bathroom and this is my ceiling basically almost seven/eight weeks from the time that it collapsed. As you can see, I've got exposed beams. I can actually see my neighbour's bathroom floor and I've got no electricity in this bathroom. I'm still having to bath as it is at the moment, which is nowhere near ideal. I don't feel very safe at all.*
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> *This is just a folder that I keep of all the disrepair that's been going on in the property. This is the bathroom literally just before the issue with the ceiling, where I have mould and damp and actually fungus growing in the bathroom. This was growing almost on a weekly basis. I'd have to be literally scraping the fungus off the walls because obviously I can't be breathing that in. It's toxic. Then on top of that, part of the reason why I was in hospital as well is because I've got chronic tonsillitis because of the damp and the mould that happened previously. It's bringing on all these additional health issues, which is not good.*
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> *It's quite annoying because when I made that first phone call, the person -- I did explain to the lady this is going to happen and I literally just got -- I was so dismissed. There was no care, there was no empathy to what was actually going on, and I find that this is a reoccurring thing with Hyde [Group] where I don't feel like they're actually listening to some of the problems that the residents have. So, what I would like to ask the [London Assembly] Housing Committee is how they are going to be looking after their existing housing stock because a property is more than just providing a roof for somebody, it's more than just windows and doors; it's actually their interior as well as their exterior. I would really just like to find out what they're actually doing in terms of looking after what is existing rather than the new, because we also need to remember the existing properties.*

That was Waza Tembo, who is a resident of Hyde Group, so none of you are directly responsible for her. We will come to her question shortly. I want to welcome our guests, though. We have with us today David Montague, who is the Chief Executive of London and Quadrant (L&Q); Geeta Nanda, who is the Chief Executive of Metropolitan Housing Association; Rod Cahill, the Chief Executive of Catalyst; and Helen Evans, who is the Chief Executive of Network Homes and also the Vice-Chair of the g15 group of housing associations.

Thank you all for coming in. Thank you for coming in to be accountable for the work that you do on the behalf of the Greater London Authority (GLA), which is going to be quite a lot. We have been looking at the numbers that have come out of the Mayor's housing funding announcements. We have been looking at the first £1.7 billion that was announced last year and of that, about 91% of it went to housing associations and a much smaller percentage to councils and other organisations. That the Mayor, I think, is trying to increase, but as it stands the vast majority of the GLA funding for new homes is going to people like you.

This is my first question, really. If we can start with Helen, can you tell us what you are doing with that money, please, how many new homes you expect to deliver in the next two years up to 2020, and what the tenure of those homes will be? Can you be quite clear whether or not those are net new homes as opposed to ones that replace homes that are being demolished?

Helen Evans (Chief Executive Officer, Network Homes, and Vice Chair, g15): Our forward programme for the next two years contains around 1,200 handovers. I am not going to [say] 1,202 but I can give you those figures if you would like them. Of that forward programme 79% is for affordable tenures, which includes shared ownership, and that splits roughly half and half into affordable rent tenures and shared ownership. Then the remaining 20% would be private sale or other forms of commercial development for cross-subsidy purposes. The areas in which we are developing are north London and the outer London boroughs, we have some development in Lambeth and we also have a programme in the northern home counties, which I do not suppose you are interested in, which is another 600 or 700 homes. That is all net gain bar 58 homes on the Stockwell Park regeneration, which is a straight replacement of social rent demolished with social rent replacement. In terms of bedroom sizes, they are predominantly one, two and three-bedroom. Roughly one third or 30% each are one-beds, two-beds and three-beds, and then there are a small number of four-beds more represented in those replacement homes in Stockwell Park. That is what we are doing with your money.

Sian Berry AM (Chair): Thank you very much. When you say, "affordable rent", can you tell us what proportion of that is at council levels of rent?

Helen Evans (Chief Executive Officer, Network Homes, and Vice Chair, g15): In the forward programme because that is mayoral funded, it is either discounted or capped at a maximum of 65% of market or London Affordable Rent, which is broadly comparable to social rents.

Sian Berry AM (Chair): What proportion of those are London Affordable Rent, though?

Helen Evans (Chief Executive Officer, Network Homes, and Vice Chair, g15): I cannot give you that figure offhand, I am sorry.

Sian Berry AM (Chair): You say the Mayor's funding is capping you at 65% of market, not 80% of market?

Helen Evans (Chief Executive Officer, Network Homes, and Vice Chair, g15): Our 2015-2018 programme had different conditions on it than the forward programme and that is the discounted/capped element. 700 homes in the forward programme will all be at London Affordable Rent levels or constrained by [Section] 106 requirements of local authorities or other funding sources.

Sian Berry AM (Chair): That is really useful. In terms of that, you said you were building some outside of London. Are any of the London homes cross-subsidising ones outside of London? What is the relationship between the two?

Helen Evans (Chief Executive Officer, Network Homes, and Vice Chair, g15): Our programme is funded corporately so there is no delineation in that way, but there are funding conditions on the Mayor's money that it is contained within --

Sian Berry AM (Chair): Yes, so the Mayor's grant cannot go outside of London.

Helen Evans (Chief Executive Officer, Network Homes, and Vice Chair, g15): Yes, it cannot go outside of London.

Sian Berry AM (Chair): But if you are doing some for market rent in London, they are going to be more valuable.

Helen Evans (Chief Executive Officer, Network Homes, and Vice Chair, g15): There might be some element of transference, but equally that is a question that I will get asked outside London, "Are our new homes subsidising homes in London?" Generally speaking, it is more expensive and difficult to develop in London, so the subsidy would be likely to flow the other way.

Sian Berry AM (Chair): Rod, would you like to tell us what Catalyst is doing?

Rod Cahill (Chief Executive Officer, Catalyst): In the period to 2021 we are committed to deliver just over 2,000 homes, of which roughly 800 are for rent and 1,200 for shared ownership.

Sian Berry AM (Chair): Within the rental homes, how many of those are at council levels of rent and how many are at affordable rent?

Rod Cahill (Chief Executive Officer, Catalyst): There is a very small number of affordable rent. They are overwhelmingly London Affordable Rent or social rent.

Sian Berry AM (Chair): That is useful to know. About the size mix of those?

Rod Cahill (Chief Executive Officer, Catalyst): 20% are three-bed. They are all in the rented sector.

Sian Berry AM (Chair): 20% are three-beds. That means 80% of them are one or two-bed?

Rod Cahill (Chief Executive Officer, Catalyst): Yes. Three-bed or more; 20% are three-bed or more.

Sian Berry AM (Chair): I am sure some of my colleagues will have follow-up questions on that. These are net new homes? You are not demolishing any homes?

Rod Cahill (Chief Executive Officer, Catalyst): No. Of those, roughly 400 are reprovisions of existing --

Sian Berry AM (Chair): 400 out of 2,000?

Rod Cahill (Chief Executive Officer, Catalyst): Yes.

Sian Berry AM (Chair): And you get a full grant for those?

Rod Cahill (Chief Executive Officer, Catalyst): When you say "full grant" --

Sian Berry AM (Chair): It is the same grant whether or not you are replacing or building new?

Rod Cahill (Chief Executive Officer, Catalyst): Yes.

Sian Berry AM (Chair): I will have a follow-up question on that in a minute. Geeta, will you tell us what Metropolitan is doing with the grant you are receiving from the GLA?

Geeta Nanda OBE (Chief Executive Officer, Metropolitan): Yes. We have 680 affordable homes in London over the next two years, of which 450 are shared owners and the rest are social rented. The majority of that is social rent and we have 464 private homes as well.

Sian Berry AM (Chair): That is on top of the 480? What proportion of the homes you are building are within that overall affordable category?

Geeta Nanda OBE (Chief Executive Officer, Metropolitan): Sorry, what proportion --

Sian Berry AM (Chair): Of the overall homes that you are building including the market, what is the proportion that are in the affordable category?

Geeta Nanda OBE (Chief Executive Officer, Metropolitan): It is about 70%.

Sian Berry AM (Chair): Within that - I am trying to work this out - you have 680 in total that are affordable --

Geeta Nanda OBE (Chief Executive Officer, Metropolitan): Yes.

Sian Berry AM (Chair): -- and 450 of those are shared ownership?

Geeta Nanda OBE (Chief Executive Officer, Metropolitan): That is right.

Sian Berry AM (Chair): That is the vast majority.

Geeta Nanda OBE (Chief Executive Officer, Metropolitan): It is.

Sian Berry AM (Chair): Within the rental homes, what sort of rents are you charging? How many of those are council-type levels of rent?

Geeta Nanda OBE (Chief Executive Officer, Metropolitan): The majority of those are -- I do not have the exact figure. I would have to work it out. Well, I do have the exact figure, but I have to work it out. I can get that to you.

Sian Berry AM (Chair): That would be really useful. It seems to me that if you multiply that down, the proportion of the homes that you are building that are what you would normally associate with housing associations, council-type levels of rent, are very small in terms of your new building.

Geeta Nanda OBE (Chief Executive Officer, Metropolitan): When you take a snapshot of two years it is difficult to show what it is overall because, for example, we have a large-scale regeneration project going on in Clapham, a large amount of rented homes have been already delivered, and that is what has happened. You are looking at a programme going forward over a number of years. If you were to take what we are doing in our plan over a number of years, 80% of it would be affordable and over half of that would be rented. It is just when you are taking the next two years, sometimes you are taking a snapshot that does not completely show the overall programme.

Sian Berry AM (Chair): I will come back to that in a minute in terms of the preference for shared ownership. David, L&Q I think gets the most money out of any one organisation in the £1.7 billion that went out last year from the Mayor. What are you doing with it?

David Montague (Chief Executive Officer, L&Q): We have signed up to a strategic partnership which will deliver 12,000 affordable homes and a total of 20,000 homes all together, so 60% affordable. That breaks down into about 6,600 shared ownership, 640 London Living Rent and the remainder are affordable rent. Like colleagues, our rents are based pretty much on what the Mayor's definition of London Affordable Rent is now. There is a small amount of old-fashioned affordable rent but we always charged genuinely affordable rent based on 35% of net incomes. Since we signed up to the original deal, 12,000 affordable out of a total of 20,000, we have agreed to an extension of a further 2,000 affordable. We have also signed up to deliver, in partnership with nine black and minority ethnic (BAME) associations, a further 1,000 affordable homes. That is a total of 15,000 affordable and 8,000 market for a grand total of 23,000.

Sian Berry AM (Chair): Did you say that was 1,000 extra homes with the BAME groups?

David Montague (Chief Executive Officer, L&Q): Yes.

Sian Berry AM (Chair): That is on top of the 2,000 that you agreed with the Mayor?

David Montague (Chief Executive Officer, L&Q): Yes. Originally 12,000 affordable, extension 2,000, plus 1,000 working in partnership with BAME associations. A total of 15,000.

Sian Berry AM (Chair): I guess my maths is a bit rubbish when I am in the middle of chairing a meeting. You said there were going to be 12,000 affordable homes in your original agreement and 6,600 of those --

David Montague (Chief Executive Officer, L&Q): Are shared ownership.

Sian Berry AM (Chair): Shared ownership, and 640 London Living Rent?

David Montague (Chief Executive Officer, L&Q): Yes, and 4,800 affordable rent.

Sian Berry AM (Chair): 4,800 at London Affordable Rent.

Nicky Gavron AM: Is that in how many years?

Sian Berry AM (Chair): From you that would be none at the pretend affordable, up to 80%?

David Montague (Chief Executive Officer, L&Q): We never did 'pretend affordable'. We were given the ability to do pretend affordable but we took the decision that we wanted our pretend affordable to be real affordable, so we based our affordable rents on net incomes and we go for 35% of net income.

Sian Berry AM (Chair): My next follow-up question. You are all, a majority, focused on shared ownership here. What is the reason for that? Do you think it is a good tenure? There are a lot of questions being raised about shared ownership as something that potentially for the long term is not going to work out for a lot of people. Why focus on this in your new builds?

