Appendix 1

Housing Committee – 19 January 2016
Transcript of Item 6: New Thinking on Building Affordable Homes for Rent in London

Tom Copley AM (Chair): That brings us to our main item, which is exploring new thinking on building affordable homes for rent in London.

Can I welcome our guests for today: Shamez Alibhai is a Partner at Cheyne Capital; Jonathan Gooding is the Chief Executive of Dolphin Living; Paul Hardisty is the Chief Executive of Octopus QSH; Gareth Crawford is the Head of Development (South) at Home Group; Simon Tanner is from the Y:Cube Development project at YMCA London South West; Barbara Brownlee is the Director of Housing and Regeneration at the City of Westminster; and Denise Brown is the Chair of the William Street Quarter Tenant's and Resident's Association.

If I could just go along the panel, starting with Shamez, with just a couple of minutes from each of you on what you think the main challenges are and how you think they can be addressed in terms of providing homes for affordable rent?

Shamez Alibhai (Partner, Cheyne Capital): Thank you very much. Cheyne [Capital] is an asset manager. We invest money on behalf of institutional clients like insurance funds and pension funds.

About a year-and-a-half ago, we launched what we called a Social Property Impact Fund. The idea is to invest in property that helps disadvantaged groups in the United Kingdom (UK). Clearly, one of the biggest areas of disadvantage is the affordability of housing. We have a model where our investors like the idea of investing in housing because it is a stable asset class and they get to see transparency but, very importantly, our investors want to have a socially responsible mandate. They are interested in patient capital, long-term capital and the long-term stability that communities need with respect to housing. In terms of our model, what we have found is that, depending on what scale you are looking at, we have focused a lot on mixed-tenure communities and providing housing at various points or various need demands. That could be everything from discounted sales for members of our community who need that type of product to keyworker housing and discounted or submarket rent products all the way through to affordable rent or sub-affordable rent, Local Housing Allowance (LHA) or sub-LHA rent, and so having communities that address a broader range of people in the community and their needs.

What are the challenges that we have faced around this? I would say that the greatest challenge has been that initially there was a little bit of reluctance amongst public sector bodies to understand why a private sector operator would want to be socially responsible and whether this was just a wolf in sheep's clothing. We have been very successful in the social sector organisations we have worked with - whether it is Councils or housing associations - to show that there is a strong alignment of interest between what we are trying to achieve and the aspirations, goals and mission of the social sector organisations we work with.

In terms of housing itself, what has been a great challenge is really the use value of land. We have a model where we do not want to rely on government grant or minimum government grant, if possible, and that means that the land we buy has to reflect the use of the properties. There has been a little bit of a tension in some of the discussions we have had with public sector bodies that are looking to maximise capital receipts from land but also want to maximise affordable outcomes. That is a natural tension. Our approach to that has been to effectively have a fair-market approach and to say, "Let us value land based on its use value". If you want 20% discounted sales, 30% keyworker housing and 20% LHA or sub-LHA rent, the land has to reflect that use. We are happy to protect the use of that property in the actual land rights so that future owners of that land cannot potentially change the use of that value. That has been our greatest challenge.

We have had some success. We are building 400 homes north of London in a mixed-tenure community. We are building another 200 flats in Yorkshire. We are working with the housing associations in the northwest in Cheshire. We have been able to replicate this model pretty much nationally.

Tom Copley AM (Chair): Thank you very much. Jonathan, tell us about Dolphin Living.

Jonathan Gooding (Chief Executive Officer, Dolphin Living): Thank you very much. Dolphin Living is a housing charity, which was established with a large endowment of £140 million from the sale of Westminster Council's interest in Dolphin Square. Its remit is to provide good-quality housing for people on modest incomes who have a reason to live or work in Westminster.

That quite restrictive charitable objective means that we are hugely focused on Zone 1 and Zone 2 and we are probably one of the only affordable housing providers that has not given up entirely on inner London. We do think that keeping a balanced community and keeping keyworkers and workers on lower incomes in the centre of the city is fundamental for all sorts of reasons. We can all relate to the fluffier issues around that about balanced communities, about civic contribution and about those kinds of things, but actually we have published research that shows there is a very hard-headed economic argument also for keeping keyworkers in the centre of the city. Rates of new business start-ups and of entrepreneurship are higher the greater the diversity in the community that you keep in the centre of the city. We have all seen the consequences of not doing that when we look at the 'dumbbell societies' that we have in Paris and that kind of doughnut effect and everything else. We feel passionately that there is a real need to focus on the delivery of affordable rent in inner London. It is important to remember that inner London has always been a city of rent, not a city of homeownership. The working population of inner London has typically never been homeowners and it is crucial that we respect that and that we continue to provide good-quality affordable housing for them in the centre of town.

What are the challenges? We are in the process of delivering 1,000 units in the centre of London by 2020, which we think is quite a commendable achievement with a budget of £300 million but it is, frankly, a drop in the ocean, obviously, in the context of the overall challenge that we face. We could scale that up substantially but, to echo exactly what Shamez [Alibhai] has said, it is all about land. I see from the papers today that there is an intention to talk about how land could or should be allocated. That is absolutely fundamental.

The other fundamental issue aside from land is this issue of affordability. What do we actually mean by 'affordable'? Eighty per cent of market rent is not affordable in a city where the median household income across London is £31,000 or £32,000. Eighty per cent of Westminster rents does not look terribly affordable on that sort of basis. I know that I am going to be asked to say something a little bit more about what we are going to do to address that. However, because - for curious circumstances post the banking crash - the connection between wages and housing cost has become completely uncoupled since 2008, we cannot rely upon looking backwards and saying, "London has always been expensive. That is just the way it is and people just need to move further out". There is a need for radical intervention to try to keep the economic vitality of London and the community that we have all become used to seeing.

Tom Copley AM (Chair): Thank you. Paul?

Paul Hardisty (Chief Executive, Octopus QSH): Thanks for inviting me. I created QSH with a wealthy neighbour a few years ago when I was the Service Director of Housing at Birmingham City Council. I was not a councillor, as the notes say; I was the Service Director on the housing side. I had an epiphany moment and realised that the government grant has never been enough and never will be enough to provide affordable housing.

We have been through a few iterations. Wates, the contractor, invested in us two-and-a-half years ago and we are now Octopus QSH. In July last year, we created a joint venture with Octopus Investments, which is a large investment fund. It is similar but not quite the same as Shamez's [Alibhai] fund. We have £5 billion of funds to be able to invest in.

We have two models that we have developed. They are both 'affordable' as we call it. We work within LHA rates. One is for long-term affordable rent and we are comfortable with the idea of that being in perpetuity, as Shamez talked about.

The other model, which is maybe the reason you invited us, was an affordable rent-to-buy scheme that is going really well. People have the flexibility to rent for up to 20 years at an affordable rent, but in the first five years they have the ability to purchase the property and half the rent goes towards a deposit. Within five years, typically, people have a 10% deposit and they have a credit history. That is extremely popular. We started that with Kirklees [Council]. There is a huge waiting list. We have never marketed them. We have a scheme in Glasgow that is already half-let and there is six months to go until it is complete.

Those are our two models. We have had schemes in Kirklees, Glasgow, Doncaster and Bradford. We introduced a scheme to Shamez for Luton. Cheshire and Lancashire are now on the schemes for us, as well as Merthyr Tydfil and Edinburgh. We are trying to split around.

The interesting thing for me is that we just do not target London because we think that there is so much investment already available that your issue is land, really. I was pleased to be asked. I am here to find out more.

Tom Copley AM (Chair): We shall come back to you on that point about London in the meeting.

Paul Hardisty (Chief Executive, Octopus QSH): We should come back to it further. It is just about land. We have about 400 properties done already. We are expecting 1,000 a year. There is a huge amount of investment. The problem is land, as the first two guys said.

Gareth Crawford (Head of Development (South), Home Group): Home Group, who, as you said, I work for, is a national housing association. It is based in Newcastle and has about 55,000 homes across the UK from Scotland down to the south coast. We have just under 4,000 homes in London. We are very active in development. We develop between 1,000 and 1,500 new homes a year across the UK. Significant expansion in that programme is planned and so we plan to increase that. Going forward, we are particularly focused on what we do in London.

We are a housing association and affordable housing is absolutely at the core of what we do, but it is not the only thing we do. We provide housing for outright sale and other tenures. We also have a very big care-and-support operation, which is really important to us as an organisation.

Just to look at the issues in relation to providing affordable housing, the obvious thing is that if you are going to be providing homes at less than market rents, then you need subsidy from somewhere. Traditionally, that has come in the form of grants. We know that grants are in decline. We are expecting them to not be available in the future. Therefore, we and many others in the sector have been planning to replace that grant with profit from outright sale activity. We have been getting ready and have been positioning ourselves through our programme to do that. That is, broadly, what we are doing.

Of course, there is a time lag in doing that. It takes typically three or four years to get into a position where all your investment has come back and you have the profit on top of that that you can then invest in affordable housing. There is a practical issue there.

On other issues, in London, section 106 has been traditionally quite a rich source of affordable housing. I am not too sure what the percentage is but I know that it is a big number in terms of the amount of affordable housing produced. My personal view is that section 106 and the percentage of affordable housing is actually a land value issue. Local authorities - and maybe there are good reasons for this - do not always seem to have been successful in negotiating percentages. They are knocked down from their policies by developers too often and, therefore, we lose affordable housing. That is one issue and there is more to be done there. However, of course, there are big changes coming with section 106 anyway and so maybe that is no longer so relevant.

Another issue is that we need to get a hold of what 'affordable housing' is. There are lots of different views on what 'affordable housing' is. The Greater London Authority (GLA) has this concept of capped and what is the other one?

Tom Copley AM (Chair): One is 50% and one is 80%. That is the discounted, yes.

Gareth Crawford (Head of Development (South), Home Group): Exactly, 50% and 80% capped and discounted. That is it. The GLA has this twin view of what 'affordability' is. One product is intended for people predominantly on benefits and one is for people in lower-paid employment. That was the original idea.

Lots of local authorities in London have a very different view of what 'affordability' is and there is no connection between the two and I am sure that central Government has a different view again. There is this kind of spread of views about what 'affordable housing' is.

Tom Copley AM (Chair): Do you think we need a clearer distinction between what we would traditionally call 'social' housing and 'intermediate' housing and, rather than lumping everything together as 'affordable', which now even encompasses homes costing up to £450,000, that there is a clear delineation between perhaps keyworker housing and social rented housing.

Gareth Crawford (Head of Development (South), Home Group): That may very well help, yes.

Tom Copley AM (Chair): Sorry. I interrupted you.

Gareth Crawford (Head of Development (South), Home Group): The other issue, which is a really big one in the housing association sector at the moment and also for local authorities, is the lack of stability in our financing. One element of that is the change in the welfare system, which has impacted on our rental income stability. In other words, we see our income stream as less stable. The other really big impact is the rent reductions introduced by the Government. The 1%-over-four-years rent reduction has a huge impact.

I suppose the other thing to say about that in terms of lack of stability is that because there was a shift in the commitment that we had been given previously by the Government for a ten-year commitment on rents, it has, therefore, spooked some of our boards, who are thinking, "What other changes? What other things that we thought were settled are now going to change in the future?" That affects appetite for investment, attitudes to risk, etc. I would argue that good, bad or indifferent, we need stability so that everyone knows what is happening and can plan for that.

Of course, there are the usual practical issues, which other people have talked about. It is difficult to buy land in London. If you are going to buy land to develop, it is already hard for you to do at the moment because there are lots of people in that market. It is a very crowded market and it is a very dynamic market. That is a number of issues.

Simon Tanner (Y:Cube Development, YMCA London South West): Thank you for inviting me. The YMCA has been around for about 140-plus years. We provide not only housing but also health and wellbeing. We do work with families and young people and also older citizens. We cover a broad range of activities, all designed to help people and to meet people at their point of need.