Helen Evans (Chief Executive Officer, Network Homes, and Vice Chair, g15): Shared ownership has two purposes for us. One is that it is part of our cross-subsidy arrangements for the development of schemes. All of these questions will ultimately come down to how the builds are financed. We build shared ownership as part of our cross-subsidy arrangements but we also build it because it is meeting a significant need for people who cannot access their housing needs on the private market anymore. Perhaps people who traditionally would have been able to buy privately are now buying into shared ownership because that is a way of meeting their housing needs. It is achieving two things for us: it is cross-subsidising our rental homes and it is meeting a need.

Rod Cahill (Chief Executive Officer, Catalyst): On the proportions, just going back to what Geeta was saying about snapshots, if you look at one particular programme it does not reflect what we are doing overall. In our case, for example, across our programmes, we are building 40% rent, 35% shared ownership and 25% market sale. That is the balance of the programme. We have been doing shared ownership for over 30 years. It has always been a terrific solution for people who earn more than those who tend to qualify for social rent but less than those who can get housing in terms of market rent or market sale. It has always been an incredibly popular, good product meeting real housing need. I think it has become more and more difficult, particularly towards inner London because of values, but it is still a great part of what we provide in terms of meeting the needs of people across the income range, as we would seek to do.

Geeta Nanda OBE (Chief Executive Officer, Metropolitan): Just building on that, again ours is 40/40/20, 40% rent, 40% shared ownership and 20% market. That is our overall programme. I am saying that 40/40/20 is our split in terms of rent, shared ownership and market products. Again, we have been doing shared ownership for a very long period of time. We have found that there has been a shift in London in terms of who is accessing shared ownership because the market has changed quite substantially and therefore there are a lot more people who previously would have probably accessed the market at outright sale who are coming into shared ownership. It is vital. Even as we are seeing the market change, which it is at the moment - there are quite big shifts in what is happening in terms of the market and market sale - shared ownership is incredibly popular. We are seeing huge amounts of people who are owning shared ownership. In terms of whether I think it is a good proposition because I think that was one of your questions, we have a large number of people who do staircase, who do reach full ownership --

Sian Berry AM (Chair): Do you know the proportion?

Geeta Nanda OBE (Chief Executive Officer, Metropolitan): Yes. I think last year we had roughly 500 that went to full ownership and we also have a large number of people who do staircase up as well, buy other proportions, and that changes depending on the market. We are at the point of merging with another association, Thames Valley Housing, and they offer an ability for people to buy smaller proportions so it is not so expensive or difficult for them to be able to buy extra shares. Leasehold is a difficult tenure and people can find more complexity in shared ownership, but in terms of accessing the market -- and because we have been around a long time we are seeing quite a lot of people moving from their one-beds into three-bed shared ownership and being able to stay in local areas. That is what we have found as well. It is not necessarily everyone but it does allow people to stay in a local community and area at times.

David Montague (Chief Executive Officer, L&Q): If I can hopefully just add something that colleagues have not said before, we have 9,000 shared ownership homes among our total stock holding and in 90% of those 9,000 homes the buyer has purchased 40% or less. It is a relatively low amount that they purchase first time around. Almost 70% of our shared owners come from the private rented sector (PRS) and so they are moving into a place that is more affordable, better quality and offers greater security. Another 27% were previously living with family and friends. It is a way into housing for people who would otherwise be denied.

Just to give you a contrast between those people who are moving into shared ownership and our social housing tenants, if you are an L&Q shared owner you will typically have an income of around £45,000 a year whereas if you are an L&Q social rented tenant the median income is £13,500 and the upper quartile is £17,000. The London Living Wage is £20,000. Two very different groups, both of whom need somewhere to live.

Sian Berry AM (Chair): Tom, did you have a follow-up question?

Tom Copley AM (Deputy Chair): Yes. I do sometimes take a look at shared ownership properties just to see what is going on, and the further you go into central London you are talking some ridiculous values. Even if you are purchasing just 25% you need to find quite an extraordinary amount of money. I am just wondering whether or not London Living Rent, particularly in more inner London boroughs, is a better way to go than shared ownership.

Helen Evans (Chief Executive Officer, Network Homes, and Vice Chair, g15): We have done a London Living Rent scheme. We have only done one so far and it was in an outer London borough but the demand was absolutely overwhelming.

Tom Copley AM (Deputy Chair): I am not surprised.

Helen Evans (Chief Executive Officer, Network Homes, and Vice Chair, g15): For the 21 homes that we had available we had literally hundreds of applicants and that is because people are able to access those homes without a deposit. As a product it is a wider pool of people than those who may, for example, have access to the bank of Mum and Dad or other ways of raising a deposit.

Tom Copley AM (Deputy Chair): Any other comments on that?

David Montague (Chief Executive Officer, L&Q): We launched our first London Living Rent scheme just a few months ago, 88 homes in Royal Wharf. A three-bedroom flat on the market would attract a rent of £3,000 a month and we are charging £1,000 a month so, as Helen said, it is very attractive. We have over 800 applicants for those 88 homes. It is massively popular and it has a big role to play.

Rod Cahill (Chief Executive Officer, Catalyst): Our focus is primarily on the outside of London, west London, so we are still finding shared ownership is --

Tom Copley AM (Deputy Chair): It works for you?

Rod Cahill (Chief Executive Officer, Catalyst): It works for us.

Geeta Nanda OBE (Chief Executive Officer, Metropolitan): Yes. In the very expensive areas it is a difficult thing and rent, especially at those levels, is a good product. It works in certain areas and we are all very good at plotting and seeing exactly where it works, but we also have to think about the communities in which we are working and what is right for those communities.

Tom Copley AM (Deputy Chair): I have another follow-up, not on this topic.

Sian Berry AM (Chair): I have -- go on.

Tom Copley AM (Deputy Chair): All right. Are you sure?

Sian Berry AM (Chair): Yes.

Tom Copley AM (Deputy Chair): I wanted to raise this one because I was --

Sian Berry AM (Chair): I have a final question. Let me do my final question.

Tom Copley AM (Deputy Chair): OK, you go.

Sian Berry AM (Chair): My final question is: we have been looking at the need across London, the Strategic Housing Market Assessment, the SHMA. It is really clear that two-thirds of the homes across London need to be affordable and of those affordable homes the need across London is for two-thirds of them to be at social levels of rent. Is the Mayor pressing you? I know that some of the money that was given and allocated last year was 'tenure to be decided'. Is the Mayor pressing you to make more of that social levels of rent, and what needs to change for you to build more social homes with this grant money?

Rod Cahill (Chief Executive Officer, Catalyst): It is important to understand the economics of social rent.

Sian Berry AM (Chair): We understand that it is the only affordable tenure for a lot of people.

Rod Cahill (Chief Executive Officer, Catalyst): No, I mean the economics of producing and funding it. To produce a social rent unit in London is going to cost a minimum of £300,000, nearer £400,000 if it is a larger unit. The rent, in terms of what it can fund of that amount, is somewhere between £80,000 and £100,000. Every social rent unit is generating a deficit of somewhere between £200,000 and £300,000.

Sian Berry AM (Chair): What is your period of assessment there?

Rod Cahill (Chief Executive Officer, Catalyst): Over 30 years. It is generating a deficit of £200,000 to £300,000. Now, the funding available is currently £70,000, going up to £80,000. You can see that every time we do that, we are having to find enormous amounts of money to cross-subsidise. We are happy to do it and we are doing it but it means you cannot do very many of them. That is another reason why shared ownership is in there as part of the programme, because shared ownership actually produces a positive return so you can do more of them. I entirely agree with the analysis in terms of where the need is and what is really needed, but there needs to be an understanding of what needs to happen to fund a significant programme of social rent.

We are prepared to put our cross-subsidy in but the amount of grant available, at £70,000 or £80,000, is simply not credible in terms of a large programme of social rent.

Sian Berry AM (Chair): Thank you, that is a useful answer. Would the rest of you agree with that as the answer --

Helen Evans (Chief Executive Officer, Network Homes, and Vice Chair, g15): Absolutely, yes.

Sian Berry AM (Chair): -- that bigger grants are needed?

Rod Cahill (Chief Executive Officer, Catalyst): It needs to be at least doubled to be meaningful in terms of producing a big programme of social rent. I think local authorities who are starting to do their own development are now understanding that because they are faced with the same economics themselves. They want to produce the social rent but they can now see what the financial implication of that is just given the sheer production cost in the capital.

Sian Berry AM (Chair): We had a very interesting meeting talking to councils setting up their own companies about these exact issues. Tom, did you want to just finish off this section?

Tom Copley AM (Deputy Chair): Yes. I was interested because essentially you have the grant and then you have the homes that you are funding out of your own resources. I was wondering, of the homes that you are talking about how many would be delivered just using your own resources rather than grant? Is the sum of the two greater than individually? If you just separated them out and looked at how much you could deliver individually, are you delivering more with the combination?

Helen Evans (Chief Executive Officer, Network Homes, and Vice Chair, g15): I guess all organisations account for these things differently but in our circumstances, we will apply our internal subsidy from wherever it is generated across the programme of homes that we are developing. These are the homes that are grant-aided and these are the homes that we are doing purely out of our resources. We will take our own resources and layer them on top of what else is going into that development, be it grant or cross-subsidy from sales or whatever it is.

Geeta Nanda OBE (Chief Executive Officer, Metropolitan): Also, there is this recycled capital grant through shared ownership that is released and then recycled. It is very efficient. It keeps getting recycled in that way. Different organisations will have different amounts of that grant and how that can be applied.

Tom Copley AM (Deputy Chair): When the shared ownership is recycled, does that go straight to you or does it go back to the Mayor to be reallocated when someone staircases out?

Helen Evans (Chief Executive Officer, Network Homes, and Vice Chair, g15): You have to use it --

Geeta Nanda OBE (Chief Executive Officer, Metropolitan): Yes, yes.

David Montague (Chief Executive Officer, L&Q): Use it or lose it.

Tom Copley AM (Deputy Chair): Use it or lose it?

David Montague (Chief Executive Officer, L&Q): Yes.

Tom Copley AM (Deputy Chair): What is the period?

Helen Evans (Chief Executive Officer, Network Homes, and Vice Chair, g15): Three years.

Tom Copley AM (Deputy Chair): Three years. Same for local authorities, yes.

David Montague (Chief Executive Officer, L&Q): From an L&Q perspective, we have a 20,000 home programme in London of which 12,000 is affordable. The 8,000 that we build for sale is how much it takes in order to deliver the 12,000 at current grant rates. We have to mount a pretty significant sales operation in order to make a profit in order to fund the gap on the affordable.

Tom Copley AM (Deputy Chair): Are all those 8,000 for sale or are any for PRS, for market rent?

David Montague (Chief Executive Officer, L&Q): No, it is market sale.

Tom Copley AM (Deputy Chair): They are all for sale?

David Montague (Chief Executive Officer, L&Q): Yes. Sorry, no, I beg your pardon. It is about half and half, half private rented and half outright sale.

Nicky Gavron AM: So 4,000 and 4,000?

David Montague (Chief Executive Officer, L&Q): Yes.

Nicky Gavron AM: Sorry, you said 12,000 --

David Montague (Chief Executive Officer, L&Q): 12,000 affordable, 8,000 --

Nicky Gavron AM: But just earlier you were saying you had 15,000.

David Montague (Chief Executive Officer, L&Q): The original deal was 12,000 plus 8,000.

Nicky Gavron AM: Now what is the deal?

David Montague (Chief Executive Officer, L&Q): We have signed up to another 2,000 --

Nicky Gavron AM: And the other one.

David Montague (Chief Executive Officer, L&Q): -- and another 1,000 with BAME partners.

Nicky Gavron AM: Does that mean you have to add on more for sale or PRS?

David Montague (Chief Executive Officer, L&Q): Probably, yes, but we have not made that decision yet.

Geeta Nanda OBE (Chief Executive Officer, Metropolitan): One of the things that we do is that from our market sale we have a pot. We apply things across the board, as Helen [Evans] said, but we also have a pot. If we have a particular area where we want to do rent and we want to keep the rents low, we may take our own subsidy pot on top of the subsidy pot that we already have just to make sure we are keeping the rents low. We use the profits we make from our market activities and try to apply them as generously as possible in terms of our affordable housing. We use those stats all the time that you came across, Sian [Berry AM], around the need for more social rented homes because it is something we totally believe in.