We started with Y:Cube about three or four years ago trying to develop a solution for people who had come into our hostels, had gone through whatever support they needed in their hostels and needed to move on. There was a dearth of high-quality - or any quality - move-on accommodation particularly for single people in our area, which is London's South West: Surbiton, Kingston, Wimbledon and that kind of picture. We ended up having to develop our own solution, which is Y:Cube. Y:Cube offers a high-quality, affordable, sustainable solution, which is quick to deliver. The build programme is somewhere between five and six months to build, to break in soil and to get the people to move in. From having an idea about the Y:Cube to actually having people living there, you can do it in less than a year.

We piloted that in Mitcham with the help of some GLA funding. We bought the land. We had some GLA grant, as I said, and we borrowed. We have delivered 36 homes for around £2 million. The beauty of it is that, when I said Y:Cube is affordable, it is affordable to build some of our cubes for around £52,000 per cube, built, delivered on-site, and they are affordable, therefore, also for people to rent. Our rent is about £148 a week, which is 65% of the market rent in that area. A shared room in a house in that area would be about £210 to £220 a week. At Y:Cube, you have your own living room, your own bathroom, your own bedroom and your own kitchen. It is completely self-contained. It is good-quality move-on accommodation.

We are starting now to roll that out as a business, working with our partners, with Rogers Stirk Harbour + Partners (RSHP), who are the architects, and with AECOM, who are our construction partners, as well. We have a pretty active pipeline. Our Mitcham development has been open for four or five months now, since September, and is nearly fully occupied with very happy residents. Everyone loves it and so it is a good project.

In terms of the challenges that we face, everyone has probably already said them. Gareth's [Crawford] point about the changes to welfare, particularly for us and for our residents, is a big challenge for future projects. We are looking at affordability. Yes, we can deliver Y:Cube for a very competitive rate, but obviously some sort of certainty around what has happened in terms of the welfare changes would be very helpful.

Access to land is another issue. Obviously, we do not need a large piece of land to make a lot of difference to a lot of people. The Y:Cube development at Mitcham is on a very small, old piece of land where there was a dilapidated youth centre before. We have managed to put 36 units on that. It is not crowded. It is quite a spacious, light environment. We can make quite a lot of difference with not a lot of land. Access to small pockets of land can help us. We just need people to change their thinking and change their attitude and to approach land issues a bit more differently.

Access to funding from our perspective does not seem to be a problem. We have had lots of conversations with lenders. There are lots of people out there who are happy to lend. Land is the bigger issue.

The last constraint that we face is maybe the attitude of planners. All the viability studies for looking at what affordable housing can be done are based on using traditional methods: using bricks and mortar and wet trades. If you approach things differently and maybe use our method of construction – volumetric, offsite - you can actually deliver affordable housing on those pockets with the planning monies that you receive.

Barbara Brownlee (Director of Housing and Regeneration, City of Westminster): Thank you. I am from Westminster City Council. I have been there a while. Its main role, really, is its long-term use of its land and levers to encompass all of that type of project and make sure it gets balance out of all of things that work across the whole of the borough. We need to use our land, we need to use our planning powers and we need a very rounded approach to what we deliver. That is what our role is. We need to consider housing absolutely plumb in the middle of employment and health issues and not separate from them. We should not have a project-based view, but we should have a view that allows every project to have a voice and to see whether it would work in Westminster or not.

Our challenges are no different to anybody else's. It is the cost of land and it is not the availability of capital, as everyone has said. We have people knocking on our door virtually every week with capital. It is land and it is the cost of land and how you, as was said at the very beginning, value that land for the use of affordable housing.

It is where section 106 is very useful and I would agree that an awful lot of affordable housing came through that route because you could discount the land value if you were putting affordable housing on it. It appears that that route might be closing down. That was one of our best routes for affordable housing.

The cost of land is a challenge and the availability of land in a borough like Westminster and we have to use everything we have. We work with two of the people on this panel anyway and I would rather work with all of the people on this panel. We do an awful lot of relationship-building with the registered providers (RPs) that still do invest in Westminster and there are three or four major RPs investing. One of our roles is to help them to use their assets and manage their assets so that they can stay in Westminster, which means allowing a bit of movement around some assets and consolidation in certain parts of the borough. We do a lot of work around that to try to help RPs stay and deliver and grow in Westminster.

There is the challenge of the welfare benefit changes that have been mentioned. One of the major jobs of any local authority is in terms of the Housing [and Planning] Bill at the moment. It is a swiftly moving beast. Should all of the changes that have been billed and flagged go through in anything like the shape they are proposed, it is doubtful whether we will have a Housing Revenue Account (HRA) Business Plan in about four years. Given the high-value void sales in a borough like Westminster, if the Bill remains straightforwardly unamended, it will have a devastating and huge effect and I do not think you will have a housing department of any description, which would be a big shame because there is a huge role for a borough to play strategically around that management of land, planning powers and players in the market.

The very last thing I would say is that there is something about supply and demand that a Council has to manage unlike anyone else. The supply is what this is about and different forms of supply and sizes of supply on different types of land that cost different amounts of money and are bigger or smaller. That is one conversation, but the demand is attached to homelessness legislation and the demand is huge. It means that two-thirds of the homeless people in England are in London. Westminster has 2,500 people in temporary accommodation. It is good accommodation. We do not have anyone in bed-and-breakfasts. We do not have people who are not in self-contained. We are very proud of that. However, that demand affects what we need to deliver. To break that chain between supply and demand, we should be looking at innovative ways of supplying innovative products. That is half the picture as far as the local authority is concerned. We have to statutorily deal with a stream of homeless applications that there is nothing we can do about. We will assess them properly and legally and accept those people when we need to, and they are large numbers in London. That needs to form part of the conversation.

Tom Copley AM (Chair): I am very aware particularly of what you say about the implications of the Housing [and Planning] Bill for the HRA. Has Westminster considered, as some other boroughs are, setting up a wholly owned company to deliver homes outside of the HRA, which would therefore be exempt from things like Right to Buy and forced sale?

Barbara Brownlee (Director of Housing and Regeneration, City of Westminster): No, it has not, but Westminster does have a local RP, Westminster Community Homes, which can do that anyway, although clearly that is part of the RP obligation.

Tom Copley AM (Chair): What is your relationship with them? Is the ownership --

Barbara Brownlee (Director of Housing and Regeneration, City of Westminster): We work very closely together. No, we have not considered setting up a company as we stand here now. Our belief is that, if it is literally that mechanistically done to avoid current legislative changes, it will not be allowed. Clearly, an enormous number of companies have been set up. I set one up in Thurrock before moving to Westminster. However, there is a strong feeling now in London that these will be seen as just a mechanistic tweak to avoid something deliberately and will not be allowed through.

It is about working with other people. We are doing an entire bottom-up, absolutely-every-penny look at our options around how we hold and manage our stock again and we need to do that, but we need to do it in a bigger and more thorough way than simply tweaking them all into companies to avoid the current Bill.

Tom Copley AM (Chair): Thank you. Denise, welcome. It is good to see you again.

Denise Brown (Chair, William Street Quarter Tenant's and Resident's Association): Hello. I am sorry I am late.

Tom Copley AM (Chair): That is quite all right. I was just asking the guests to introduce themselves and to say a bit about where they are from and the challenges they see financially in terms of delivering affordable homes for rent. Perhaps you could introduce and talk a bit about the William Street Quarter?

Denise Brown (Chair, William Street Quarter Tenant's and Resident's Association): OK. Good morning, everybody. I apologise for being late.

My role is a bit different to yours. I am Denise Brown and I am the Chair of the William Street Quarter Tenant Association. William Street is fairly new. It is an amazing establishment, actually. I like it because I live there.

The challenge that we face is affordability. I question a lot about what everybody thinks 'affordability' is. It has so many different takes on it. What is affordable to you may not be affordable to some people who live on our estate. We have over 200 units on our estate and 33 of those houses were there before the William Street Quarter came into being. That one row there is social housing because their rent is social housing, whereas the rest of the William Street Quarter is under this new Affordable Rent Scheme. That alone brings up its own difficult argument there in terms of rights and who should live here, which I am dealing with as the Chair. That is just another thing.

In terms of what you were saying, Ms Brownlee, I kind of agree with the way that Barking and Dagenham has done this because in Barking and Dagenham the model fits. This whole thing about the Right to Buy Scheme was good in the long term, but now we have a big problem where we have homelessness in such a way that London itself cannot cope with the amount of people who are homeless in London as a whole.

The other side to it is about having affordable housing. Even though you have social housing like the housing associations and you have affordable housing under this mechanism, we are still going to have this whole thing where people on the housing waiting list, who are working and cannot afford to buy a house, cannot get into a house because they are on a waiting list. I have come across families who have been on a waiting list for ten years: they are working but they still cannot live to afford in the houses that we have on our estate because they do not earn enough money. You have to earn £36,000 now live where we are. When I first applied you had to earn only £24,000 and I have been there only 18 months. Exactly what is 'affordable'? Then we have found out now after speaking to the Council and have realised that nobody will access our properties if they are on a waiting list and do not earn a certain amount of money unless they go into a one-bedroom.

The way our estate is made up is quite nice because we have a massive tall block of flats just for one-bedrooms and two-bedrooms, we have two more blocks of flats for nice three-bedrooms and then we have 40-odd houses, which are very spacious and very good, but this is about affordability. Our problem right now is about affordability. Barking and Dagenham has done quite well in terms of its model and is, hopefully, going to run it out to the rest of the local authority, which is nice. The estate looks nice. It is clean. It makes people want to live there.

What I do realise, though, going from tenants who were there before I moved in on the old side, because of how they built it and because of how it works, they have all gone to look for jobs. It makes you feel that you want to work. Does the model need to be tweaked, then, so that you are getting people who want to live in something and want to work to maintain it and to be independent off the benefit system? That has worked as well for some people who were going in on part-benefits and now they have gone to full-time employments. They can be off the benefits because they are living in a house that they want to keep and maintain.

Tom Copley AM (Chair): Thank you. We had an excellent site visit to the William Street Quarter not long ago. It was very interesting to see that scheme.

I just wanted to follow up on a couple of things to do with the finances. It seems that most members of the panel mentioned land as an issue. Are there any ways in which the issue of land could be addressed to make it less of a challenge for you?

Jonathan Gooding (Chief Executive Officer, Dolphin Living): Lessons can be learned, oddly, from the old London landed estates. I recognise that when public land is being disposed of there is the whole value-for-money piece, which needs to be completely respected, but it is perfectly possible to lease land. Providers of both market rent housing and affordable housing will be perfectly happy to take a building lease or a development lease and deliver housing on the basis of a 100-year lease, potentially with a geared ground rent depending upon the viability. It is perfectly possible for public authorities to obtain full value, but that does not necessarily mean simply having a big cash cheque written at day one and having the land then lost in perpetuity. There should be a lot more thought given to using the leasehold tenure system that we have in this country to our advantage.

For example, we are delivering a scheme in Westminster on land owned by Westminster City Council where we are taking a lease with a significant ground rent that has rent reviews in it and we are committing to re-provide sports and community facilities on the site and build 67 new homes, most of which are affordable. We are able to do that because we have not had to write a massive cheque for the land upfront. Westminster will get best value for that through the provision of £7 million worth of facilities and a rental income over the next 150 years.

It is not difficult to find simple solutions, but if we take the simplistic approach to best value - meaning the biggest cash payment that can be made on day one - then the housebuilders, like the grey squirrel, will destroy all other species that go before them. Once land is developed for private-sector housing and sold either freehold or on very long leases, it is lost in perpetuity. The smart thing that the London landed estates did 150 years ago was to get capital receipts in but to do it on a leasehold basis so that they had the reversions. They were thinking on a much more long-term basis.

Tom Copley AM (Chair): That was interesting. Our Budget and Performance Committee has been rather critical of the way that the Mayor has disposed of land that was inherited from the Homes and Communities Agency (HCA) because of course all of that has now essentially gone in perpetuity, whereas a model that involved, as you say, leasing it instead and realising long-term value could have been a more effective way of doing it.

Shamez Alibhai (Partner, Cheyne Capital): The objective, if we take stock on what the objective is, it is to have long-term, perpetual housing that is affordable for our communities.

There are different ways of doing that. Jon [Gooding] suggested one model, which is the lease approach and which reduces the amount of upfront capital that is provided. We did a different approach with Luton Borough Council. It is an 80-flat scheme. It is 100% sub-LHA. That is all 80 flats. That is hardcoded into the section 106 [agreement]. Long after I am gone, those units will still be at those rents. There are different ways to make sure that the use value of that housing stock is not moved from affordable to maximisation at some future date.

What does 'value for money' mean? Is it maximising your land receipt? In that case, sell it to Berkeley Homes because it will build £2,000-per-square-metre flats and penthouses and great things, but that is not very useful to a lot of people who live in London. 'Value for money' needs to be reinterpreted as 'value for use'.

You can do that very simply. What we did was we went to Knight Frank and we said, "Value the land given its use value". That allowed us as a Council and as a public-sector body to ensure that the land was being fairly priced for its use. We could then protect the mission of that land by locking in on the title how that land is to be used in perpetuity and the only people who can change that are the Council. That allows us to generate an upfront capital receipt.

Is it possible to do in London? Absolutely. We were looking at somewhere on Cambridge Heath Road in Tower Hamlets. It was a site that the Council owned. We did one land value of £7 million. That was the capital receipt. All 103 units would have been at sub-LHA rents. If the Council wanted more, wanted different rental mixes, wanted 80% affordable, wanted keyworker at - let us say - 85% or whatever, that land value would have simply changed. That land value would have gone anywhere from £7 million to £12 million depending on how the use of that property would have been restricted. There are different ways of also approaching land value.

Barbara Brownlee (Director of Housing and Regeneration, City of Westminster): That tension between developers and local authorities and what they are going to get for the land has been there since we have been developing. Jon [Gooding] has just described something that we are doing in Westminster with Dolphin Living and we are very happy to have a very long-term view of income. In fact, for most local authorities, it works better. To have a continual income from something at a point when your general fund is very pressurised is a really good model for a local authority. It means that you can genuinely look at health and employment issues around housing.

There will always been discussions about the viability of affordable housing on a piece of land. They have gone on forever. It was mentioned earlier that some Councils are better at getting their 30% or their planning-compliant numbers than others. That happens. That is what democracy is about. It is what elections are about. It is what planning committees are about. You get that variation. It goes up and down and it is quite a healthy tension.

The thing that I would say is that local authorities are very rounded in how they see the value of their land. They will go for the best use value. They will look at long-term income. There are lots and lots of examples of that in London. Where the debate has to move on and your question was, if it is about land, what can we do? There are other public bodies that own a lot of land in London.

A particular one that I would suggest everyone in some way has touched dealing with is the National Health Service (NHS) that has moved from one end with how it values its land very violently to the other end of the spectrum. It is about absolutely making the most use possible out of that land. There needs to be a mature debate, which will take some time, about shifting back to the middle and looking at land with a bit of a broader eye. At one point, there is no doubt that the NHS did not get the best value for its land and that is the thing that has led it to flip right to the other end, but that is not helping any of us. We need to bring it back somewhere sensibly to the middle.

Tom Copley AM (Chair): Andrew, you wanted to come in on this point?

Andrew Boff AM: Yes. It was actually after Mr Alibhai spoke, but you have covered it as well. It was about the role of planning in finding housing because it seems to me from my experience that an awful lot of London local authorities are pretty spineless when it comes to enforcing their own planning regulations and can be bought off by a developer waving a chequebook.

Do you think there are grounds here for planning being much more prescriptive and taking a much stronger line on their own plans? Time and time again, you hear about planning developments that go against the local authority's own plan because a developer has come along and has said, "No, if you just let us build 20 storeys, we are going pay for a canteen in the local primary school".

Barbara Brownlee (Director of Housing and Regeneration, City of Westminster): You make a very good point there, but it is not quite that simple.

In Westminster, certainly, we have the phenomenon of developers that never intend to develop. People buy a piece of land, go for planning permission and simply sell it with that planning permission. The next person will pay a bit more for it, get a bigger planning permission and sell it. You cannot say that what the land is bought and sold for is more than what the market should be because it is what the market is, but it could not be a higher value. That is what will be quoted when people do their viability studies to fit in their affordable housing. It is genuinely true and we have had the call for transparency on viability studies and that is affirmative and it is happening, which is a really good thing. However, people are paying extortionate amounts for land. They genuinely are and they are not going to build it out. They are then going to get an even higher planning permission and sell it again. There is a lot of development in central London where no one ever intends to build the land out. That is definitely something going on in Westminster, which makes it really difficult to make the planning policies comply.

It is not as a simple as local authorities just being spineless. In the main, local authorities want that affordable housing. They are paying out of the other hand for homeless families to be in temporary accommodation. They want and need it. They cannot afford not to get it.

Paul Hardisty (Chief Executive, Octopus QSH): I would not underestimate section 106 at all. We still have a future in that with certain models like ours and the affordable Rent to Buy. However, what some local authorities are doing - and one local authority in the north - is hosting and inviting all of the developers to come in and meet us, just to call the developers' bluff and say, "We have someone here who can buy the section 106s from you. If you are going to come and back and say that it is not viable, you cannot do it and you cannot find anyone to do the affordable housing, we can have someone there straight away". In terms of whether that is going to change with low-cost Starter Homes, lots of local authorities really like our model and say that that will count towards it because it is affordable Rent to Buy. I can see that in London if someone is forced to buy, you might need to put a big overage on there so that you can have that recycled back, but it is exactly the same. We are unblocking huge amounts of section 106s --

Andrew Boff AM: You will take over the obligation from the developer?

Paul Hardisty (Chief Executive, Octopus QSH): Absolutely.

Andrew Boff AM: In many cases with your model, the land value does not matter because the land value has already been settled?

Paul Hardisty (Chief Executive, Octopus QSH): That was Shamez's [Alibhai] point. Once you set the section 106, what you are doing is setting the discount for the land from the beginning. If you want to [operate at] sub-LHA [rent], you just set a bigger amount and you are done. We are unblocking lots of schemes with section 106s and taking some more of the section 106 requirements. Councils are using that to be able to say to developers, "Do not come in here saying you cannot do that because we have someone over here who will pay and will pay at a good rent".

The final point is that when you use models like ours, we are not covered by the rent reductions, the Right to Buy or anything like that. If you want long-term affordable rented housing, you can have that because our models are not covered by HCA guidance. Strictly speaking, we volunteer to meet the private rented sector (PRS) at an affordable level. That is technically what we do.

Gareth Crawford (Head of Development (South), Home Group): I was just going to say that I totally agree with what you were saying. To me, if a developer goes to a local authority and says, "Here is my viability study. We cannot now deliver your policy affordable housing numbers", essentially what they are saying is, "We paid too much for the land". I would have thought that that is their problem.

Andrew Boff AM: Absolutely, but I am afraid that --

Tom Copley AM (Chair): If a developer has overpaid for land, the local authority can turn down the application legitimately. Is that not right?

Andrew Boff AM: Of course they can but they do not. They do not. I can name loads [of developments] in Hackney, for example, where they have just paid way too much.

Simon Tanner (Y:Cube Development, YMCA London South West): The challenge with most viability assessments is that the developer is looking to make a 40% return and you will not be able to deliver affordable housing and try to get a 40% return. Paul's [Hardisty] idea was taking away from the point that I was making about unblocking the planning system and saying to people - sorry, I interrupted you - where there is a viability assessment, "Actually, that has a value to it. Now find an alternative way of delivering housing for that value". That is the way that we are unblocking the system.

Gareth Crawford (Head of Development (South), Home Group): What I was going to say was that I totally agree with you but that that ship has sailed. We now have a situation where developers can go back to local authorities and say, "We want to discount market sales in lieu of affordable housing or as the affordable housing". Therefore, affordable rented housing through section 106 may well be coming to an end. That is a reality.

The other issue is that we have seen that the Government is looking at enabling bodies other than local authorities to determine planning applications. I have no idea and I do not think there is any detail on how that is going to work, but that may also have an impact on how those negotiations go in the future because it will not be local authorities driving it.

Tom Copley AM (Chair): That is yet another part of the [Housing and Planning] Bill where it is the Secretary of State who will make an order and so the detail of it will not be put through Parliament.

Andrew Boff AM: I just wondered what the motives were behind Cheyne Capital deciding to set up the Social Property Impact Fund. I know that you are getting a return: is that the motive or is there some other motive?

Shamez Alibhai (Partner, Cheyne Capital): There is a broader shift that is going on amongst investors around how they invest their capital. We have seen that in things like pension funds selling oil stocks because they no longer want to be involved in extractive industries. There is a growing movement amongst institutional investors - pension funds, insurance companies - to see their capital being used in a way that can generate both a financial return and a social return.

That movement will increase. We have seen that Ronny Cohen [Sir Ronald Cohen, former Chair, Social Impact Investment Taskforce] has been advocating very vociferously and there has been great success in the area of impact investing. We have seen, from our perspective, capital from Australia. I was late this morning because I was speaking to a Dutch pension fund. We have UK pension funds and United States [US] pension funds that want to see their capital being used in a way that is constructive. It is as simple as that.

Andrew Boff AM: How do you decide what to invest in? What particularly makes a development unattractive to you? You covered earlier being certain about land value and that is on record. What else is there?

Shamez Alibhai (Partner, Cheyne Capital): We are real estate investors. We have to be able to show that that development is sustainable. For us, it is very much working with the local council and the community to understand, if we were to build something there, whether that asset would hold its value for 20, 30, 40 or 50 years. We are looking to make a generational investment as opposed to a short-term investment.

To Jon's [Gooding] point, that is the biggest difference with the type of capital that Jon represents. We have a long-term view about whether that asset can maintain its value over the long term, versus Berkeley Homes, which has a six-month view about what is the most that they can sell the property for. Housebuilders generally have a very short-term view. Most developers have a short-term view. It is unfair of me to pick any specifics, but it is a short-term view versus different forms of capital that have a longer-term view.

That is the main thing. We have to have a return, it has to be a viable real estate scheme and we have to have the support of the Council, the housing association and the community for what we are doing.

Andrew Boff AM: Thank you for that. To Mr Hardisty, what impact on you has working with the investment funds that you work with had on your ability to develop affordable rented homes? What is the compromise?

Paul Hardisty (Chief Executive, Octopus QSH): The really interesting thing is that I have worked for 20 years with Councils mostly, although I was at the Peabody Trust for a couple of years, and Councils are risk-averse and bureaucratic. I thought, "We will go to the private sector and we will find a whole different range of people who will be able to dynamically change the world and what-have-you". Actually, they are exactly the same. They are bureaucratic, they are thinking for the long term and they are very risk-averse. It is because they are handling people's money, just the same as the public sector.

What I have had to learn is actually what works and how the risk is managed. A covenant with the Council is, for us, actually better than an RP in terms of providing managing agents because that is a less-risk factor. That is built in because of the investment world's view of risk. They are also looking at the long term, but you will find people who will look at the short term and so get the Right to Buy scheme to be able to work. It has been a huge culture shift over six or seven years, but in the end I feel as if we understand the rules of the new investment world. Actually, as people, they look a lot like the people I had known 20-odd years before that at Birmingham, Halton and Easington in the northeast.

Andrew Boff AM: It does, but that long-term and risk-averse view is quite sensitive, therefore, to policy changes, I am assuming.

Paul Hardisty (Chief Executive, Octopus QSH): It is, but that though is one of the benefits of us operating on a voluntary basis. We were worried at first when the rent restrictions came in because a 1% cut per year would do damage to any business model or any investment, but that does not count for us. We are volunteering to do that. There is no public grant coming into us. We have set this business up to be able to provide affordable housing without grant and it has turned into a virtue and means that we can carry on without some of those policy shocks that come along.

For us, if you are looking at something that is long term and starts off as affordable, if you think of market rents, they are nearly always escalating higher. They are only going to become more and more affordable if we have controls of the Consumer Price Index (CPI) or CPI plus 1%. Fundamentally, you do not have much of a risk because the rents start below market and get further and further below market over time, over 20, 25 or 30 years. That is how the investors are looking at that as a risk-free investment.

Andrew Boff AM: What financial models work best for you in delivering affordable - and I mean that as a general term - housing? Because you are completely independent, how have the changes in the HRA affected you?