Rod Cahill (Chief Executive Officer, Catalyst): Just on the main point, the analysis we have done is that social rent itself is too high for many households. When we are letting at social rent, that is very often a stretch for people who are on particularly low incomes. In our view it is the maximum that one should be charging, ideally, for households below a certain income.

Nicky Gavron AM: Is that because the tenants you are talking about who cannot afford it, are on some kind of -- could you remove that phone? Are they on some kind of benefit cap?

Rod Cahill (Chief Executive Officer, Catalyst): Sorry, I was distracted.

Nicky Gavron AM: Yes, I bet you were. Sorry. Is it because they are --

Helen Evans (Chief Executive Officer, Network Homes, and Vice Chair, g15): People can be caught by the benefit cap even on social rents. Yes, they can.

Nicky Gavron AM: People are?

Helen Evans (Chief Executive Officer, Network Homes, and Vice Chair, g15): They can be caught by the benefit cap on social rent.

Nicky Gavron AM: So, the benefit cap –

Helen Evans (Chief Executive Officer, Network Homes, and Vice Chair, g15): The benefit cap can impact on what might be described as London Affordable or social rents in some circumstances in higher-value areas, unless you have a rent system like David's where you are attributing it to income. In our experience it is more likely outside London than inside London.

Nicky Gavron AM: Yes. I have just been looking at the figures. It is interesting there are not that many households caught by the benefit cap. I have been told - I do not know if this is true - that housing benefit is more of a reason for people not being able to afford social rents. Can that be true?

David Montague (Chief Executive Officer, L&Q): When you say "housing benefit" --

Helen Evans (Chief Executive Officer, Network Homes, and Vice Chair, g15): I am not sure in what circumstances.

Nicky Gavron AM: No? Okay.

Helen Evans (Chief Executive Officer, Network Homes, and Vice Chair, g15): Perhaps we would have to understand the circumstances you are describing. Housing benefit will be capped at the local housing allowance.

Nicky Gavron AM: Can that be a problem? Not in your experience?

Helen Evans (Chief Executive Officer, Network Homes, and Vice Chair, g15): We would never set a rent that was higher than local housing allowance.

David Montague (Chief Executive Officer, L&Q): It tends to be more of an issue outside London. It is not an issue in London.

Nicky Gavron AM: It is an issue outside London. That is interesting. I heard that in a national context. Can I just ask you, Rod, about the size mix of your homes across the board? This is the affordable, of course, including shared ownership and so on. How many of them are family homes?

Rod Cahill (Chief Executive Officer, Catalyst): Are you defining "family" as being --

Nicky Gavron AM: I mean three-bed plus.

Rod Cahill (Chief Executive Officer, Catalyst): Three-bed plus is about 20% of what we do, overwhelmingly in the rented part of what we do. The sale of shared ownership is heavily weighted towards one and two-bedroom properties. To be honest, that is simply a function of value and affordability, particularly in London. Outside of London, the mix of shared ownership and sale is different. There tend to be more houses and there tend to be more three-bedroom properties. But trying to make shared ownership work for three-beds in London, for example, even in the outer boroughs, is very, very difficult.

Nicky Gavron AM: In social rented, is it mainly one and two-bed or is it mainly three-bed?

Rod Cahill (Chief Executive Officer, Catalyst): The three-beds are all in the rented, they are pretty much all in the rented. Roughly, by the sound of it, something like 40% to 50% of the rented would be three-bed or more. But again, if we go back to what I was talking about, the economics, to produce a three-bedroom rented home in London is going to cost somewhere between £350,000 and £400,000, and when your social rent is £140 per week or thereabouts for that unit that can only finance something like £80,000 to £100,000. You have a massive subsidy requirement which we meet through cross-subsidy from sale, through the profits from previous years and through what is quite a small contribution in terms of grant at £70,000 or £80,000.

Nicky Gavron AM: Rod, can I ask - just to interrupt - would it be easier for you if you had -- you do not have a variable grant, do you? You get the same grant whether or not you build one-bed, two-bed, three-bed or four-bed.

Rod Cahill (Chief Executive Officer, Catalyst): Obviously, it should be sensitive to the size of the home but in very crude terms, it just is not enough. It does not matter which size you look at. We would ideally like to be building a lot more social rent and London Affordable Rent homes as part of what we do, and we put a lot of subsidy into those new homes, but if the GLA and the Government want us to do more of those - we are pleased that that seems to be now the consensus, that we need some more of those - then there has to be some realism about the amount of subsidy to go into them because £70,000 or £80,000 simply is not realistic.

Nicky Gavron AM: That is what you get? You get £70,000 or £80,000 whether it is one-bed, two-bed, three-bed or four-bed?

Rod Cahill (Chief Executive Officer, Catalyst): Exactly.

Nicky Gavron AM: I want to ask you point blank, if you had variable, if you were able to vary that, would that mean you would build more family housing?

Rod Cahill (Chief Executive Officer, Catalyst): Yes, if the quantum was at least doubled. If we were getting, let us say, £120,000 for a one-bed and £200,000 for a three-bed, then yes, absolutely.

Nicky Gavron AM: You are sidestepping my question, really. Yes, OK, in an ideal world, in a world we want.

Sian Berry AM (Chair): You are not allowed to just put two grants into one home? You cannot just go, "I will build a two-bed with two grants"?

Helen Evans (Chief Executive Officer, Network Homes, and Vice Chair, g15): No, because the output is getting the money for the -- yes.

Rod Cahill (Chief Executive Officer, Catalyst): I do think it is the big funding decision that we all have to make as taxpayers, as London authorities and as housing associations. There seems to be a consensus now that we should be building a lot more homes that are genuinely affordable at social rent or London Affordable Rent levels. We can do that, we have the ability to do that, but we have to be met halfway in terms of funding.

Nicky Gavron AM: I understand, yes.

Sian Berry AM (Chair): Nicky, can I possibly -- we are way over time already and I need to move on to Tony and then another question.

Nicky Gavron AM: Could I just ask the others the same question? I just want to know, David, would it be easier for you if you had variable grant rate to build more? I know a lot of your homes are one and two-bed. Would it make it easier for you to build three-bed if you could choose? At the moment you get the same grant for a three-bed as for a one-bed.

David Montague (Chief Executive Officer, L&Q): Of course, if we had more grant for bigger homes it would make the building of bigger homes easier.

Nicky Gavron AM: Say you had the same grant that you have now. Would it be easier for you to build family housing?

David Montague (Chief Executive Officer, L&Q): If we had the same --

Nicky Gavron AM: If you have the same grant but you are only allowed to use a set amount for each -- sorry. You have the same grant whether it is one, two or three-bed at the moment, or four-bed or five-bed.

David Montague (Chief Executive Officer, L&Q): Correct.

Nicky Gavron AM: That seems to me a disincentive to build family housing.

David Montague (Chief Executive Officer, L&Q): We will build what we agree with the Mayor, with the local authority, and if we agree we need more family housing then we will say, "And this is the amount of grant that is required" or, "This is the amount of affordable we can build with that amount of grant". We can adapt the grant regime but it comes back to Rod's point: if there is not enough grant, we simply will not build enough homes.

Nicky Gavron AM: You will be building fewer --

David Montague (Chief Executive Officer, L&Q): There is a bigger issue. It is not about the amount of grant that attaches to each home, it is about the amount of grant overall that goes into the system.

Tony Devenish AM: Can I just get clarity off Rod? When you talked about the £350,000 to £400,000, is that an average unit build cost?

Rod Cahill (Chief Executive Officer, Catalyst): No, that is the total production cost. It is land, it is building; it is the whole shooting match in terms of the bottom line.

Tony Devenish AM: The land is yours, is it not, basically? The land is yours. You are quoting land in the value, are you?

Rod Cahill (Chief Executive Officer, Catalyst): No, we are acquiring land.

Helen Evans (Chief Executive Officer, Network Homes, and Vice Chair, g15): We are acquiring land.

Tony Devenish AM: You are always -- it is not your land ever?

Helen Evans (Chief Executive Officer, Network Homes, and Vice Chair, g15): Sometimes.

Rod Cahill (Chief Executive Officer, Catalyst): In some cases, where we are regenerating existing estates, but it still has a value because we will have a book value for it.

Tony Devenish AM: Sure.

Rod Cahill (Chief Executive Officer, Catalyst): Usually there are a lot of collateral costs that you have if you are regenerating an existing estate in terms of moving tenants, home loss, payments disturbance and all the rest of it.

Tony Devenish AM: What is your average unit build cost then?

Rod Cahill (Chief Executive Officer, Catalyst): I can tell you per metre squared, if that helps.

Tony Devenish AM: Yes, that is fine.

Rod Cahill (Chief Executive Officer, Catalyst): A flatted development right now, depending on the complexity, is somewhere between £2,500 and £3,000 per metre squared.

Tony Devenish AM: OK. All the numbers everyone has given in terms of delivery so far, are you all confident in the current market without going on about lobbying the Government for more money in the perfect world the Chair hopes we one day have? Are you confident you will meet the numbers that you have projected by 2021? Can we start there?

Helen Evans (Chief Executive Officer, Network Homes, and Vice Chair, g15): I think I am confident on the numbers to 2021. The element of cross-subsidy that we need is largely being provided by shared ownership homes in outer London boroughs and in areas where the sale market is holding up reasonably well. Clearly, from everything you have heard, if the sales market becomes extremely difficult post-2021 or whenever then we have to make decisions about curtailing or reducing our overall rate of development because we cannot take the strain - in terms of our obligations to banks in relation to covenants - of being unable to provide that cross-subsidy. If we cannot sell homes, whether it is shared ownership or private sale, then ultimately, we have to reduce the number of homes that we build.

Rod Cahill (Chief Executive Officer, Catalyst): In our strategic partnership we signed up to 2,000 homes by 2021 in terms of starts. We will do that.

Geeta Nanda OBE (Chief Executive Officer, Metropolitan): Yes, everything I have quoted is due to be completed. Those numbers are certain.

David Montague (Chief Executive Officer, L&Q): Same. We will deliver.

Sian Berry AM (Chair): I just want to move on to another set of questions about your overall operation. We are going to focus there on what you are building new but obviously you all own considerable numbers of homes in London, many of which come via charities and foundations and have been around for a very long time. Can I ask you all to say whether or not you are a charity and what your core market is in terms of what you are providing? How many of the homes that you currently look after are still the social homes that your founders envisaged and are you sticking to that core purpose that your founders have, given what you are developing now?

Helen Evans (Chief Executive Officer, Network Homes, and Vice Chair, g15): We are significantly smaller than some of our colleagues along the table here, but we are a charity. The vast majority of our homes are still what we describe as 'general rented', which would be social or subsidised rented homes. I think about 25% are now shared owners or leaseholders, split about half and half. Our Board is absolutely still committed to its social purpose. It has taken what you might describe as a wide view of need. We believe that providing shared ownership homes or indeed London Living Rent homes is discharging our charitable obligation. Clearly building homes for private sale is not but we are using the investment from that to build rented homes.

We have a strongly geographical strategy, so we work with local authorities to assist them in discharging their duty to homeless households. We see that as being part of our core purpose. We are investing heavily in our existing stock in order to ensure that it is as good as our new stock, and that is based on very detailed information about what condition it is in, what its needs are and so on. We offer a wide range of other support, where we need to, to residents in our rented homes. We started life as Brent People's Housing Association in the aftermath of *Cathy Come Home* and our whole history has been orientated around meeting the needs of the people in the communities in which we are working. Our Board is absolutely solid on that.

Rod Cahill (Chief Executive Officer, Catalyst): Yes, similar story. We have 20,000 homes, roughly 14,000 rented and 6,000 shared ownership. All of those, from our point of view, discharge our charitable purpose. That is what we are here to do. We are a charity. Again, across different income levels but all people who are in housing need. We invest, again, massively in our existing stock, both in terms of not just repairs, cyclical works and major repairs but also in terms of reinvestment and redevelopment of existing stock where we do not feel it is adequate and re-provision of existing social rented accommodation. We are very clear about why we are doing market sale. It is there for two reasons, primarily to help us deliver the affordable or the charitable housing. That is our prime purpose. We do think it has an additional benefit, which is that it helps create mixed-income areas, which we believe are really healthy and good and what London is all about, I have always felt.