Paul Hardisty (Chief Executive, Octopus QSH): They have not except to accelerate demand because more councils have less to spend and therefore are looking for a diversified strategy and are looking for more alternative sources of finance. There are a lot of housing associations in retrenchment - not all, it certainly would not be in London. We are finding ourselves in huge demand particularly for section 106s but also on discounted council land. The phone does not stop ringing because there are so few of us able to provide these things. It has had a positive effect.

We never intended it to be that way but the Budget changes, the social rent reductions and the section 106 announcement by Mr Cameron [Rt Hon David Cameron MP, Prime Minister] has helped because a lot of people now will prefer any sort of affordable housing. They particularly like the Rent to Buy because it looks like low-cost Starter Homes but also gives the flexibility if you do not have the deposit or just do not want to buy that you can rent for another 20 years. We can comply with the Government policy whilst also working with the council policy. There have been lots of benefits without us actually doing anything ourselves to it.

Andrew Boff AM: As long as that policy remains stable, the benefits are going to continue?

Paul Hardisty (Chief Executive, Octopus QSH): Yes. we took a long-term view. The demand for housing is never going to go away.

In my experience, the big epiphany moment I had was that I have worked for Conservative Councils, Labour Councils and coalitions - Birmingham used to have a Conservative-Liberal coalition - and it does not matter who is in power. You do not have enough money for housing and so you need alternative sources of funding. Shamez [Alibhai] and I are not in competition. There is so much demand: why would we be? Each Council needs to look at section 106 planning and also look at a whole diversified strategy of investment.

We are not here to compete with RPs or the Councils themselves. We are here to provide a diversified, alternative, complementary source of income. Actually, if we get it right, there are huge amounts. There are billions and billions available in this city as long as we get the investment right. We are trailblazing and establishing the models and then we will find that we will become a huge asset class, like student housing used to be except the market for student housing is nothing like the market for affordable housing.

Fiona Twycross AM: I have a question for Gareth first. I wonder if you could talk a bit about what the main advantages are of your flexible rent system and whether you have any plans to expand this into London.

Gareth Crawford (Head of Development (South), Home Group): The first thing we want to do is to get our first scheme off the ground, which we have not done yet, just to be completely upfront about that. It is model that we have been working with the New Economics Foundation on. We think that it works and we think that it has legs, but we have not done it yet. Yes, we want to do it. Yes, we want to do it in London. To do that, we need to work with a local authority that will collaborate with us in terms of section 106.

Very briefly - and it is not a fixed model and so this is not necessarily the final version - the way we see it working is that we have a range of rents from market all the way down to something similar to social rent or target rent with layers in between. We identify the total envelope of that income, we identify that on day one and we say, "That is the defined income that we agreed with the local authority through the section 106". That is the defined income. What happens in the future is, if the rental market rises and we get more income from that whole portfolio, then we can increase the amount of subsidised less-than-market-rent housing. That is, broadly, the idea.

The big advantage of that is that in a traditional section 106, if you have 30% affordable housing, it is what you have on day one and whatever happens in the market it is all you are ever going to have. However, with this model, it means that you can work with the local market. If the local market is resurgent and really strong, you will get more affordable housing. Conversely, if the market falls, you can flip it the other way, which we think is unlikely to happen if you look at rental trends over the long term, but it means that a potential investor in this product and in this revenue stream would have comfort that there is protection against the market falling, which means that it is a very stable income. That should make it more attractive to investors. Of course, if that were to happen, there would be a natural effect of rents falling anyway and so the affordability problem is less acute in that scenario. That is a very broad overview of how we see it working.

Fiona Twycross AM: You have not started this at the moment. Do you have plans to have a pilot or a scheme of this type somewhere?

Gareth Crawford (Head of Development (South), Home Group): We are in conversation with a number of local authorities in London. We have gone out and we have explained this idea. We have worked on the financial model and we have talked to investors. We have done quite a lot of background work.

The next stage is for us to find a site and to develop it using this model. To do that, we need to (a) find a site and (b) find a local authority that is prepared to work closely with us on this. There are things that we are looking at, but we do not have anything that is ready to go at the moment.

Fiona Twycross AM: Are there risks that would be associated with this model, do you think? Clearly, you have spoken about the advantages. What would the risks be?

Gareth Crawford (Head of Development (South), Home Group): With any product there are risks in the sense that there may be unforeseen things that we would not know about until we have trialled it, which is why we want to trial it. We need to test it and see what flows from it.

Fiona Twycross AM: Great. Thank you. I wonder if, Jonathan, you could explain how your income model works.

Jonathan Gooding (Chief Executive Officer, Dolphin Living): Yes. Interestingly, when we bought the New Era Estate and introduced what we call a 'personalised rent policy', we did not realise that we were actually piloting Home Group's flexible rent scheme, which it published a paper on at a similar sort of time. It is quite interesting that, completely separately, we have come to a very similar place. Home Group's paper that it published on this focuses more upon the 'investability' of this and the fact that, if you create a rent envelope, then you would create something that is great from an investment standpoint and that works. We have been looking perhaps more at the micro level of how this works from the tenants' perspective.

The key thing with the Home Group flexible model is that there would need to be a greater degree of trust between the local planning authority and the affordable housing provider because the planning department and the section 106 would simply be defining a rental envelope for the building but ceding control of how those rents are allocated within the building. For the reasons that Gareth [Crawford] has articulated, it is a very sensible thing to do. Presently, the tendency is entirely the other way and, with considerable justification, the planners do not really trust the developers and they therefore try to put as much detail into the section 106 as they possibly can. They end up with a section 106 that defines specific rents for specific units and often rents at three different levels for a one-bedroom flat, three different levels for a two-bedroom flat, different income categories for them or whatever. To do that and covenant for 100 years is actually probably pretty foolish because the odds of being able to comply with that section 106, even for three years never mind for 30 years or 50 years, are so low. A shift like this would be good.

I will answer your question: how does it work from our tenants' point of view? We bought the New Era Estate as a private investment let on assured shorthold tenancies (ASTs), not covered by a section 106 agreement, not with any agreement with Hackney Council and not with any lenders involved and so we had complete flexibility about how we operated. We promised the tenants at the time of purchase - because there had been a lot of heat generated around it - that we would introduce a rent policy that was 'demonstrably fair'. That was the quote that I gave to the press at the time and at the time I crossed my fingers and thought that it is going to be interesting to see how we actually deliver that.

We sat down to talk to the tenants and proposed to them that we had a system that was fair to the extent that the pain of paying the rent was equal for all of the tenants in the building and the percentage of the disposable income that they had that they were committing to rent would be the same. The absolute amount would vary, but the percentage would be the same. If you earn £25,000 and you have 30% disposable income, that is a lot less cash than if you earn £50,000 and have 30% disposable income.

Instead of getting hung up on percentages and instead of talking about discounts on market rents, which do not mean anything, we came up with a model that said, "We know that using the Joseph Rowntree [Foundation] minimum income standards statistics, if you are a working couple with two children of primary school age, then you need £500 a week of free cash after you have paid your rent in order to feed and clothe yourself and the kids, travel, go to work, do your hair or have a drink, even". Our residents thought that the amount of money provided for alcohol in the Rowntree figures was a bit on the low side, but the Rowntree work is a very credible piece of work that has identified a whole range of different household types and how much free income they should have.

We came up with a model that said, "If your salary is this, you are going to pay this much tax, you are entitled to a bit of tax credit or whatever and so your net income is this. Joseph Rowntree says you need this much free cash after you have paid the rent and so here is your zone of affordability. If you have a rent that is somewhere within that band, you will be comfortable with that. The quality of life for you would be comfortable".

Then we looked at how we grade that because, clearly, if you simply worked to the maximum of that band, you would be completely disincentivising people from improving their lot. We came up with a marginal tax rate, if you like, of 50%. We said, "Look, if we have heavily discounted your rent, then we want that rent to increase as you do better, but we will share the benefit with you equally. Once every three years, when we look at your rent, we will reassess your ability to pay. Within that three-year period, good luck to you. If you get a pay rise, it is all good, but we will increase your rent eventually to the intermediate rent". The highest level that we would go to would be an intermediate rent within the GLA/mayoral household limits. What that means is that your neighbour could be paying twice as much rent as you or half as much rent as you. Somebody with a three-bed flat could be paying less rent than somebody with a one-bed flat. It is a bit counterintuitive from that point of view.

However, we have put it to the tenants and the take-up rate has been huge. Of the tenants, 80% have opted into the personalised rent scheme. I do not think that you would be surprised to know that the ones on lower incomes were quicker to opt in than the ones on higher incomes.

Fiona Twycross AM: Do you have a reasonable proportion of the people on higher incomes? Obviously, the model must rely on you getting a range. How has that worked?

Jonathan Gooding (Chief Executive Officer, Dolphin Living): Because we do not have any entitlement to financial data, what we did was to give them a fairly soft opt-out option. We said, "If you opt in, then you will get a three-year tenancy and you will only get a CPI rent increase over the three years, but you do have to give us the information. If you prefer not to do that, then we are going to increase your rent by CPI plus 4.5% each year until you decide you do want to opt into the scheme". Actually, for the people on higher incomes, there is no real incentive to opt in.

It is quite complicated. The whole rental policy is on our website if you want to look at it in more detail. There is quite a lengthy description there.

Happily, I am very pleased to say that it has been very well received by the tenants. From an investment standpoint, it is achieving exactly what Gareth's [Crawford] model achieves, which is giving us a minimum rent envelope. We have the ability to let vacant units at higher rents if needed to top up the income stream.

Fiona Twycross AM: Is this something that you plan to expand elsewhere in London?

Jonathan Gooding (Chief Executive Officer, Dolphin Living): The University of Westminster is doing a piece of research for us at the moment and is modelling all of our other schemes using the same rent model to see whether this kind of model would be sustainable from an investment standpoint. If it is, then we will be going back to the inner London planning authorities and saying, "Look, why not think about this in terms of your section 106 rather than a conventional system?"

Shamez Alibhai (Partner, Cheyne Capital): We would prefer to strike a happy medium between what Gareth [Crawford] and Jonathan are doing. We are developing two schemes right now that have this idea of the rent envelope. We have not tried to embed that in the section 106 because that takes a long time. It can. It is a lot of discussion. What we have said to the planners is, "You just give us your normal section 106 bit". It turns out that that section 106 is well below the amount of affordable housing that we were intending to provide anyway and they are very satisfied with that. What we do is we allow the Councils to set how they are going to distribute the rents amongst that group of people within that block.

From an investment perspective, we know what our rent is going to be. That indexes up at CPI. I think everyone has talked about a fair form of indexation with the CPI. Our rent envelope increases up at CPI. We are working in communities where rents are going up by 10% to 15% per annum.

To Jon's point and to Barbara's [Brownlee] point, what is really interesting about that model is that it actually creates a revenue line for the councils because their market rents are going up at 10% or 15% per annum and they allocate some of the units to market rent. Mixed-tenure communities are important. That creates a revenue surplus for them every year. As Paul [Hardisty], that wedge grows bigger and bigger. In a downside scenario, if there is a recession or if things go wrong, you can even lower the rents because you have built up a buffer and a cushion.

This idea of a rent envelope is very powerful. You can try to get it embedded in a section 106. That is a useful place to go. Our capital likes to get invested quickly and so we are just doing it without having it in the section 106 and we just have agreements with councils saying that they will agree to work within this rent envelope. It has been very successful.

Nicky Gavron AM: Just to ask both of you who have mentioned a flexible rent model. One of the criticisms sometimes made is that it does not incentivise people to go for promotion or to earn more. What have been your findings?

Jonathan Gooding (Chief Executive Officer, Dolphin Living): My personal view from what I see of our tenancies is that they are not likely to be demotivated by the fact that we are discounting their rent and that once every three years they are going to face some kind of rent increase. The rents that we are charging, both in New Era and across our whole portfolio, are typically about 50% to 55% of market rent. Even if as a result of their incomes we do tell them that they are going to have to pay 5% more or something, they still know that they are getting their rent at a massive discount to the real world. We are talking about people on really quite low incomes and I do not believe that people who have household incomes of --

Nicky Gavron AM: Can you just say what you mean by 'quite low incomes'?