Like Network, we invest over £2 million a year through what we call Cathy's Gateway, which is all about community investment. It is about support for our residents, for the estates, particularly now focused on helping our residents to cope with the effect of welfare reform. Absolutely. I joined the organisation 35 years ago and I feel, in terms of its heartbeat, it is exactly where it was 35 years ago in terms of absolute commitment to social purpose. It is why people come and work for us, to make a difference. Yes. Actually, I just feel we are better able to do it now. We have more resources, we have more capability, we are doing more and we are doing it better.

Sian Berry AM (Chair): Are you a charity, did you say?

Rod Cahill (Chief Executive Officer, Catalyst): Yes.

Geeta Nanda OBE (Chief Executive Officer, Metropolitan): Yes, we are a charity as well. Around 25% of our homes are shared ownership. I suppose the other thing to add from what others have said is that we have 6,000 care and support homes. We focus on, within that, older people, people with learning disabilities and mental health support. In our homes we also provide services to others who do not live in our homes. We provide to a greater number of people than just our own residents, in terms of accommodation-based services. We absolutely have social housing at the heart of what we do but we also provide for those people who are not able to access the private market. Shared ownership does that and it does it well.

We got over 1,000 people into work last year and we are on to do about 1,200 or 1,300 this year. We get investment in. We have £500,000 from JPMorgan, which was fantastic, to help us with our working with other associations, some around the table here, to get people into work. We try to bring investment in as well as give monies to other charities and other organisations to help us with those primary causes. We are very much focused on those local areas and communities and what we can do.

David Montague (Chief Executive Officer, L&Q): L&Q is a charity born in the *Cathy Come Home* era in a similar way to many of our colleagues, and feel just as passionate about our charitable purpose today as we did back in 1963. We own and manage 90,000 homes, of which 60,000 are social rent, 7,000 care and support and 9,000 shared ownership. The vast majority of our stock meets a social purpose. This year we will invest £200 million into the maintenance of that stock. We have just introduced a new home standard to ensure that our existing homes are at least as good quality as our new homes. We are putting £50 million into stripping cladding and fire safety measures. We have just converted 8,500 fixed-term tenancies to lifetime tenancies. £250 million into a charitable foundation to invest in communities, £5 million a year into an L&Q academy for apprenticeships and a graduate programme targeted at residents. Very much a charity and absolutely committed to our social purpose.

Sian Berry AM (Chair): I have some questions about maintenance and rent levels. I will try to combine them all into one big question to save some time. One thing we have seen is a rent freeze from the Government and I wanted to ask, first of all, whether you have made that up through service charges because those are some issues that have come through in our feedback, the perception that service charges have shot up while rents have not. Then the big question that comes from our video, which is essentially, of your existing homes, do the rents not cover decent maintenance and is there a problem with getting enough maintenance done? You have all said you spend a lot of money on maintenance of your existing homes and yet I have to say of all the feedback we have had, a lot of it has been about repairs and maintenance problems with that and the condition of existing homes. Is there a crisis of rent levels, what you can spend on maintenance, and are you able to keep your existing homes in decent shape? It seems like there are problems.

Helen Evans (Chief Executive Officer, Network Homes, and Vice Chair, g15): If I start with the rents, we were subject to a net rent reduction. We have not passed that on through increases in service charges because there is an entirely different regime for rents and service charges and it would not be permissible in contractual and legal terms to just make it up through service charges. Services charges are variable. Service charges are based on the actual costs that we are incurring, with a management cost. Now, actual costs can go up and certainly some colleagues along the table and I have had a lot of discussion about service charges. It is a significant issue, particularly in complex buildings, because it goes to the affordability of those flats for the people who live in them.

I do not necessarily think we always have the service charge element of what we are doing right but it is not cross-subsidising the rent. It is other issues around service charges. For example, were they correctly estimate at the time that people went in? Have estimates been done that have been proven to be conservative and inaccurate so that after the first two years of occupation there is quite a sharp increase that creates difficulty in terms of affordability? All of those are things that do happen. I am not pretending that they do not happen. But it really is not the case that we cover the rent reduction by putting up the service charges.

Rod Cahill (Chief Executive Officer, Catalyst): We are spending £40 million a year on both day-to-day and major repairs. That goes into our budgets first before we start talking about what we are going to spend in terms of investing in new homes. We are carrying out thousands of repairs during the course of a year. I suspect there is another point of view in terms of that particular case in terms of Hyde [Group]. Do we always get it right? No. I get regular emails from tenants who complain about repairs not being carried out on time or whatever.

Sian Berry AM (Chair): There have been no cutbacks in your budgets for repairs?

Rod Cahill (Chief Executive Officer, Catalyst): No.

Sian Berry AM (Chair): What I have seen is residents are adding up the amount of rent and service charge they have paid towards their building and then looking at the building and going, "How can that possibly have been spent on my building?" There is enough money in the pot to cover decent amounts of repairs?

Rod Cahill (Chief Executive Officer, Catalyst): Yes, yes.

Sian Berry AM (Chair): There is no crisis there.

Rod Cahill (Chief Executive Officer, Catalyst): Yes. We also look strategically across our stock. We have a rating system in terms of the quality of our stock, A, B and C, and C properties are ones that we do not think are up to the standard that we think is right. We focus on those. Last night, for example, my Board approved investment getting on for £400 million in one of our estates where we do not think the standards are satisfactory. We agree with our residents that we should redevelop it. The focus on new homes is not just about going out and buying sites, it is also about looking at our existing stock, our existing estates, and seeing where we can improve the quality for existing residents.

Geeta Nanda OBE (Chief Executive Officer, Metropolitan): We have increased our expenditure on repairs over the last year and into our plan going forward because we were not spending enough. There is something that needs to be discussed a bit more, which is really around the quality of some of the contracting industry. We talk a lot about that in terms of new homes and having the right contractors but actually there is a crisis also in terms of companies that can do, for example, fire risk actions following what happened with Grenfell [Tower], getting things done to the right standard and quality quickly enough.

We have brought our repairs contracting inhouse for part of our organisation, not the whole part of it, and you can see very directly what is happening in terms of the lack of electricians, the support and training that needs to go in to get the right people into the industry and the culture and values changes that are needed in order to do that. This is not a quick fix. Sometimes when things go wrong it is because we have not actioned it properly and sometimes it is because we are relying on other people who do not do what they say. We have to then pick it up and we go around in a loop. We acknowledge that and we are putting in place as many improvements as we can by working and listening to our residents, getting our contracts right, bringing things inhouse and trying to therefore improve the quality of what we are doing.

For example, we at Metropolitan brought a responsive day-to-day contractor inhouse. It has worked brilliantly in the Midlands because you can recruit people, they stay and they feel totally part of the organisation. Satisfaction is very, very high. In London it is a different story. It is much, much harder to recruit the right people. It is something we are continuously battling with and are determined to get right but it is not a quick fix. One contractor is brilliant. Then they are terrible. Another one then is brilliant. Then they are terrible. We are always juggling this across our stock. I think we should all talk more around the crisis in contracting more generally.

Sian Berry AM (Chair): I am a local councillor and I have experienced this. Did you put that down to subcontracting or just the changing character of contractors? Are they changing subcontractors?

Geeta Nanda OBE (Chief Executive Officer, Metropolitan): We try to work in partnership with our contractors and make it as seamless a service as possible but there are so many different hand-offs. People are competing with each other for labour. In the same way we have seen on construction sites Eastern European people, who were working there and are not coming back after Christmas, we are seeing similar crises in terms of plumbing and electricians. We are doing the apprenticeship programmes, we are bringing them in and we are beginning to turn that but it is not an easy thing to turn.

Sian Berry AM (Chair): We are not supposed to be talking about Brexit today so let us just --

Leonie Cooper AM: That will obviously help though, I should think. That will be really good.

Tom Copley AM (Deputy Chair): It is on the agenda there.

Sian Berry AM (Chair): Is it? OK. I am sorry. We will talk about that later. David? Sorry, we keep coming to you last. We will come to you first next time.

David Montague (Chief Executive Officer, L&Q): No problem. I hope it is an easy question. Your question started with the impact of the imposed rent reductions. For L&Q that took £75 million out of our income every year. For the sector it was £1.3 billion. These are really big numbers. I think it did cause the sector to step back and reflect on how we could maintain our service in the face of these massive reductions in our income. I cannot say how others responded but in our case we had to take another look at our void standard and during those years we could not decorate every room as we might have done before. We could not fit the kitchen in the same way that we might have done before. Therefore, we would have to repair the existing kitchen when it was probably beyond its useful life. We had to look again at the contract between the resident or the tenant and L&Q. On many occasions, because we are a charity, we offered more than the contract, but because our rents were being reduced we had to get closer to the contract.

I think it caused us to delay some of those difficult decisions when it came to investment in our more challenging stock and our more challenging estates as well. It did have an impact upon the quality of our service, as much as we tried to maintain the same service levels. Our response was, "Let us do what we can well, but it will not be as much as we could do before".

We did some good things, in a similar way to Geeta and colleagues, we brought our maintenance service inhouse. I totally agree with what Geeta has said; it is a merry-go-round. You select a maintenance contractor, they will be great for a while and then they will chase the next contract and you will notice a dip in service levels. You will challenge them, it will improve for a while and then it will get worse, so you will get another contractor. It is just the same merry-go-round. You are stuck on it. So, we brought our service inhouse. We cheaply transferred people from maintenance contractors. They are delivering a better service at a lower cost and they are far happier because they are working for a company that cares and that can offer them a career.

Last year we delivered 200,000 maintenance fixes. Of those, 94% were on time and 86% satisfaction. But we get it wrong and when we get it wrong, sometimes we get it badly wrong. We must do better. For that reason, we have just employed the person from Argos who delivered their online service, who connected that to their guaranteed same-day delivery service. You can see how this kind of stuff could really help our maintenance service. If all of our residents could access our service online and we guaranteed a same-day fix, that could revolutionise the service. There is a lot we can learn from other industries. We are investing £150 million over the next four years into technology to transform the service.

Sian Berry AM (Chair): That is really interesting. Thank you. We are trying to whip through these questions but that is very interesting indeed. Tony, you have a question and then I will come to you, Tom, for the follow-up.

Tony Devenish AM: I am a little disappointed that you are again blaming others rather than always taking responsibility, although David at the end cheered me up a little bit. Have you thought about having all the London g15 economies of scale and doing one maintenance contract? You are talking about 200,000 fixes but I am sure you are well aware that is not a lot compared to some of the larger facilities management maintenance contracts available in the private sector. Have you ever looked at doing one London maintenance contract for all of the g15 to try to get those economies of scale? Therefore, you will have more money to invest in your staff, rather than just insourcing it on an individual basis.

Helen Evans (Chief Executive Officer, Network Homes, and Vice Chair, g15): I do not believe we have considered that as a group. I am not sure that my immediate reaction is that it would necessarily improve the standard of service that is being provided because our experience is that the small and medium-sized contractors who work for us - we do not have an inhouse service but we have a range of providers - tend to be significantly better than the very large providers. Indeed, some of the more well-known failures in the sector have been as a result of very large contract procurements which then are unable to respond to local needs and differing requirements of different organisations. The short answer is no, we collaborate about a lot of things but I have never heard us consider going out for a macro repairs contract and I doubt that we will.

Rod Cahill (Chief Executive Officer, Catalyst): I would not consider just for ourselves, let alone -- I think it is a strategic mistake to go for a single contact because you have all your eggs in one basket. There has been one noticeable massive failure in the sector on the basis of selecting one contractor for a lot of stock.