Jonathan Gooding (Chief Executive Officer, Dolphin Living): In the New Era Estate, more than half of the tenants have household incomes below £25,000 a year. They are really low. That was one of the shocks we had when we bought it. This is an old-fashioned East End low-income population.

Nicky Gavron AM: That is slightly above the benefit cap, so to speak, of £23,000?

Jonathan Gooding (Chief Executive Officer, Dolphin Living): Yes. They are in that really awkward space. Most of them will be in receipt of some benefit, particularly the single-parent families and the people with kids and whoever, but they are largely self-supporting. They see themselves as hardworking Londoners who have been really shabbily treated by the system because they are not eligible for social housing and they are not being supported by the state in any way but they are really struggling to pay the rent and pay the bills. When you are in that sort of position, you are not going to choose not to move forward and not go and earn another £5,000 a year because your rent is going to go up by £10 a week. That is just a myth. If you were right on the cusp of the benefit trap and by earning another bit of money you were going to lose a whole lot of benefits, it would be different, but that does not apply to this tenant group.

Nicky Gavron AM: Just so that I get it clear, OK, you are on £25,000 and that is gross. How much of your disposable income, then, are you paying on rent?

Jonathan Gooding (Chief Executive Officer, Dolphin Living): The one thing that we did do in order to protect investment was to say that we are not going to put anybody's existing rent down. If we do that test and find that the personalised rent we would set is less than the rent they are paying at the moment, then their rent simply stays the same. They are typically paying at the moment about £170 to £180 a week for a two-bedroom flat in Hoxton, which is well less than half the market rate. Admittedly, it is a pretty shabby two-bedroom flat, but it is still less than half the rate. Some of them will be seeing the rents increase, if they have opted into the scheme, by £3 or £4 a week. That is the sort of level of increase and they can expect to see that kind of rate of increase over the next three years. Therefore, I really do not see it as a question of that being likely to disincentivise them from going out to work or taking on additional work.

Andrew Boff AM: What are the incentives for you to invest in the estate in the future? It needs investment, does it not?

Jonathan Gooding (Chief Executive Officer, Dolphin Living): It needs investment. We have factored that into our plan. We are a housing charity; this is what we do. We are here to help people on low incomes. Clearly, we bought this off Westbrook, a US investment fund, which took a very different approach to how it would want to manage it and how it would want to maximise the return on its investment. Happily, whilst - like Shamez [Alibhai] and Paul [Hardisty] - we need to hit a minimum yield on the investments we make, we are not necessarily looking to then maximise that yield. It does need huge investment. In the very long term, it will need complete redevelopment and we will look --

Andrew Boff AM: It is not good housing.

Jonathan Gooding (Chief Executive Officer, Dolphin Living): No. Investing a lot of money in the existing housing would be lipstick on a pig, really.

Tom Copley AM (Chair): What about new tenants on the estate? Do they come into the scheme as well?

Jonathan Gooding (Chief Executive Officer, Dolphin Living): Yes, they do and they will come in on a similar personalised rent policy. To the extent that we have had to heavily subsidise the existing tenant cohort, we will be probably looking to bring in people who are intermediate renters and who are well within the limits but possibly with incomes of £40,000 to £50,000 a year.

It is quite paternalistic in its way, but it is a way of managing the community and keeping the community together. That was the tenants' key concern: that we did not break this community up.

Fiona Twycross AM: Is it a bigger concern for the tenants who are effectively subsidising the other cohort that the community does not get broken up than the fact that they are paying more than the people they are living alongside?

Jonathan Gooding (Chief Executive Officer, Dolphin Living): That is the sort of debate that they found really interesting. How would they feel about paying more rent in a slightly altruistic sort of way? The answer is, "If your rent is 60% of market rent and if his is 50% of market rent, do not come bleating. You are still getting a fantastically good deal".

Tom Copley AM (Chair): Can I start with Shamez? Could you tell me what your level of interest is in developing affordable rent homes in London?

Shamez Alibhai (Partner, Cheyne Capital): Huge.

Tom Copley AM (Chair): Huge? Excellent.

Shamez Alibhai (Partner, Cheyne Capital): The challenge we have as an institutional investor is our investors want to invest £1 billion. London works well for investors because London can absorb £1 billion because the values and property prices are so high. From our perspective if we could increase our activities in London that would be great.

What are we doing in London right now? We are working with a housing association in east London to build section 106 housing. It is what Paul [Hardisty] referred to, which is that a lot of housing associations, even some in London, have had their finances negatively affected by the rent cut, which means that they have had to take a pause on what commercial activities they are willing to participate in.

Some developers have been using that as a way of renegotiating their section 106 agreements and rightly so because the viability assessment was wrong. They had agreed a certain price. That price is no longer available in the market. We are working with this housing association to say, "We can bid the same level that housing associations used to bid for these properties", and therefore the developers will have to continue with their section 106 obligations as opposed to potentially renegotiating them.

There is an opportunity. To Gareth's [Crawford] point: it is very clouded as to how long that will last because of the changes in the planning rules. We would hope that London authorities are able to make sure that there is some rented as well as some discounted sale. Both tenures are important for our communities.

In terms of new build where we are the developer, where we are promoting a site, it really is a function of land. Outside of London we can compete with private land developers. We are doing 400 units outside of London. We are doing 200 units up in the north. We are buying lands from the private markets, from private land sellers, as Barbara [Brownlee] has suggested. In London it becomes very difficult because there are speculative assumptions people are making around how quickly property prices are going up in London. That means quite often it is difficult for us to compete.

I agree with Barbara: there is a lot of public sector land to be taking a look at, whether that is with the NHS, whether that is with councils or whether that is with the fire department. There is a long list of public sector bodies. It would be useful to see, strategically, what we want from that land. Once we know what we want from that land we can price that land accordingly and that would then allow private sector investors - the three of us - and social investors, councils and so on to build what we need. If we are only looking for maximisation of land receipts it will be very difficult for us to compete in London.

Tom Copley AM (Chair): It seems there is a lot of public sector land and there is a lot of finance flying around. It seems to be about connecting the two in a way that is productive and delivering the social returns we all like to see.

Shamez Alibhai (Partner, Cheyne Capital): Exactly.

Tom Copley AM (Chair): Later in the meeting we are going to come on to what the Mayor can do. Perhaps there is a role there but I do not want to approach that now.

Could I put the same question to you, Paul, about your interest in developing in London? You said at the beginning you do not develop in London.

Paul Hardisty (Chief Executive, Octopus QSH): Yes, that is right. I was pleased to be asked [to attend today] because we have concentrated elsewhere. We just assumed there is a huge amount of housing association finance, to start with. For a lot of investors it is not a difficult investment, London, because even if you get the income wrong you are going to get a capital gain that will bail you out.

We have concentrated elsewhere and looked at lots of sites in the Midlands and the north. We have made a site work in Doncaster in a really tough area, a mining area, and we think we can make it work anywhere. We clearly could make it work in London, providing the price was right. Our model is the same as Shamez's [Alibhai]. The rent to buy thing might be a different thing we would have to look at and create numbers for, but we might be interested now as a result of this because I honestly did not think there was a problem with investment.

We target outside the M25 and to the west of Reading but also the rest of the UK: Scotland, Wales, the Midlands, the north and the southwest. I am being straight with you. We have not just because we thought that was investment, but this panel meeting today has made us think that there might be interest certainly in applying the section 106 stuff and certainly in the flexibility. I do think the section 106 is not a finished debate. Lots of Councils, even Conservative Councils, do not quite like the new regime of low-cost Starter Homes and would prefer a flexible product that allowed people to rent where they do not need a deposit to start with but they build up a deposit and so you either have one or the other. If that was of interest in London, we would start talking to some Councils about it.

Your point is right: it is the planning process putting the two together. There is a huge amount of money and it seems like there is a huge amount of land.

Tom Copley AM (Chair): Of course Transport for London (TfL) is now very much looking at developing its land. Its approach is quite different to the way that the Mayor has dealt with the HCA land that he inherited.

Could I come on to Denise next? Could you say what the main priorities are for tenants moving into new affordable homes for rent?

Denise Brown (Chair, William Street Quarter Tenant's and Resident's Association): The community. I say that from my background with Thames Gateway. Please do what Thames Gateway failed to do, which is to enable a community to be formed. A lot of these tenants that are moving into these new properties, like ourselves, do not all come from the same local authority. They come from different types of local authorities across the board.

One of the things that we found is that there is a big disengagement in regards to households. Everybody goes in their door and shuts the door. Unless you knock on the door, you do not know who is who until something has happened. One of the things I have found is that while you are creating these new affordable homes, the priority is how you are going to give these tenants a sense of belonging and a sense of community in the area you are putting them in.

Do not assume that when you put 400 new homes up or 200 new homes up, everybody is from the same local authority. It does not happen that way. That is one of the things that Thames Gateway did. They built all these new houses and all these new communities but they did not do engagement. They did not bring the communities together. They had nowhere for them to meet. We have that situation now where we are. When we want to meet I have to either engage with a local church hall - and not everybody wants to go into a church hall that is run down - or we have to borrow the local authority's offices to meet.

You are talking about social return, but your social return is going to be totally different to what I see as a social return. That needs to be defined and valued in a way that is relevant to the area that you are building in. Make it relevant. Everything you do around housing has to be relevant, as well as what you have mentioned about value. Value is an issue in how you are going to get it done and how it is going to get put there.

The priority for me is that sense of community and the sense of belonging. When you are building these phenomenal estates and so on- which are nice, do not get me wrong - put something there where people can have a sense of community, where they can meet and be part of that process, not just be in a door, shut the door and that is it. The only time you see someone is when you walk around.

I know the tenants because I walk around. I stand out so they know me. I am the one with a walking stick. That is different. I have made a point of doing that because of my role and my purpose, but from my history and from my experience involved with local government and with the Thames Gateway, which was the biggest thing that was done by the Conservative Government, the one thing they forgot about was a sense of community and a sense of belonging. How do you integrate with those that are on a lesser level of earning, as opposed to those that have come into a higher level of earning?

You talked about rent and rent models. You have the intermediate rent, which is what this affordable housing is supposed to be, but then you have two layers below that: you have those who are not working at all but want to start working and you have those that are on very low incomes, below £21,000. There are quite a few. How are they going to get into there? How do they fit into that whole model? Your priorities have to look at all those things in terms of social return and value.

Make it relevant. It is about a sense of belonging. How do you get these people together when they have moved in? We had a community meeting that went into a big argument because no one was talking to each other and it was all bureaucratic. Start from the bottom upwards.

The good thing about where we were, though, is that the developers came around and spoke to us as we were moving in. I knew the gentleman who was in charge of my block of houses. I met him on the day I moved in. He came to all the houses and introduced himself. He said, "This is what the problem is. If you have any issues, come to us". He said where the site manager was going to be. It was that level of interaction. Then we had a local authority bring in a partner and then we met the housing officer. She was there within three days. They made it very personal about the things that were going on and you felt part of the process.

However, as the development started to grow and more houses were being released, you saw fewer of those people around. It became irrelevant. Everybody knew to knock on my door if something was going to go wrong because "the lady at the corner knows how to get things done". Even though that worked for a certain time, where is your sense of responsibility, as the local authority and the builders, if something goes wrong?

While I did not mind doing those things, the priorities were still not set in stone and everybody was wishy-washy. Like Andrew [Boff AM] said, some of them were spineless. "I daresay this; I daresay that". This is not the era of being politically correct or not having a backbone to deal with it.

When developers are there and you are building these houses, when you have investors, people have invested money to make money. They are not in there for social issues. They are not in there to raise value. It is only the people from the Councils who are paid to do it that make a living and say, "This is what we want to do". But you do not know the people that have moved into these houses. Everyone has their own story. The one thing I want to ask and stress is that when you are building these properties, which are nice, you have to make sure that the social value is going to buy into that local area. Do not think that what fits in Barking and Dagenham will fit in Lewisham or Westminster. Definitely not in Westminster but maybe in Lewisham or Hackney. Does that make sense?

Tom Copley AM (Chair): Yes.

Denise Brown (Chair, William Street Quarter Tenant's and Resident's Association): What fits in Birmingham may fit in Yorkshire, which is where I am from, but I do not think that model will fit in some parts of London simply because I have had the best of all the worlds and so I can see how they all work. You need to have a very distinctive definition of what 'affordable housing' is. If you have three tiers to it, then give it three tiers so that people out there do not think, "We will never get here".

The one thing I would like to say before I finish is that the GLA, the Mayor's office, has to work very closely with local authorities, like with Westminster and all the other heads of departments, about how to move people out of the homeless section into affordable housing and get them out of the PRS. Stop paying private landlords for rubbish houses compared to what you can provide on a social housing platform. Does that make sense?

Tom Copley AM (Chair): Yes.

Denise Brown (Chair, William Street Quarter Tenant's and Resident's Association): It is a lot better to do social housing that is affordable than to keep relying on privately rented houses, where they can do anything they want. You only do your inspections once a year. They will make it look pretty and, once you have gone out of the door, those tenants are left with whatever.

Tom Copley AM (Chair): There is far less stability for the tenants as well because they are on one-year or six-month contracts.

When you were listening to what Jonathan [Gooding] was saying about the Dolphin [Living] model, where they kept a community together by having various rent levels, was that something that you found appealing?

Denise Brown (Chair, William Street Quarter Tenant's and Resident's Association): I liked that model. As a person who is always looking for different models of a way of working, I thought that model was quite good. That model would work quite well where we are because we have the different levels of people in terms of income and so on. We have our snobs and those who are snobs think, "We should not be living amongst them", and we have those who are - whatever wage bracket they are in - working their way up. They are willing to pay the rent and they can afford. There is a sense of sustainability and there is a sense of ownership.

The only thing I want to add today is that one thing we do not have where we are is Right to Buy. Lots of the tenants are now crying about that because they thought they had a Right to Buy. We are going to have a lot of empty homes soon. I moved in April 2014 and since then ten units have gone. We already have them filled up but then we have another four leaving because they want Right to Buy.

The question is: is there a model you can get the investors to do where they have a certain amount of properties for Right to Buy and then the rest is social housing, affordable housing, but in different tiers? One of the tenants that I liaise with a lot, she wants to buy a house but because she cannot buy a house, she is having to leave where she is, even though it is a nice house, knowing full well that the Right to Buy property she has been to look at in another authority has nowhere near the same quality of building and so on compared to what we have now.

The other thing I wanted to add on there was quality. You have to have quality in your building. With some of the Right to Buy and affordable houses that I have seen - and I might be biased - I have not seen the quality that we have in the William Street Quarter. I have been to see a few because my daughter-in-law has moved into one and the quality of her housing compared to the rent she is paying is nowhere near like what there is where we are. It is in the neighbouring authority. Quality has to buy into that as well.

Paul Hardisty (Chief Executive, Octopus QSH): A few things in there. You are wrong about private investment, if you do not mind me saying so, not being bothered about how the estate is because it is a poor investment. Its long-term value is diminished. We have every interest in having a sustainable community. There are no income barriers to us when it is affordable rent. The things that we are interested in are whether they have convictions from recent years. Have they paid rent? We check with landlords. Are these people going to be good tenants when they go in?

Secondly, you can easily have mixed communities where you have the rent to buy alongside the rental. The rent to buy is the best thing ever. I have worked in housing for a long time and that is the most sustainable community ever because people have an interest in looking after it. We have no voids. We have no rent arrears. We have very few repairs. The only request we have had at Kirklees is whether someone can change the bath and put their own particular thing in.

Sorry if I came across a bit 'you are wrong' there - it is maybe a Yorkshire thing - but the investors have every interest in a sustainable community because that way it is protecting their asset. They are not after quick profits. We control the rent. The idea is that you are developing sustainable communities so the investors have long-term, secure investments.

Denise Brown (Chair, William Street Quarter Tenant's and Resident's Association): Can I ask, when local authorities are looking at investors what do they look for in an investor? Do they look for investors that are looking for quick wins or are they looking for investors that are, like yourselves, out for sustainability? I have come across a situation where certain investors just went this way and they are not bothered about anything else but then you do have those odd one or two investors that are looking for that long-term sustainability. What is it local authorities look for in investors?

Barbara Brownlee (Director of Housing and Regeneration, City of Westminster): It really depends. The model that you live in is a local authority company. Is that right?

Denise Brown (Chair, William Street Quarter Tenant's and Resident's Association): Basically.

Tom Copley AM (Chair): It is wholly owned, yes. It is owned by the Council.

Barbara Brownlee (Director of Housing and Regeneration, City of Westminster): That is exactly what I was doing in Thurrock. It does not have an investor at all. You had a builder. The investor is the local authority, in a sense, and all the risk comes back to the local authority. It completely depends on what is being built and why, and who is going to own it. If all you are looking for is a builder you will get one set of criteria around picking. If you are looking for someone to invest money into a piece of your land for 100 years, then you look for entirely different criteria. There is no simple, straightforward answer. You look for different things depending on what you want. I would stress there that Barking and Dagenham brought in a builder because it is holding the asset.

Tom Copley AM (Chair): At the William Street Quarter there was an investor who gets the rent for 60 years and then it reverts to the local authority after those 60 years.

Barbara Brownlee (Director of Housing and Regeneration, City of Westminster): Yes, but all the risk on voids and arrears is the local authority's.

Tom Copley AM (Chair): Is the local authority's, yes.

Barbara Brownlee (Director of Housing and Regeneration, City of Westminster): The local authority is your investor as such, on a day-to-day basis, in terms of the stuff that Paul [Hardisty] was talking about. If that was yours, you are saying, "We would protect that and we would respond because that is our asset". That is not an investor's; it is a wholly owned company by the Council.

Tom Copley AM (Chair): Thank you for that.

Nicky Gavron AM: This is primarily aimed at Simon. I want to talk first about form. There are many - more and more now - companies coming into the market who are interested in modern methods of construction and you have a very interesting model of that. Can you just tell us a little bit about the form of your development?

Simon Tanner (Y:Cube Development, YMCA London South West): In terms of form?

Nicky Gavron AM: Yes. You said it was volumetric.

Simon Tanner (Y:Cube Development, YMCA London South West): Yes.

Nicky Gavron AM: It was fast.

Simon Tanner (Y:Cube Development, YMCA London South West): Yes.

Nicky Gavron AM: That means a lot of it was constructed in a factory.

Simon Tanner (Y:Cube Development, YMCA London South West): Yes, OK.

Nicky Gavron AM: Just tell us, for those who do not know.

Simon Tanner (Y:Cube Development, YMCA London South West): First, I probably could correct something that was in the documents that were circulated where we were talking about these being prefabricated. Our architects would probably have a fit and kill people if they saw the word 'prefabricated'. They are not. Where I grew up in North Devon there are prefabs that were up in the war and are still there.

These are called volumetric offsite constructions. Yes, they are built in a factory using timber methods of construction, using computer-aided tools to cut everything so waste is kept to an absolute minimum, using sustainable methods, using high levels of insulation throughout. We have walls which are a good 30 centimetres thick and a 5-centimetre gap between each one of the cubes. Everything is built in a factory, including all of the wiring and the plumbing. Everything.

They get put onto the back of a lorry and they get delivered to the site. They will be almost, in our future projects, the last thing that comes onto the site. You do all the ground works, all of the utilities, all the soft landscaping and hard landscaping. The cubes come in almost last, get stacked up on top of each other. We do the final piece and then everything gets plugged in at the back and there you have a development.

They are very, very quick. There is minimal disruption to the local community. That is why we can use brownfield sites. In the case of Mitcham there was minimal disruption to our neighbours. It was basically over a weekend that the cubes were all delivered in. There were three days of lorries coming in, almost like Heathrow: lorry after lorry after lorry was being craned in. As long as the wind is not blowing more than about 11 miles per hour, you can crane them in.

Nicky Gavron AM: How high can they go? They are not bespoke, then? They are a certain size?

Simon Tanner (Y:Cube Development, YMCA London South West): Our constraint is what you can fit on the back of a lorry. Our cubes are roughly 4 metres wide by 7 metres long, and about 3.5 to 4 metres high. We can go a little bit longer than that.

They are bespoke. The constraint, again, is the outside walls and the roof. After that it is up to you entirely how you would want to fit out the inside. We have a range of potential clients who are looking at how they would want to fit out the inside. We are already looking at learning the lessons. We had a prototype model that we had at our Wimbledon hostel, where we had our residents and members, our board and other people living in there and tweeting from there. As a result of their comments we are using the prototype. We tweaked the design to change what is now in situ at Mitcham. As a result of having delivered the Mitcham project we are going to make some design change for version two, which is going to our next clients.

One of those is really simple. As I said, the cubes came on the back of a lorry. They get craned in. If anyone has seen the pictures or been to Mitcham, there are really nice wide gangways and decking outside each one of the flats to create that whole idea of community. We have indoors/outdoors living. They were all fitted on afterwards. The cubes came in and they were stacked up one on top of the other. Then we had to build the balconies. What will happen is that the balconies will come as part of the cube so that when they get built in there is already the infrastructure there. That will strip about three weeks out of the build time so again, it makes things even quicker to deliver.

In answer to your question about how high they can go, our ones at Mitcham are a range of three storeys and two storeys. We can go up to five storeys without needing steels and then after that you would need steel supports.

Nicky Gavron AM: They are wooden-framed?

Simon Tanner (Y:Cube Development, YMCA London South West): They are wooden-framed but you can have steel supports put in. In terms of density, my own view and, I think, the view of the architects is that something like three storeys is about right. You do not want to go too high because it looks a bit too crammed-in. The beauty of these is that something like 36 or 40 units make a big difference. It does not look too massed but has a massive impact.

Nicky Gavron AM: What is in the 4 metres by 7 metres? What do you get inside?

Simon Tanner (Y:Cube Development, YMCA London South West): If I can walk you through, you open your front door off your very nice deck and you walk into a living room that has a built-in kitchen and a breakfast bar. You have lots of storage, lots of power points and big windows. Very high ceilings as well, increasing that whole aspect of space and light. You walk through into a bedroom, a big double bedroom with a bathroom off that which has a toilet, basin and a shower.

Nicky Gavron AM: You know Pocket Homes, do you not?

Simon Tanner (Y:Cube Development, YMCA London South West): Yes.

Nicky Gavron AM: You know their model?

Simon Tanner (Y:Cube Development, YMCA London South West): Yes.

Nicky Gavron AM: Can you compare your space standards to theirs?

Simon Tanner (Y:Cube Development, YMCA London South West): Our space standard is 26 square metres, which is classed as temporary accommodation. I think ours are slightly bigger than Pocket Homes. They are not? They are smaller than Pocket Homes.

Jonathan Gooding (Chief Executive Officer, Dolphin Living): A Pocket Home is 38 square metres.

Nicky Gavron AM: Smaller.

Simon Tanner (Y:Cube Development, YMCA London South West): OK. That is because we are classed as temporary accommodation.

Nicky Gavron AM: It is temporary accommodation?

Simon Tanner (Y:Cube Development, YMCA London South West): Yes, it is classed as temporary accommodation. The expectation that our people moving on from living in a hostel, where they would have their own room but a shared bathroom and shared kitchen facilities, are moving into --

Nicky Gavron AM: You said earlier the rent was £148?

Simon Tanner (Y:Cube Development, YMCA London South West): Yes.

Nicky Gavron AM: OK.

Tom Copley AM (Chair): Single people?

Simon Tanner (Y:Cube Development, YMCA London South West): Yes, single people. We have 50:50 nomination rights with Merton Council, who we bought the land from. We have people who are in full-time employment or full-time education leading to employment, ranging from people in their 20s --

Nicky Gavron AM: Where is your factory, by the way?

Simon Tanner (Y:Cube Development, YMCA London South West): The cubes that we have at Mitcham were built in Alfreton in Derbyshire, just halfway up the M1. It is ideally suited, with very good access to the M1 so that they can go anywhere around the country.

Nicky Gavron AM: OK. We now know what they are.

Andrew Boff AM: Just one thing to add to that. What is the duration of tenure that you are aiming for?