Tony Devenish AM: What I was hoping you would do is come up with an innovative solution. I am not suggesting it was the one I was proposing. I just feel there is no -- the lady on the film is saying, "There is a huge hole in our ceiling and it has not been fixed in however many weeks it was", and none of you - I know it is not one of your housing associations - are really coming up with any reason you are going to have a real step change in the quality of customer service for your tenants in terms of the backlog maintenance of your buildings.

David Montague (Chief Executive Officer, L&Q): I am sorry if I gave you the impression that I was not accepting responsibility because I take complete responsibility for our service. When our service fails, it is my responsibility. I am just trying to give you an honest reflection of the challenges that we face. I think we are being innovative. We brought the guy in from Argos, we are investing £150 million into technological transformation, we are putting another £200 million into the quality of the service and we are putting £5 million a year into apprenticeships. I think you will see a transformation of the maintenance service not just in L&Q but across the sector over the coming years.

Geeta Nanda OBE (Chief Executive Officer, Metropolitan): In terms of new ideas, we are trying to think of different ideas. Looking at technology, is there a platform whereby people can use it --

Helen Evans (Chief Executive Officer, Network Homes, and Vice Chair, g15): Can choose their own contractor.

Geeta Nanda OBE (Chief Executive Officer, Metropolitan): -- to choose their own contractor. There are some examples and pilots going on around that, which mean you can access that local contractor, you can feel in control of it, but there is a platform that allows you to do that. It is something we are looking at and experimenting with, but we do have to find something different, whether that is bringing it inhouse, doing it yourself and understanding the problems much better rather than having a --

Tony Devenish AM: You are doing it yourself but you are not doing it as the g15, you are all just doing your own thing.

Geeta Nanda OBE (Chief Executive Officer, Metropolitan): Yes, but the thing is that unless you are really confident you could do it for your own residents, you would not even try to offer it to others. We all have to get better at it. There is merit in having a range of contactors, those smaller local ones, because that is also what keeps the economy in the community going as well. You do not want to have these big, gigantic things that then can go wrong. You want to make sure the person who knows your residents in that local area keeps working.

David Montague (Chief Executive Officer, L&Q): We have thought about it. We have a massive service centre in Sidcup with 500 people and we have a fleet of vans all over London. We often ask ourselves if there is a service we could offer others, but I think Geeta is right. We have to fix our own service for our own residents before we even think about offering it to somebody else.

Sian Berry AM (Chair): Thank you very much. Tom has a question and then I want to ask something about fire safety, which one of you brought up already.

Tom Copley AM (Deputy Chair): First of all, it seems inhouse is the way forward. I know of two London boroughs that are considering setting up essentially their own building companies to bring lots of services inhouse. For the question, I am afraid I am going to have to put Helen on the spot because one of my colleagues, Florence Eshalomi [AM], who was hoping to be here despite the fact that she is not on the Committee but cannot make it, is one of your residents.

Helen Evans (Chief Executive Officer, Network Homes, and Vice Chair, g15): I know.

Tom Copley AM (Deputy Chair): I know she has been in touch with you. She has a question that I think encapsulates the balance between existing tenants and new build because I know that you are doing some work on her estate - I think it is the Stockwell Park estate - adding an extra storey on top of her block. All sorts of difficulties with contractors, as we have discussed. The question is: do you think that in trying to deliver more housing on a very complex and tight site, you are not providing an adequate service to existing tenants and therefore there should be more transparency with regards to complaints procedures with chosen contractors?

Helen Evans (Chief Executive Officer, Network Homes, and Vice Chair, g15): I am very familiar with the incident that happened at this building last weekend, where there was mortar ingress through a temporary roof. We are putting 13 flats on top of an existing building. It was considered an innovative idea to increase the housing stock in the area. Whether I would ever consider doing something similar again in the same circumstances is probably a different question.

When the event occurred, I think the response was relatively good. It was immediate. It was a weekend. There were people out there, they relocated the household most seriously affected and put rectification in place and so on. However, we have taken every point in the communication from your colleague and actioned it. It was the following day. On the basis that, yes, it should not have happened and there should not have been a significant leak into the top floor flat, once it had occurred it certainly was not, "Eight weeks and nobody has responded". It was an immediate response and I think it was a reasonably adequate response.

In terms of the complaints about the contractor, this is a major contractor working on Stockwell Park. Stockwell is a whole estate regeneration, now coming towards the end, and this contractor is building a significant block of flats as well as doing this rooftop extension. We do have daily liaison with them. In the instance of this event, they reacted really quite promptly to rectify what the problems were. Some of the issues that were subsequently raised about leaving doors open or not tidying up after themselves, we have raised with them. In the same way as with routine maintenance, this kind of thing requires absolutely constant management. A contractor will respond to an event in a prompt and effective way. Unless you keep on them to be honest you run the risk that it will reoccur, and so we try to have intensive contract management in these kinds of circumstances.

Tom Copley AM (Deputy Chair): Would you find it easier, do you think, if you were bringing things inhouse like your colleagues have said?

Helen Evans (Chief Executive Officer, Network Homes, and Vice Chair, g15): I do not think an organisation the size of Network could ever bring the kind of competencies inhouse that could put an additional floor on an existing building, to be honest.

Tom Copley AM (Deputy Chair): Right, I see. You would need to be a larger organisation.

Helen Evans (Chief Executive Officer, Network Homes, and Vice Chair, g15): Maybe if you are L&Q, but we are buying in from competent contractors. We are buying in, very often, from household names. The question of the extension, where we ought to be able to rely on them to do what they need to do, is something that I am sure we will come to later when we talk about new build and fire safety. But for an organisation of our size, you could not build blocks of flats of these kinds with inhouse resources. We are not big enough.

Sian Berry AM (Chair): In terms of our meeting, we have 45 minutes left and towards the end of the meeting we want to ask you what more we can do to help you. To give you an incentive to get to that question, let us try to speed up a little bit. Just quickly now then, Assembly Member Kurten is going to ask some questions about fire safety and the work you have had to do on fire safety.

David Kurten AM: Thank you. I just wondered if you could tell me how fire safety measures and the removal of cladding have affected your development plans and costs, if you have anything to say about that. I will start with you, David, from L&Q.

David Montague (Chief Executive Officer, L&Q): I mentioned earlier that immediately after the Grenfell Tower tragedy we set aside £50 million for the removal and replacement of cladding. We are fitting sprinklers into our towers, we have undertaken Level 4 intrusive assessments for all of our stock, and that, I must say, has generated a fairly significant programme of work that we have now embarked on. The big challenge for us is just getting the people in to do the work. It is not the money, it is the people, because everybody is looking for people to undertake fire works at the moment. That is the biggest challenge for us.

We are doing person-centred assessments now to make sure we know where our vulnerable residents are. We are prioritising sheltered stock and care homes. We are fitting property information boxes on all of our towers to ensure that the fire services know what to expect when they enter the building. We are working very closely with the Fire Brigade, and very productively as well. It has not affected our ambition when it comes to providing more homes and for a greater proportion of those homes to be genuinely affordable but it has rebalanced our focus. We are very conscious that safety and quality are just as important as affordability and supply.

Geeta Nanda OBE (Chief Executive Officer, Metropolitan): We do not have a significant number of towers but we have two where we are undertaking work and the work comes to about £3 million, but the bigger cost - again, it is echoing what David just said - is that we have done a huge amount of work, learning a lot from what we do in care and support in terms of good practice there, really understanding the residents and the assessments and so on. The more we do, the more it throws up and the bigger the quality and quantity of work there is to carry out. We have a huge programme across our homes which ranges from fire doors to lighting to looking at compartmentalisation, etc. It is all of that, which is absolutely top priority in terms of what we are looking at. That is why we are seeing the cost, particularly in terms of our ongoing budgets and what we expect over the next few years, increase quite substantially, more than just the cladding on the block.

Rod Cahill (Chief Executive Officer, Catalyst): Yes, a very similar story. We have two blocks that have the aluminium composite material (ACM) cladding and we are poised ready to replace that, ready to go. It is obviously very disruptive for the residents because you have to take these panels off one by one. It is going to be quite a long process for our residents. We had actually started work before Grenfell [Tower] because what we were picking up was quite a lot of defects on a generation of new build schemes that had come over. There was nothing disastrous but it was causing us concern so we mobilised a team internally to start a programme of inspection and getting contractors back to fix those. When we were doing that we were finding quite a lot of issues in terms of compartmentalisation and obviously when Grenfell [Tower] happened it just intensified our focus. We have an ongoing programme to deal with that. It is coming towards the end, we are glad to say. We have significantly increased our resources internally in terms of health and safety and fire assessment.

The big question that we asked ourselves in all of that was: why did we not know? Yes, it was the fault of the contractor. It was his responsibility to do the work properly. Why were we not sufficiently on top of it? It has made us rethink the way we are doing development because, as for David and Geeta, our priority is safety and quality. We continue to significantly increase the technical capabilities of our internal teams because we no longer have confidence in main contractors to be able to manage the supply chain in a way that is going to ensure we get the right product at the end of it.

The impact on our development programme is that we are going about it in a different way. We have different people running it. We have brought in a lot more people from a construction background overseeing all of that. We are using different contracting methods, we are using management contracting as well as more traditional main contracting; a whole series of changes in the way that we do it that we are confident will result in very good quality in terms of the homes they are currently developing.

David Kurten AM: You said you had nearly finished, you were on top of this. Do you have any idea of a date when you will have dealt with all the cladding issues you have?

Rod Cahill (Chief Executive Officer, Catalyst): The actual recladding on one of them is probably going to take us through to the end of 2020; it could be as long as 18 months to do it because it is such a laborious process, obviously, with residents in occupation. It will not be like that for all of them because we will be doing it section by section around the estate but it is a painfully long process.

Helen Evans (Chief Executive Officer, Network Homes, and Vice Chair, g15): A lot of what I would say has already been said. We have a 22-storey tower block in Lambeth fully clad in ACM cladding; we will start removing it next month. It has been a very complicated process to get to a position when we can start taking it off. We have various other buildings with which we have compartmentalisation issues that we are working on.

In the days after the Grenfell [Tower] fire, the Board proactively agreed we would retrofit sprinklers into all our buildings over 10 storeys and we are doing that. We have pretty intensive contact with residents in those buildings which are worst affected. It is very difficult because our ACM-clad tower is not rented homes only, it is rented homes and leasehold homes, meaning those people are unable to sell at the moment. That creates a significant difficulty for them and we are working through it as quickly as we can but it is slow.

David Kurten AM: You are starting soon. Do you have any idea when you might finish?

Helen Evans (Chief Executive Officer, Network Homes, and Vice Chair, g15): The recladding programme is 110 weeks for this building.

David Kurten AM: If I could just go back to David from L&Q, you have your £50 million. You are putting in quite a lot. Do you have any idea when you might finish any recladding issues you have in your stock?

David Montague (Chief Executive Officer, L&Q): We have 12 blocks and we should be completed by the end of this financial year. The only doubt I have - two of my colleagues have said this - is that it is going to take longer but we are aiming to complete by the end of this financial year.

David Kurten AM: Is that because, as you were saying, it is the same people and there is competition for labour among the people doing it?

David Montague, Chief Executive Officer, L&Q: There has been a period of uncertainty when we did not know what to use and then we were all competing for the same work, yes.

Helen Evans (Chief Executive Officer, Network Homes, and Vice Chair, g15): There is also a wide variation in the complication of the building types. Our building is new. It is only three years old. The cladding is part of the rain screen and taking it off creates all manner of technical difficulties. Some buildings are easier to get it off and some are more difficult, basically.

Geeta Nanda OBE (Chief Executive Officer, Metropolitan): Yes. We were able to take ours off but obviously we had to go through planning, etc, and there are various steps in order to get it going. We are now cladding so it is a different situation.

Sian Berry AM (Chair): Just to finish off that section, two very quick yes or no questions, I am going to have to insist. Are you helping residents who might have fuel bill issues while they have the insulation removed, and are you publishing fire risk assessments to your residents? Many people have asked us about that.

Helen Evans (Chief Executive Officer, Network Homes, and Vice Chair, g15): We are not publishing fire risk assessments currently but we are preparing to start publishing them. If people ask for them we will hand them out. We have not put them up on the website in the way that I think is being suggested.