Simon Tanner (Y:Cube Development, YMCA London South West): We have people on short-term tenancies. We expect people to live there for between three and five years, during which time, because the rent is so low, they should be able to save up a deposit to move on to somewhere else. We class them as 'move on' accommodation. The challenge will be what they find next and what they move on to. We are a housing charity so we are not going to consciously evict people and we would expect people, in terms of their own personal journey, to be moving on. It is whether they find somewhere of commensurate quality as their next place to live.

Andrew Boff AM: It is just that I am concerned, bearing in mind the housing shortage in London, that what you aim at as being temporary accommodation may end up as permanent accommodation and whether or not the space standards are adequate for permanent accommodation.

Simon Tanner (Y:Cube Development, YMCA London South West): My own view is that the cubes are big enough for people to live in for a good long time. Our residents are happy with them.

Nicky Gavron AM: Some of the fast build I have seen has been incredibly energy efficient. Virtually no energy bills. When you say £148, first of all, does that include the utility and extra bills?

Simon Tanner (Y:Cube Development, YMCA London South West): No, it does not. We have a service charge on top, which is £10 a month. That includes the utilities and electricity. We reckon it will cost probably £100 a year - it is all electric - to run a cube. They are, as you say, incredibly energy efficient and we have solar panels on every piece of roof as well so we are trying to draw as much as we can from the environment.

Nicky Gavron AM: Very good. I wish I had been to see this. I must go.

Simon Tanner (Y:Cube Development, YMCA London South West): You can come.

Nicky Gavron AM: What is the size of the one you are talking about? How many units?

Simon Tanner (Y:Cube Development, YMCA London South West): We have 37 units there, of which 36 are for rent and one is our office.

Nicky Gavron AM: OK. It would be really good for infill sites or for sites --

Simon Tanner (Y:Cube Development, YMCA London South West): Absolutely, or for in the middle of brownfield sites. Yes.

Nicky Gavron AM: Yes. What you are building are permanent homes, but for temporary accommodation?

Simon Tanner (Y:Cube Development, YMCA London South West): Yes.

Nicky Gavron AM: You are not seeing them in the way some boroughs are seeing fast build, as pop-up housing?

Simon Tanner (Y:Cube Development, YMCA London South West): No. Our view is that the ones at Mitcham are there for the duration. They have a minimum design life of 60 years and so they are completely mortgageable. We have a whole parcel of lenders who are more than happy to lend against them. We borrowed money from social investors to fund our projects and so yes, they are completely fundable but they are also demountable. For those people who have land but only want to use it for, say, five years for temporary housing, they could put Y:Cubes there and then move them somewhere else. It is a very flexible solution.

Nicky Gavron AM: It is like a pop-up? You could move it somewhere else?

Simon Tanner (Y:Cube Development, YMCA London South West): You can. They are moveable.

Nicky Gavron AM: That has lots of mileage for London.

Fiona Twycross AM: Regeneration potential.

Simon Tanner (Y:Cube Development, YMCA London South West): Absolutely, yes.

Nicky Gavron AM: Is that what you see as one of the ways forward?

Simon Tanner (Y:Cube Development, YMCA London South West): We are not at all previous about how we use Y:Cubes. If people want to put them in place because they already own the land and it is going to be a permanent solution for the next ten, 20, 30 or 40 years, that is fine. I was talking to somebody yesterday who has land that they want to put them on for five years, and then they have other land that they will move them around to. That is fine as well. Our big concern is making sure that there is good-quality affordable housing for people who need it.

Nicky Gavron AM: If you are land assembling and you do not have a scheme, some of these schemes take years, do they not, to develop? There is a lot of potential - not necessarily just for Y:Cube but for others - because it is a growing area. What are your plans?

Simon Tanner (Y:Cube Development, YMCA London South West): Future plans are to deliver Y:Cube as far as we can across the country. We have also had interest from overseas. We only started rolling the business out after we opened our Mitcham project. We have six projects that are now in development where we are going through feasibility studies leading to, hopefully, an investment decision from those people who are doing the studies for, which will lead to long-term projects.

We have an application with the GLA currently for access to a revolving fund for £10 million that will help fund projects in London. We have had interest from just about every single borough in London and lots of local authorities within the M25 as well, and also broader and wider. Y:Cubes, as a model, can deliver affordable housing across the country just because of the low cost of build. Whether you are in Stoke-on-Trent where property costs are much lower or whether you are in central London, that affordability delta gets bridged by the relatively low cost of construction.

Nicky Gavron AM: That is great. Members have heard me bang on for years about fast build. It is really good to hear about Y:Cube.

Tom Copley AM (Chair): Yes. I know Darren is interested.

Simon Tanner (Y:Cube Development, YMCA London South West): The other answer to your question about the future is what else we are doing. We have Y:Cube, which is a one-bed unit. We also have Y:Home, which is a two-bed or a three-bed unit. There are no worries, you can do that. You can have two side-by-side or you can have them stacked on top with an integral stairway.

We also have Y:Space, which is a bigger volumetric community space, again using the same method of construction. We have been talking to people about creating that for a community hub or community centres, which we can then put housing on top of and housing behind, or day centres for elderly people that you could then have low-level housing around as well. There are any number of different solutions to the housing problem that you can use.

Jonathan Gooding (Chief Executive Officer, Dolphin Living): Could I just ask a question about your attitude to space standards?

Barbara Brownlee (Director of Housing and Regeneration, City of Westminster): Yes. That is what I am thinking.

Jonathan Gooding (Chief Executive Officer, Dolphin Living): That does sound like a great product and it is filling a need, and there is a need for a whole range of products to meet London's housing challenge. You mentioned Pocket [Living] and Pocket use a similar model to us. We believe that 38 square metres, one-bedroom, one-person flats - 1B1P apartments - that are designed using sprinklers to make them open plan, and so on , is a very good solution where one can reduce costs and increase density on sites, but that does not comply with London Housing Design Guide (LHDG) standards and London boroughs are very reluctant to grant planning consents on schemes that are not compliant with LHDG.

I have had this discussion with your officers and they have told me that they are not prepared to give guidance to boroughs to say there should be some flexibility around their attitude to these kinds of schemes. The view is that you do not want to see anything built in London that does not meet LHDG space standards. There is a slight inconsistency with applauding a 28-square-metre product in London whilst preventing --

Nicky Gavron AM: It is the use. I can argue with you about Pocket but we are talking about hostels. This is temporary accommodation.

Fiona Twycross AM: It is not hostels, really, is it?

Barbara Brownlee (Director of Housing and Regeneration, City of Westminster): Yes. Can I ask --

Nicky Gavron AM: I must say, if it is permanent accommodation --

Jonathan Gooding (Chief Executive Officer, Dolphin Living): It is permanent housing, is it not?

Barbara Brownlee (Director of Housing and Regeneration, City of Westminster): Can I just say something from a borough point of view? We get approached by a lot of developers in Westminster who are going to build housing that is about that size, 28 square metres, and generally speaking we say no. That is student accommodation, or it is a hostel or it is a bedroom. It is a single hotel bedroom. It is not a one-bed or a studio flat because the space standards for that are 37 or 38 square metres. We do not have them. That is the difficulty and we have to sort it out because this is hostel accommodation.

Andrew Boff AM: It is my concern that it starts off as hostel --

Barbara Brownlee (Director of Housing and Regeneration, City of Westminster): There are more developers than just Y:Cube wanting to come into London and build hostel-sized accommodation. There are many.

Tom Copley AM (Chair): It is a very important point. Pocket [Living] does now just about meet --

Barbara Brownlee (Director of Housing and Regeneration, City of Westminster): Pocket meets your space standards.

Tom Copley AM (Chair): They do meet the space standards, yes. I have been around them and it is not just that. They use space very well. There is a question on here about that. Do you think there is an appetite for smaller homes?

Denise Brown (Chair, William Street Quarter Tenant's and Resident's Association): No. When you say 'smaller homes', in what way are you saying smaller homes? Are you saying smaller homes as a temporary measure or are you saying smaller homes for the long term? This, again, is going back to housing policy 30 years ago or 20 years ago when you talked about doing smaller homes, ie the Thames Gateway, where the houses were not big enough to swing a cat round. People had to change when they ordered their sofa from DFS because they could not get it in the front door because you had a small home.

Families are bigger now. When you look at the culture of London - because we are talking about London - the average family is about three children, two to three, and a small home is not going to be justified. For instance, where we are we have families in the one-bedroom and two-bedroom apartments. One lady is on her third baby but she is in a two-bedroom apartment and she is finding it hard to get into a three-bedroom, even though she is on our estate. She has to wait and go through the whole process to make sure there is something open for her to get a bigger apartment.

Why build smaller when you can build something that is reusable, that is functional and that is realistic? In my day, if you were a woman - I am not being sexist or anything - they automatically gave you a two-bedroom or three-bedroom house because if you had children you could stay in the house and you would not want to move. Is small an option? What do you mean by 'small', in terms of square metres? You have to be realistic in terms of the size of housing and making it functional for the way we live today. It has to be functional.

Jonathan Gooding (Chief Executive Officer, Dolphin Living): A huge percentage of the new households being created in London are single-person households and housing single people at affordable cost levels is a massive challenge, even for affordable housing providers like us. I completely applaud what Denise says about the need to accommodate families and that has historically been very much the focus of all this, but we do need to recognise that with family break-up and everything else, we have more and more single people who deserve to have access to decent quality accommodation and not find themselves forced to go and live in a flat-share at the age of 50 and 60. Again, we need all of these things but there is a case for having some greater flexibility around space standards.

Tom Copley AM (Chair): The question is then whether or not further down the line you end up with a family with kids still squeezed into that property, which is why we have the space standards. That is the key issue. Andrew [Boff AM] has done a lot of work on overcrowding and all of us here at City Hall are pretty strong on wanting the space standards to be achieved.

Nicky Gavron AM: We applaud the Mayor for changing the space standards. Many of us around here, particularly me, argued and argued for years that we should have uniform space standards. We do have very small homes, compared with the rest of Europe, in this country.

There is an issue that is being raised here around hostels and house-in-multiple-occupation (HMO) types of new build. Pocket was designed for very difficult infill sites. When it is started to be used for refurbishing estates and so on, it becomes another question.

Andrew Boff AM: I absolutely get that. I am the last man to criticise the YMCA. They are an absolutely brilliant organisation and if anything, they do not shout enough about what they do. It is totally acceptable to have this a short period of time, perhaps a couple of years. I can get that. When you start about talking five-year tenure, it is accommodation. In that five years, that person may decide that there is a significant other that they want to move into the property and have children. In that five years, you can go from a very much needed property to an overcrowded situation.

Simon Tanner (Y:Cube Development, YMCA London South West): I understand that.

Andrew Boff AM: That is our concern.

Simon Tanner (Y:Cube Development, YMCA London South West): Just to be clear, our expectation is that our residents will stay there anywhere between three and five years. They are not given five-year tenancies. They are on AST agreements. The expectation is that during that time, yes, they will get another home and move on. The challenge then, as everyone in this room has said, is what they move on to when they have been in very good quality accommodation as a single person. A big challenge within London - and elsewhere, but London primarily - is good quality affordable accommodation for single people. That is what Y:Cube is addressing.

Clearly, when we look at our Y:Homes, two-beds and three-beds, those will be built to address the space standards for two-beds and three-beds. It is only the Y:Cube that is classed as temporary accommodation. The other ones will not be. The other ones will be built to the requisite standards.

Barbara Brownlee (Director of Housing and Regeneration, City of Westminster): I would just quickly point I would not want to lose the standard in the speed of building and the type of building. You can have a debate about size but that is also really important given how much we need to build and how quickly. We have to remember both sides of what Y:Cube are doing.

Shamez Alibhai (Partner, Cheyne Capital): The reason I love Y:Cube - and I am definitely not going to let you breathe - is for us, time is money. The longer it takes us to develop something -- if we are stuck in planning for two years that means our investors are like, "Where is our return for that two years? Where is our income?" Y:Cube is fantastic because if I can build 52 square metres, if it satisfies the LHDG and if I can build it in five months instead of a year-and-a-half or a year for a traditional build, it is a huge win. It means that for social investors like us, we can charge a lower rent. There is an issue with Y:Cube around space standards but Barbara is spot on: there are other innovations around Y:Cube as well vis-à-vis speed. I would love to see what it looks like. Someone does not feel they are living in a metal container.