Sian Berry AM (Chair): Recommended by the --

Helen Evans (Chief Executive Officer, Network Homes, and Vice Chair, g15): Yes, partly because at the moment the way they are written is very technical. We are translating sometimes hundreds of actions similar to "Move the bicycle outside number 25" into a more digestible form. What was the other one, sorry?

Sian Berry AM (Chair): Are you offering help to residents who might have fuel bill problems when you have taken off their insulation?

Helen Evans (Chief Executive Officer, Network Homes, and Vice Chair, g15): Well, we have not got to that stage yet but if that was an eventuality then I imagine we would look at it.

Sian Berry AM (Chair): Yes or no is good, thank you.

Rod Cahill (Chief Executive Officer, Catalyst): Yes, if that is the case, if it is evident that it is going to increase fuel because I am not sure it will.

Sian Berry AM (Chair): I think there is evidence from some of the blocks where that has already happened. Obviously, it is insulation.

Rod Cahill (Chief Executive Officer, Catalyst): I will take that away. I was not aware that was going to be an issue.

Sian Berry AM (Chair): If it is simply a rain screen then maybe not.

Rod Cahill (Chief Executive Officer, Catalyst): I do not believe it is going to be an issue but if it is then we will definitely cover it. No, we are looking at the publication of fire risk assessments but that is a massively complicated issue. In principle, we are in favour of doing it. It is just how you do it and what level of detail you go into.

Sian Berry AM (Chair): I think those of us who are concerned about this issue have learnt how to understand fire risk assessments by now. You could just publish them and we would get it. They are reasonably understandable. I have seen a lot of them in the last year. They are comprehensible and I do not think they would alarm residents too much.

Geeta, yes or no on both of those, please.

Geeta Nanda OBE (Chief Executive Officer, Metropolitan): We have not been asked anything by residents in terms of the block we are cladding. If it was an issue we would but it does not seem to have been one. No, we have not as yet. Again, we are looking at it.

David Montague (Chief Executive Officer, L&Q): It is the first time I have heard of the insulation thing as an issue, same as colleagues. We are sharing assessments on request and we are planning to put them on our website. It is just a matter of finding the best way of doing it.

Nicky Gavron AM: It is on compartmentalisation, because you mentioned it. In a previous investigation of the Assembly we found that leaseholders often were responsible for do it yourself improvements to their homes. This then led to breaking the firewall, which actually made the building quite dangerous. I just wondered whether you have any inspection system in terms of leaseholders, any of you.

Rod Cahill (Chief Executive Officer, Catalyst): We do not. We do of the common parts.

Nicky Gavron AM: Do you recognise it as an issue?

Helen Evans (Chief Executive Officer, Network Homes, and Vice Chair, g15): A leaseholder who is doing major work, if we are the freeholder, should request permission to do the work. We would then check that it is being adequately done so it does not breach the compartmentalisation. But if they do not, we are not individually inspecting every leasehold flat for signs of work having been done and nor could we, I do not think.

There is another issue about leaseholders, which is the question of whether their front doors are fire safe. In a way that is a more accessible one because you can quite often see if the leaseholder's door is not to the required standard. That is a live debate in our organisation, what we are going to do about this. Are we going to try to force them to change the doors, are we going to change the doors for them or what we are going to do?

Leonie Cooper AM: Conversely, I have had the opposite point made to me by leaseholders that they have invested in a fire safe door but that the local authority or housing association has then put a surround around it practically made out of balsa wood that is clearly not up to fire safety standards.

The thing I wanted to ask is that two of you, I think David and Helen, said something about installing sprinklers. What you did not say was whether you would be re-charging the leaseholders and the shared owners. You would not be?

Helen Evans (Chief Executive Officer, Network Homes, and Vice Chair, g15): No.

Leonie Cooper AM: A definite no.

Helen Evans (Chief Executive Officer, Network Homes, and Vice Chair, g15): It is a definite no.

Leonie Cooper AM: No one is going off to a tier 1 tribunal to investigate whether it is possible to re-charge?

Helen Evans (Chief Executive Officer, Network Homes, and Vice Chair, g15): No.

Leonie Cooper AM: Are you just fitting them in common parts or are you going into people's flats and fitting them?

David Montague (Chief Executive Officer, L&Q): Common parts.

Leonie Cooper AM: Only in common parts?

Helen Evans (Chief Executive Officer, Network Homes, and Vice Chair, g15): In our building, which is an entirely rented building, one of the buildings, we are definitely putting them in each flat.

Leonie Cooper AM: People's homes.

Helen Evans (Chief Executive Officer, Network Homes, and Vice Chair, g15): Yes.

Leonie Cooper AM: If you are doing that will you be definitely giving them advice about taking out household insurance as well?

Helen Evans (Chief Executive Officer, Network Homes, and Vice Chair, g15): I will make sure that we have done that.

Leonie Cooper AM: Those are my questions. However, that is not the group of questions that Sian would like me to ask about. She would like me to ask you instead about mergers and acquisitions. Of course, a joke that I have made, which the other Assembly Members know about, is that during the course of the meeting, while we have been sitting in one of the Housing Committees, it has moved from being the g15 to just being the g9. At one point it was down to the g11 so I was almost right in my joke.

Do you think the mergers have increased the number of social and affordable homes that are being provided in London, and how? I am going to start with David because I think everybody has been picking on Helen first.

David Montague (Chief Executive Officer, L&Q): In our case, definitely. We merged with East Thames on 16 December 2016 and the combination of our two organisations released sufficient financial capacity to commit to a development programme of 100,000 homes of which half will be in London. At the same time we launched a £250 million foundation, an academy to invest £5 million into apprenticeships, and we launched L&Q Living with almost 7,000 current supported housing bed spaces. It enables us to transform our business. It is not easy and so over the course of the last year --

Leonie Cooper AM: We will get into the easy bit in a second. I just want to find out whether others also --

David Montague (Chief Executive Officer, L&Q): It has undoubtedly --

Leonie Cooper AM: Strengthened your ability to provide --

David Montague (Chief Executive Officer, L&Q): -- allowed us to provide more affordable homes, yes.

Leonie Cooper AM: Geeta, the same?

Geeta Nanda OBE (Chief Executive Officer, Metropolitan): Yes, same. We are just on the brink of completing.

Leonie Cooper AM: Yes. Of course, yours is interesting because you left your old employer to come to your new employer and now you are bringing your old employer with you.

Geeta Nanda OBE (Chief Executive Officer, Metropolitan): That is how it looks.

Leonie Cooper AM: That is how it is.

Geeta Nanda OBE (Chief Executive Officer, Metropolitan): Yes, so we have completely looked at our treasury and financing and as a result of that and bringing the two together we will have more capacity to deliver more homes.

Leonie Cooper AM: But to deliver more social and affordable homes, not just --

Geeta Nanda OBE (Chief Executive Officer, Metropolitan): Yes, absolutely.

Leonie Cooper AM: -- specification built homes that you sell.

Geeta Nanda OBE (Chief Executive Officer, Metropolitan): No. Absolutely, more affordable homes.

Rod Cahill (Chief Executive Officer, Catalyst): Yes, I think that mergers are for different reasons. In our case, for example, we took over Kensington Housing Trust back in 2002. The issue there, the reason why they were seeking a partner, was because of the poor quality of their existing stock, historic lack of maintenance and one major estate called Wornington Green, which was very old. The issue there, in the case of that merger, was about investment in existing stock, reinvestment. We have definitely delivered that in terms of improving their street properties and we are one-third of the way through the redevelopment of Wornington Green, transforming that whole area and the quality of our tenants' properties. The objective of that merger was not about building more homes, it was about improving the quality of the existing ones.

Leonie Cooper AM: New investment into existing was the important issue.

Rod Cahill (Chief Executive Officer, Catalyst): Yes, that was the purpose of the exercise. We have announced that we will be merging with Aldwyck Housing Association, which is based in Bedfordshire and Hertfordshire. The modelling we have done so far is indicating that we will produce 10% more homes than we do individually. That is very much a modest assessment and we hope to do better than that. It is early days in terms of that modelling. That is going to be more about producing more homes together.

Leonie Cooper AM: On a new site. That will be more about producing more on the new rather than investing in additional --

Rod Cahill (Chief Executive Officer, Catalyst): Yes, because I think both of our spots are in reasonable condition. It is about trying to build more homes and we are confident that we can deal with that.

Helen Evans (Chief Executive Officer, Network Homes, and Vice Chair, g15): Well, we are the exception because we are not planning or have not done a merger since I have worked for Network, which is not to say that we would not if the right circumstances arose. If we were to look at anything in relation to mergers it would have three motivations. One would be additional capacity, one would be additional resilience in an uncertain world, and the third would be what we are able to offer in terms of attracting and retaining the people that we need to provide the services that we want to provide. Those would be the board's criteria but we have not done one and we are not planning one at the moment.

Leonie Cooper AM: There is a very old joke about people saying they are going to change our name to the London Borough Network.

Helen Evans (Chief Executive Officer, Network Homes, and Vice Chair, g15): I have heard that joke. I worked for Brent for many years so I have heard most of the Brent jokes.

Leonie Cooper AM: Thank you, Dave, for not running through every single merger that you have conducted since 2002 because I do not think Sian would allow us to take that amount of time. However, that does point a little bit towards the fact that there is an awful lot of merging that has been going on. We know the names of some of the new organisations. We have Clarion and we can rehearse who they used to be. We have Optivo. I am not even sure that is how you pronounce it but that is what I am going to say.

It does take a lot of staff time and resources in terms of merging potentially very different organisations. I am not going to start with Helen because she has obviously made it pretty clear that is not really something that Network has been on the page for. Do you not think, in some ways, that it can end up being a bit of a distraction? Do you think that looking at everything to do with Aldwyck at the moment might be distracting from a glowing housing management and maintenance service?

Rod Cahill (Chief Executive Officer, Catalyst): No, not really. It can be, yes. I am sure there are examples of mergers that do not have a great rationale into them. Certainly ours, with Aldwyck, does and we are going about it in a way that is designed to minimise distraction. In our communities, for example, Aldwyck will become a subsidiary of Catalyst on 1 April [2019] and we will then gradually effect the merger of the integration of the two organisations. That is really to address the point that we are both very focused at the moment on improving customer service. We are very focused on our own programmes in terms of new homes and what we do not want to do is to get everybody who is involved in those things suddenly focused on this. We are going to go about it in a very gradual way which will be designed to make sure that we both continue on. We both have big reform programmes in terms of doing things better, doing more of them and better, particularly for our customers, and we do not want those being interrupted by the merger.

Leonie Cooper AM: The same, Geeta. Metropolitan, Thames Valley, how different are they? Bringing them together, is that not a distraction?

Geeta Nanda OBE (Chief Executive Officer, Metropolitan): The rationale for us was really that the difference would add value. Metropolitan has regeneration in terms of support which Thames Valley does not have. Thames Valley has key worker housing, it has a digital platform that it has already developed which can be extended across a broader area and it has a private rental arm. Those things take years to develop in organisations. If somebody wants to go off and do something different, that investment actually takes a long time. It was the difference, bringing it together to create something new and different, which was really the rationale, and around driving some of the service improvements with the different kinds of skills and talents in the organisation.

Yes, we are going to build more homes, but our rationale was actually around creating a more service-orientated organisation that is really about people. That was the basis of it, and through that also increasing the resilience and the number of homes that can be built. We are about to go live. We have spent a year. It has been a huge amount of time but through the year both organisations have still been focused on improving their performance, making sure things do not get all absorbed into the new. It is about keeping things going. You have to just focus and make sure you focus on the right things.

Leonie Cooper AM: David, endless mergers. Not all of those organisations can be bringing in different things, surely.

David Montague (Chief Executive Officer, L&Q): No, of course not. While we have done quite a few mergers in our time we have not done one for quite a while, until these terms came along. I think the others were in the early 1990s, from memory. One of the big challenges for East Thames and L&Q was that we did the same things in the same place differently. We had different systems, different procedures, different people and different pay and reward systems; everything was different but we did the same thing in the same boroughs. We had two of many things that we only needed one of and so there was a degree of distraction. What was important to us was that we got through it as quickly as possible, that we created one organisation as quickly as possible.

Having been through a period of distraction, having seen that create some uncertainty among staff, having seen that uncertainty lead to an impact upon morale and having seen the impact upon morale affect service quality, you just have to get through it as quickly as possible which is exactly what we have done. We are now, within several months, one organisation and one set of systems, one leadership team and so on. As a consequence we have seen a bounce in staff engagement, a bounce in resident satisfaction and we are back in business. We think that temporary distraction was worth it given that it has enabled us to commit to a programme of 100,000 homes.

Leonie Cooper AM: But during the bromance Hyde [Group] fell out of love?

David Montague (Chief Executive Officer, L&Q): It did, and it was the same thing really; we initially thought that our similarities were greater than our differences. It was not the case. We get on fine as members of g15 but we are over it and it was one that did not work. We went into it for the right reasons and we brought it to a halt for the right reasons.

Leonie Cooper AM: Now, Rod talked about having one partner coming in as a subsidiary and then gradually moving into a full merger. You have talked about trying to go through the process as quickly as possible. There are some housing groups that are almost like a federated structure of different bodies all leading up to one board with lots of area boards. There are a myriad different ways of doing it. About how long would you say that it normally - if there is a normally - takes to go through the process of completely merging two organisations? I am going to stick with Geeta and David on this one, I think.

Geeta Nanda OBE (Chief Executive Officer, Metropolitan): We are going for bringing it together and doing it in one way as quickly as possible. We reckon it will take us 18 months to two years.

Leonie Cooper AM: About the same?

David Montague (Chief Executive Officer, L&Q): It took us 15 months.

Leonie Cooper AM: With the subsidiary, would that --

Rod Cahill (Chief Executive Officer, Catalyst): We have assumed two years, that we would do it at most within two years.

Leonie Cooper AM: Over two.

Rod Cahill (Chief Executive Officer, Catalyst): I think both sets of Board members and staff leadership teams want to do it in a shorter time, but we have allowed two years.

Geeta Nanda OBE (Chief Executive Officer, Metropolitan): We have merged that bit before the merger so there are bits you can do quickly and others that take longer.

Leonie Cooper AM: You have just talked about Board members and staff teams and David was saying there has been a bounce in terms of enthusiasm from the staff. What about the residents? How have you involved them in the process of the new merger happening? I happen to have a few Optivo schemes around the corner from me and they all seem to have fallen out of love with Optivo and still keep talking to me about Veridian and Servite so you can tell where they came from. I am not sure how much consultation went on with those residents or indeed whether the consultation would have been meaningful with them about the reasons for doing the merger with AmicusHorizon or otherwise. How do you involve the person who is receiving your service in this kind of thing?

David Montague (Chief Executive Officer, L&Q): In our case, and I think in every case, we have a duty to consult. It was originally a regulatory obligation but following recent changes to the way the regulation works it is no longer. Nevertheless, we still consult; we want to know what our residents think and we want to adapt our plans based upon what they think. We have 100 residents involved in our governance structure through eight neighbourhood committees. Each of the chairs report to a residents services group, the chair of whom sits on the board of L&Q, and so residents and their views are completely integrated into the way that we think and plan.

Geeta Nanda OBE (Chief Executive Officer, Metropolitan): We did a consultation exercise and we agreed to visit any residents' associations that wanted us to visit them to discuss it. People are concerned about their tenancy, if they have a concern. Once it is known that there is not going to be any change in terms of their local arrangements, then it is really your question earlier; is it going to be a distraction from getting on with the main job? Our response has been that there will be a time where we are bringing everything together but the aim is to be a better service organisation at the end of that. Most people are happy with that because they have to see it, do they not? They have to see what happens as a result of it. There are big differences locally in lots of different areas and for us it is really about making sure we have those local arrangements and we are discussing things locally around what is happening. The rest has been invisible to them.

Leonie Cooper AM: Moving back to the staff, would you say that it provides more and better opportunities for them to take on new roles if people want to? You were talking about the different aspects of Metropolitan and Thames Valley being brought in. Does that give better opportunities for people to move from one area of work to another with the training to help them move? Are you all paying, I presume, the London Living Wage? I am going to start with Rod about improved opportunities. Do you think Aldwyck coming in is going to provide better opportunities?

Rod Cahill (Chief Executive Officer, Catalyst): Yes, absolutely. To be honest I do think that the whole thing - skills, being able to attract and retain people and provide development opportunities for people - is one of the key benefits of merger, particularly in an environment of skills shortage which we have in London. The headquarters (HQ) will be where Catalyst is in Ealing. The Aldwyck office will be a regional HQ. We think it is going to provide loads of opportunities for existing staff in terms of bigger departments and also opportunities for people to work from different locations. Yes, I think it is actually one of the most positive things about mergers and certainly both sets of staff are very excited about it.

Leonie Cooper AM: The same, Geeta.

Geeta Nanda OBE (Chief Executive Officer, Metropolitan): Yes, we have a lot of excitement. We have people who we want to really bring on in the organisation who have run out of rope, really, around what they were doing, and they see this as a massive opportunity for them to do more. It means we can really think about the resilience question as well as staffing, how we really bring people on and how we resource that. There has been a big uplift in engagement as well. People are really engaged in creating something new and there has been a lot of positivity.

Leonie Cooper AM: L&Q?

David Montague (Chief Executive Officer, L&Q): Exactly the same. People are really excited about the prospect of building new towns, building 100,000 homes, financing development, improving our existing service and digitising elements of our service. There is just so much going on that has been enabled as a result of our bringing East Thames and L&Q together. I must say it is a bit of a journey. When you start off people are really excited and then you bring things together and people have to change and they do not necessarily like - none of us do - changing very much so that will affect engagement, but then you come through that to the other side and people see the promises that you made at the beginning starting to take shape and they get excited again.

Leonie Cooper AM: Just to come back to the point about the London Living Wage, I assume that was yes.

Rod Cahill (Chief Executive Officer, Catalyst): Yes.

David Montague (Chief Executive Officer, L&Q): Yes, we do.

Leonie Cooper AM: What about unions? Do you go through consultation processes with your in-house trade unions as well? I can remember certainly when arm's-length management organisations (ALMOs) were being set up obviously most local authority housing departments have good recognition arrangements. Is that also part of the process of consultation with staff?

David Montague (Chief Executive Officer, L&Q): We recognise UNISON and we consult.

Geeta Nanda OBE (Chief Executive Officer, Metropolitan): Yes, and Metropolitan Housing Trust (MHT) recognise UNISON and Thames Valley Unite and there has been full engagement with both.

Leonie Cooper AM: You just consulted with both Unite and UNISON?

Rod Cahill (Chief Executive Officer, Catalyst): For the last four years we have had our own staff consultative committee. They are elected people from around the organisation and they are the first people we talk to whenever there is any change proposed. They were the first people we talked to before we announced the proposals in the merger. For us it is a really important group of people who we work with on all of our change programmes.

Leonie Cooper AM: I assume you recognise it whether you are going through change processes or not.

Helen Evans (Chief Executive Officer, Network Homes, and Vice Chair, g15): We have a staff consultative committee.

Leonie Cooper AM: OK, so the same as Catalyst?

Helen Evans (Chief Executive Officer, Network Homes, and Vice Chair, g15): Yes, the same as Catalyst.

Leonie Cooper AM: Unkind people often look at the overall package for outgoing chief executives, which is obviously sometimes quite large because it might include a final pension payment, and they say that a big merger is just about somebody receiving a large pay-off. What is your view on that? I am going to start with Helen and then work that way down the queue. It is something that is thrown a lot at housing associations: mega salaries in general and the average salary of the g15 chief executives, etc.

Helen Evans (Chief Executive Officer, Network Homes, and Vice Chair, g15): I am aware that people say that mergers are organised around the retirement plans of chief executives and I imagine that sometimes there is an element of truth in that. The Board has the responsibility for ensuring that whatever happens is in the best interests of both organisations and it could not be motivated by anybody's self-interest.

In regard to the salaries of chief executives we are completely transparent, as you know, about what we are all paid. You can look up my salary in Inside Housing at any time; I am not complaining. Having said that, even in a smaller organisation it is a very big complicated and responsible job and that is what is driving the pay rates. Again, the Boards have a responsibility to make sure that what they are doing is reasonable and proportionate to the responsibilities of the people concerned. The chief executive is not setting their own pay rate. There are remuneration boards responsible for making sure that it is appropriate, fair, reasonable and proportionate.

Leonie Cooper AM: Sorry, Rod, this might seem slightly personal.

Rod Cahill (Chief Executive Officer, Catalyst): No, I am happy to answer it. I will be retiring before the merger takes place. I will be retiring at Christmas. There is no payoff. I am retiring on my pension. About 12 years ago we started the process of ending our defined benefit scheme. I will be retiring with my accrued service up until then, in terms of defined benefit. Everybody, including me, from 2006 onwards from that day on moved over to defined contribution, all at the same contribution rate. That will be my pension. There is no payoff and no additional pension.

Geeta Nanda OBE (Chief Executive Officer, Metropolitan): I was not paid to go. That would have been a bit odd, wouldn't it? I obtained the job and I am not retiring.

Leonie Cooper AM: However, the general point is about people pointing fingers at housing associations and saying, "They are not really interested in providing management and maintenance. All they are interested in doing is merging and becoming very large and then doing masses of specification development, and the standard development is not that good anyway", which is a sort of very unkind encapsulation of what some people say.

Geeta Nanda OBE (Chief Executive Officer, Metropolitan): Yes, I do realise people say that and I think we are well paid. I feel very very lucky that I do a job I love and I get well paid for it. I echo everything Helen said around remuneration committees and so on. That has been the case in some instances because the data shows it for itself. We are not here to uphold everything that has happened in the sector. We know we are doing it for the right reasons and our board is very much on top of that.

Leonie Cooper AM: Do you think there is sometimes a lack of understanding of the full breadth of activity of associations? Certainly in local authorities I have heard people at the top of some housing departments saying, "They just the housing department", which is probably not correct.

Geeta Nanda OBE (Chief Executive Officer, Metropolitan): I think people forget about the large treasury, the amount of borrowings we have, the scale and size of what we do, which is FTSE 250 companies equivalent, the scale and complexity of the development and the risk that is involved, as well as the safeguarding and other things that happen if we have care and support. The complexity is there in terms of the organisation.

The way the remuneration is benchmarked is a transparent operation and the members of the boards take it very seriously. I think it is more complex. I understand why local authority housing directors feel that sometimes because they feel they have complex jobs as well. There is a huge complexity in juggling the development side. When we have Board members come in, particularly if they come from the private sector, they say these are the most complex positions they have ever held in terms of the range of skills that are required in terms of what we do. They are complex organisations but we are lucky to have these jobs.

Leonie Cooper AM: David, same question.

David Montague (Chief Executive Officer, L&Q): I certainly agree we are lucky to have these jobs. I hope that over the last two hours we have gone some way to convince you that we are not in this just to make a lot of money and to get a payoff. I hope you recognise that there is a genuine commitment to social purpose along this side of the table and amongst our colleagues. Just taking L&Q and East Thames as an example, when we brought the two organisations together we had two chief executives when we only needed one. We had two executive teams; we only needed one. We had two finance departments; we only needed one. You have two of a lot of things that you only need one of and the deal is that you go from two to one, you release some value and you invest that value into more affordable housing. Yes, we did pay off the Chief Executive of East Thames and their executive team. That was part of the deal. We paid them their contractor entitlement. We sought legal advice. We declared it to the regulator to make sure that they were fine with it. In my opinion, it was the right thing to do because we created a more efficient organisation that could deliver more for our social purpose.

Leonie Cooper AM: Thank you. That was everything I wanted to ask about. If I may, I thought the recent announcement about the L&Q Housing Trust and tenancies were extremely welcome.

Sian Berry AM (Chair): We now have nine minutes left and we need to cover the topic of accountability. However, I should say we have done an investigation as the [London Assembly's] Housing Committee into tenant and resident engagement, which covers councils and housing associations. We have put the points raised by residents to different housing associations as well as councils and we have a report in the offing on that topic. I apologise for not having much time to cover this here, but we have looked in some detail at resident engagement, tenant and residents' associations, that kind of thing. We do have some important questions --

Tom Copley AM (Deputy Chair): With a full panel of tenants.

Sian Berry AM (Chair): With many, with a whole room full of residents who were able to give their views. We do have some questions about accountability to residents but also to us that Tom is going to ask.

Tom Copley AM (Deputy Chair): Sorry, on the union point, you talk about the workers' consultative committee, that is not quite the same. I do not think that gives workers the same level of representation as a trade union. We were contacted by someone who said Catalyst had derecognised a trade union. Is that true? Do you think that goes against the social principles that you are meant to uphold?

Rod Cahill (Chief Executive Officer, Catalyst): Absolutely not, no. The fundamental issue we believe in is that we should be listening to our staff, working with our staff and engaging our staff with what we do. What we found, bluntly, was that is not what Unite were delivering. They had something like 10% membership. My pushback to them would be they need to look in the mirror to see why that was the case, given that we were an organisation that was encouraging union membership. What we have found, through setting up our own forum, is that we now have much better direct dialogue with our staff through that group. I think the opposite, that it is far more effective. That gives our staff a far more effective voice than was the case previously. People still are perfectly entitled of course to call upon a union where they need it, in terms of support in whatever circumstance.

Tom Copley AM (Deputy Chair): Yes, that is a good point. Is the representation committee democratically selected?

Rod Cahill (Chief Executive Officer, Catalyst): Yes. These are people who elected around the organisation. We do not have any part in choosing people. It is all democratic. From our point of view, this is something where there is a greater staff voice and there is a greater staff engagement.

Tom Copley AM (Deputy Chair): Yes, I would not accept that from a private company and equally I would not accept it from a charity really.

Sian Berry AM (Chair): Yes. Why would you not go to another union or do something to increase the membership? Anyway, we should move on.

Tom Copley AM (Deputy Chair): We have to move on. Yes, the lead-off question is how accountable you are to residents. How you are accountable to your residents would be a good addition to that. We will start with David this time.

David Montague (Chief Executive Officer, L&Q): I touched on this earlier before. We had 100 residents involved in the governance of the organisation through eight neighbourhood committees. They are entirely resident based and who sits on those committees is the residents' choice, not ours. The chair of each of those committees sits on a resident board. The chair of that board sits on the group board of L&Q. He sits on the board of a £28 million organisation. We really value the involvement of residents. It is not the only way that we involve them. We find that if you invest in residents, if you build their confidence and trust, then they will be your advocates. It is a really important part of our governance.

Tom Copley AM (Deputy Chair): I am going to move on. I have some supplementary questions. I am going to move on pretty quickly on the first one.

Geeta Nanda OBE (Chief Executive Officer, Metropolitan): Yes. We have a resident on a board and they chair the resident services committee. The resident services committee has six residents on it. We have a national customer group that has input from a whole host of residents' associations that work across the organisation and we have a service scrutiny group that picks and chooses their own services to go in and audit, that reports through. Therefore, we have a whole load of formal structures and informal structures as well. We also look at co-design of services with our customers. That does not involve any involved people, it is really around how we can improve the experience for the customer, looking at different pinch points and using that sort of service design principle to change and alter how we do things.

Rod Cahill (Chief Executive Officer, Catalyst): Almost identical answer. We have a resident on our board. We have a customer experience committee, half of the members of which are residents.

Tom Copley AM (Deputy Chair): This is not elected by the residents?

Rod Cahill (Chief Executive Officer, Catalyst): No.

Tom Copley AM (Deputy Chair): With that same view?

Rod Cahill (Chief Executive Officer, Catalyst): No, it is not. We have moved to a position where we encourage residents to apply to be on the board. The resident who is on the board is there in their own right on their own merits as a board member. We personally think that is a better way of doing it.

Tom Copley AM (Deputy Chair): The board chooses to co-opt the tenant?

Rod Cahill (Chief Executive Officer, Catalyst): No, not co-opted. They apply for membership and we encourage and support residents to seek board membership. The tenant - in fact a leaseholder in this case - who is on the board is there in their own right as a board member. They are not there as the resident board member. They are there as a board member, as I said, on their own merits and in their own right on a par with any other members of the board.

Tom Copley AM (Deputy Chair): Just to challenge you on that, some people might say you are not going to pick someone that is going to -- I do not want to use the term "rock the boat", I do not think that is the right term, but I think you might choose someone safe. Would that be a fair assessment?

Rod Cahill (Chief Executive Officer, Catalyst): No, not really, because I would not say any of our Board members are safe in that sense. We want a board that is going to challenge us. That is what we want. What are they there to do? They are there to critique what myself and the rest of the team are doing, they are there to offer different ideas, they are there to challenge and that is what we are looking for from all board members. No, I do not see it that way.

Nicky Gavron AM: There is only one representative and it is a leaseholder? Who represents the social rented tenants?

Rod Cahill (Chief Executive Officer, Catalyst): Well it is not --

Tom Copley AM (Deputy Chair): Sorry, it is a resident representative, rather than a tenant, is it not? It is across your --

Rod Cahill (Chief Executive Officer, Catalyst): We have resident representative structure, which culminates in the Catalyst Residents Federation. We have a whole structure of resident involvement including residents being involved at all sorts, as Geeta was saying. We have just re-let our maintenance contract, a massive decision with huge implications for our customers. There has been a whole process of involving our residents in the selection of those new contractors and a whole subseries of engagement events. That is typical of what we do across the piece when we are doing anything major.

Helen Evans (Chief Executive Officer, Network Homes, and Vice Chair, g15): Yes. We are different because we do not have a resident on our main Board. We have local panels in each of our three main regions and they are part of our customer services committee, which reports to and has things delegated to it from the main Board. We have all the range of customer involvement mechanisms that colleagues have already described, including sitting on procurement panels, and when it comes to the accountability aspect of it, sitting on our final stage complaint panel. If we have a resident who has brought a complaint against the organisation that we have been unable to resolve, a panel will hear it consisting of a Board member, a resident and member of the executive.

We have many different mechanisms for measuring satisfaction, which I think is part of accountability. For example, monthly surveys of satisfaction with repairs and monthly surveys on satisfaction with antisocial behaviour, all of this kind of thing. We include residents on all our major procurement panels at the point of decision, as well as in determining what it is that we are going to procure. We are unusual amongst housing associations in that we have a fully functioning tenant management organisation (TMO) on our regeneration estate in Lambeth, which has a Board with resident members.

Tom Copley AM (Deputy Chair): Did you inherit that? Was it the stock transfer you inherited?

Helen Evans (Chief Executive Officer, Network Homes, and Vice Chair, g15): Well, yes and no is the answer to that. It was a TMO, there was a stock transfer, it became a subsidiary housing association. We then amalgamated all the housing associations into a single organisation, Network Homes, and we set up a TMO in order to continue the local management that was historic and very embedded in that estate.

Tom Copley AM (Deputy Chair): I will move on. I would like some of your views on some of the proposed regulatory changes in the Social Housing Green Paper, in particular this idea of introducing league tables for housing association services and performance. Good idea? Bad idea? Will it help? Will it improve things?

Helen Evans (Chief Executive Officer, Network Homes, and Vice Chair, g15): I am reasonably positive about the suggestion of having a set of comparable metrics. We all have this information and we can all publish it. The difficulty we might have with it is: where is the comparability and how closely aligned are the datasets of people measuring the same things? In terms of providing accountability for housing associations it is quite a crude measure whether it is a league table or whether it is just a comparison of key performance indicators (KPIs), and it begs the question of, if your provider is an outlier in some way or other, whether it is very good or very bad, what then happens.

Tom Copley AM (Deputy Chair): Your residents cannot decide, "Well I am going to switch to that housing association".

Helen Evans (Chief Executive Officer, Network Homes, and Vice Chair, g15): No, they cannot. In my view that is why there is a particular responsibility on housing association boards and executives to make sure that we are listening, responding to and providing the services that we should be providing to residents because they cannot just switch providers.

Having said that, some can switch providers. If you are a fully leasehold block you can exercise the right to manage in a housing association context. We have had occasions where that has happened, generally very small buildings. As to whether that ought to be extended to residents, there is all manner of complications attached to that. There definitely does need to be accountability to residents for the services that were providing, and I think we all try. We try to be open, we try to be transparent and we try to be self-critical where we get it wrong. We do get a lot of criticism, a lot of it around maintenance. We are working to improve our services constantly and we are open to ideas that would create the sense of trust that we need to have really good positive relationships with residents and stakeholders.

Rod Cahill (Chief Executive Officer, Catalyst): Whether it is a good idea or not, I think it is going to happen. We are going to have to live with it. The key thing is about providing information. We already subscribe to something called the Sector Scorecard, which is providing comparable information so we can benchmark. I am very relaxed and happy about expanding that. The issue, as ever, is coming up with things where you are comparing apples with apples. That is the risk with league tables is you can jump to conclusions. Just one example: is spending more on maintenance per unit a good thing or a bad thing? Is it inefficient or are you investing more? It is dangerous.

Tom Copley AM (Deputy Chair): I suppose looking at resident satisfaction might be the better way of making that assessment. Geeta, we need to really do need to pick up the pace.

Geeta Nanda OBE (Chief Executive Officer, Metropolitan): I would agree with that. If you want to drive your performance and your service, you have to want to. You can make up, you can do everything you want but it is about commitment and purpose and I think that is the most important thing.

Tom Copley AM (Deputy Chair): David?

David Montague (Chief Executive Officer, L&Q): I would agree. Like my colleagues, I am relaxed about the introduction of league tables. What matters most is culture. It is about the culture of an organisation and its commitment to service.

Tom Copley AM (Deputy Chair): It has been put to me by people who have worked in the sector that the Audit Commission used to do quite a good job of holding associations' feet to the fire, but I do not think we have time to get into that now. Chair, do you want me to move on? Have we run out of time or do want me to move on to the next section?

Sian Berry AM (Chair): We are way over time. The next section, I was going to say we are going to have to come back to. We are going to look at welfare reform in more detail in a second.

One question we have to ask. In terms of data and KPIs and all of those things were talking about, ways of finding out what is happening, we have an issue in that we have a remit to look at resident welfare and things in greater London and quite a lot of your organisations now spill over. You are so big that we would struggle to find out what you are spending on maintenance in London and how many homes you had in London even from your published financial and accountability information. Is there a way of maybe getting on an annual basis a London report from housing associations? Obviously, you cannot promise us that on behalf of the whole of the g15, but it would be a very helpful thing for us to be able to get.

Rod Cahill (Chief Executive Officer, Catalyst): I am happy to agree to that, yes. I am sure we can do that.

Helen Evans (Chief Executive Officer, Network Homes, and Vice Chair, g15): Yes.

Sian Berry AM (Chair): Geographically constrained. You must know where your homes are.

David Montague (Chief Executive Officer, L&Q): I do not know if the g15 would be happy to commit I am happy to commit on behalf of L&Q.

Geeta Nanda OBE (Chief Executive Officer, Metropolitan): Yes. We can cut our data whichever way you want it.

Sian Berry AM (Chair): I would have thought it would be simple but it would also be really useful for us to be able to see because you are so much the game in town now.

Well, thank you very much. There are many more questions we could have asked you. We are very interested to know your reaction to the changes that have been made recently to government policy and to the new funding that was announced. Those were things that we wanted to ask you about. We also wanted to ask about the effects of welfare reform but actually as a committee we have resolved to look at this issue at the end of this year anyway. I am sure we will have housing association representation when we look at that.

In addition, as I mentioned earlier, look out for our report soon on resident engagement because we will have recommendations and the [London Assembly's] Environment Committee in its December [2018] meeting is going to be looking at fuel poverty, cold and damp and some issues to do with the fire safety changes in homes there. The Assembly as a whole is working on many more issues than we have managed to cover. I would just like to thank all of you for coming, for your frankness and your willingness to listen to tough questions, particularly about your own salaries.