Simon Tanner (Y:Cube Development, YMCA London South West): It does not.

Nicky Gavron AM: It is not metal, is it?

Simon Tanner (Y:Cube Development, YMCA London South West): No, it is not. Our first solution was to look at containers and containers are --

Shamez Alibhai (Partner, Cheyne Capital): Hideous.

Simon Tanner (Y:Cube Development, YMCA London South West): -- just long and thin. Your words, not mine. The cubes are very different. We had some people come to visit who had been to see some containers and they came to us very gloomy, and it was on a very gloomy, rainy day. They went and saw the cubes and there were 20 of them standing in there in the cube. They had come on a coach outing. Plenty of room. The big criteria is, "Would you be happy for your children to live here?" All of them came away saying that they would be happy for their children to be there.

Shamez Alibhai (Partner, Cheyne Capital): I would love to follow up.

Tom Copley AM (Chair): This is a very interesting debate. We would appreciate the opportunity to come and have a look around at some point, those of us who have not already been.

Darren Johnson AM (Deputy Chair): Barbara, we would particularly like to hear from Westminster about your work with businesses. How is the lack of affordable rented housing affecting businesses in Westminster?

Barbara Brownlee (Director of Housing and Regeneration, City of Westminster): It is definitely an issue. It is why we are working with a huge range of people – Pocket Living, Dolphin Living, Cheyne Capital and a lot of different models - to try to bring in affordable. We know the median wage in London is £31,000. We know within that there are the most incredible differences and there are a lot of low-paid jobs in Westminster: the whole retail and hotel industry, the whole of the West End. Backstage is low paid work. We are absolutely determined to support it and to try to develop forms of housing such that people can stay there.

What we wanted to do was take the current London Living Wage and a 37 and a half hour week, and base it on spending no more than third of your income on housing. Can you do something within that? You come out with an income of about £18,000 to £19,000 a year, so you are looking in the end of around £120 a week. That is what you need your rent to be if you are going to pay to live in London on the London Living Wage. You need your rent to be £120 a week.

At the minute, the median weekly rent for a rent in shared accommodation in Westminster is £209 and a studio and a one-bed are respectively about £320 and £450. You can see from that in Westminster that there is no chance without market intervention. Clearly we do have some social housing but there is not much move on from that in any way, and the current Housing Bill will reduce that significantly and potentially make it more expensive to stay in it if 'pay to stay' comes through in that way.

There are real challenges about the affordable housing that is there and incredible difficulty - though the 24-hour Tube and Crossrail will help - because people have to get to work and people work antisocial hours. One of our issues was housing close to employment. Now if transport improves and transport hours lengthen that definitely does make a difference. Not everyone who works in Westminster necessarily expects to live within a mile of their job but they do have to be able to get to it, and low-waged earners find it very difficult to pay some of the travel costs in London. There is a real issue going around about travel, cost, where you work and being able to work from where you live.

We are looking at a range of things and one of the things that you were particularly interested in was our Fair Share Scheme.

Darren Johnson AM (Deputy Chair): Yes.

Barbara Brownlee (Director of Housing and Regeneration, City of Westminster): The policy was set some time ago by our previous Cabinet members for Housing, sometime in 2013, I think it was. What that is looking at is building a product that it is reasonable to expect people to share the rent. If you need a product where the rent is about £120 a week, we do not see easily a way of doing that without sharing. The idea is to take that income and work back from there, which means that we have a range of schemes that are built specifically not for single households but for sharing households. They will have a large bedroom with an ensuite, a decent-sized living room and a decent-sized kitchen that will be shared with another couple in a large bedroom with an ensuite, and so you are absolutely building for flat-sharers. It serves a bit of the market. It is not the perfect answer for everyone. It is quite difficult in some ways.

I was thinking of, for me, the issue about the Y:Cubers moving on. It is clearly really a good product for young people out of a hostel; it is a fantastic product. Young people do not have record collections; they stream their music. They do not have bookcases full of books; they read on a Kindle. There is an issue that young single people need less space and I completely get that they may move on. Would they move from having their own Y:Cube into a shared flat? That is really unlikely. This scheme is in our policy.

We are building, in fact, with Dolphin Living, Trenchard House in Soho. The idea was to build was to build in areas where it was perceived to be slightly less family-friendly and so West End, Soho, quite high-density areas. We are building Trenchard House - Dolphin is building Trenchard House - in Soho, which will be 65 units. We have Dudley House, which is 197 units, intermediate rent, built on this basis: if you share, you can afford it on the London Living Wage. If people want to share, it is another issue and we are yet to see because we have not let them.

Fiona Twycross AM: Can I clarify that this is couples sharing with other couples?

Barbara Brownlee (Director of Housing and Regeneration, City of Westminster): Yes.

Fiona Twycross AM: The income you would expect would be two people who could pay £120 each?

Barbara Brownlee (Director of Housing and Regeneration, City of Westminster): Yes, exactly.

Jonathan Gooding (Chief Executive Officer, Dolphin Living): If I can just give you the meat on the bone on the Trenchard example, we have actually got a number of three-bedroomed apartments there that are suitable for sharers because, as Barbara says, they have bedrooms with ensuites or two out of three of the bedrooms will have ensuite bathrooms. We have three that are affordable with household income of £56,000 and the rent is £362 and so you would need three wages in order to be paying £120 each. That is the most expensive. Some of them, the three-bedders are affordable and have a rent of £234 and so you would only need two salaries then to afford a three-bedroom flat. It could work in a range of permutations of couples.

One of the instances where we are trying to join up the employment issue with the housing issue is through House of St Barnabas, which is another charity that is taking homeless people and getting them into work in the hospitality industry, which is obviously a key part of the night-time economy in Westminster, and we are looking at trying to get its graduates into a sharing situation in these sorts of flats. The linkage between the employment initiatives and housing initiatives are very strong.

Darren Johnson AM (Deputy Chair): How many of these units have you now delivered?

Barbara Brownlee (Director of Housing and Regeneration, City of Westminster): We have not delivered any: 197 in Dudley House, where if we let them conventionally, you would need £100,000 to rent a two-bed. We are hoping with two couples sharing that we can rent at £137, so it is almost there, it just above London Living Wage. They will be ready later this year, but there is nothing yet. We have an intermediate housing list with 4,000 people on it, really active, applying for intermediate products in Westminster. We are assuming that we will be able to let through that list. Again, it is interesting because it is based on sharing and a lot of people on that list have been sharing and they are on that list because they want their own home but, to be frank, that is not possible in Westminster on a London Living Wage; it is not possible.

Darren Johnson AM (Deputy Chair): What about the businesses? Do you work with them as the employers as part of the programme?

Barbara Brownlee (Director of Housing and Regeneration, City of Westminster): We do, we do. No, we absolutely do, and we have huge links in the West End, as Jonathan [Gooding] has just said, with their apprentices and we will take it from there. We have huge links with the hospitality business. For us, there is an absolute link between the housing and the employment. Deloitte is funding apprentices and talking to them about those people coming through into this type of housing. We are trying to find a route through directly from apprenticeship into this fair share housing.

Darren Johnson AM (Deputy Chair): Do you think it is scalable across London or is it something that has been very much with Westminster in mind, given your high concentration in the retail sector and low-paid jobs and your very high-value properties? Is it a Westminster solution for a Westminster problem or is it scalable across London?

Barbara Brownlee (Director of Housing and Regeneration, City of Westminster): It was a solution of its time. It is slightly scalable. You do not need it in every London borough. It absolutely reflects the cost of housing right in the centre of town and the amount of low-pay employment there is in the centre of town. It is quite unique in that way, although I would not say just Westminster; you could probably draw a little ring around it and call it central London. It was developed in 2012. It was developed before Pocket was really out and was certainly developed before we all started looking at Y:Cube, and so it was one of the first things out trying to absolutely keep the rent right down. It took a Living Wage and worked backwards rather than look at the cost of development. It did not start with the cost of development; it started with what people earned and said, "What do we have to do to make that possible here?" I do not think you would ever see it in outer London at all.

Nicky Gavron AM: Can I just clarify? It is ensuite, three double bedrooms and that is the only difference between it being a normal flat share because you share the kitchen and you share the dining room?

Barbara Brownlee (Director of Housing and Regeneration, City of Westminster): Yes.

Nicky Gavron AM: When you first started, I thought that this is like co-housing, but it is not like co-housing.

Barbara Brownlee (Director of Housing and Regeneration, City of Westminster): Yes. No, it is not co-housing.

Nicky Gavron AM: You do not get as much private space as you do with co-housing, do you?

Barbara Brownlee (Director of Housing and Regeneration, City of Westminster): You absolutely do not. Co-housing is another model that we are looking at. I would suggest that this is one of a whole range of things we need to make rent affordable in London but, no, you do get less private space than in co-housing. You are absolutely right.

Nicky Gavron AM: Co-housing is another very interesting model that works for certain kinds of groups.

Barbara Brownlee (Director of Housing and Regeneration, City of Westminster): I agree.

Tom Copley AM (Chair): It is very popular in Denmark, is it not, co-housing, at about 15% of their market?

Nicky Gavron AM: You are doing one in Barnet, but it is taking ages to get off the ground.

Barbara Brownlee (Director of Housing and Regeneration, City of Westminster): Yes, there is a good one in Barnet, which was one of the first ones, absolutely, and now there are some coming through in Camden.

One of the other things that is interesting - and you say in Denmark - is that one of the things for me is to move the debate slightly away just from product. Yes, there is a range of products and as long as there is innovative capital and innovative developers and designers, you will get fabulous product. However, one of the things about London is to look to other places for models of how you start talking to families and children in a city like London about affordable housing and what you need to do to invest in co-operatives and to invest in co-housing from the day your children are born and not think you can solve housing problems in a couple of years with grown-up children in London because you cannot and I do not think other cities expect to. In some of those places, they take a much longer view of investing, of co-operatives and of co-housing and there is a real piece of work we can look at there, which is other than just the product.

Nicky Gavron AM: I believe we should be looking at mutuals and co-housing and co-ops.

Barbara Brownlee (Director of Housing and Regeneration, City of Westminster): So do I. There is a really good piece of work to be done.

Andrew Boff AM: To what extent are your efforts just sustaining employers paying dreadful wages?

Barbara Brownlee (Director of Housing and Regeneration, City of Westminster): It is based on the London Living Wage. The City [of Westminster] does not affect the Living Wage.

Andrew Boff AM: Some of those hospitality - I cannot name any of them at the moment - industries pay less than the minimum wage, let alone the London Living Wage, and they have various schemes of managing to do that. Are you not just playing into their hands?

Barbara Brownlee (Director of Housing and Regeneration, City of Westminster): I do not think so. There are huge structures and organisations set up to stop those employers and to check them. It is not Westminster's housing department.

Andrew Boff AM: No, it is not your problem.

Barbara Brownlee (Director of Housing and Regeneration, City of Westminster): There are people who are there and so they should do a job and do their job properly. We should build to the nationally accepted London Living Wage and not below it. That would be my answer.

Tom Copley AM (Chair): Thank you. OK, Andrew, you should continue because we are moving into your question, I guess.

Andrew Boff AM: Sorry, I got so ranty there.

Tom Copley AM (Chair): For a change.

Andrew Boff AM: Just for a change. Mr Alibhai, how far does the Mayor's encouragement of affordable homes for rent in the housing zone overcome barriers to invest in London?

Shamez Alibhai (Partner, Cheyne Capital): We view that very positively. That is a great initiative. What I would say are the challenges - and just let me set out the things that would help even more - again, I am going to go to speed of delivery. For us, speed of delivery is so important, because every time our money is not in the ground and it is just sitting there it costs us money, so anything the Mayor can do. Also, there are our investors; remember that these are large international pension funds. They are thinking, "If it takes me three years to invest in London and I can invest two years in New York", you know what, they are going to take their money to New York. It really is about facilitating and allowing capital not to flow freely or unconstrained but just to mitigate and remove the barriers, have more streamlined processes, more strategic oversight over what you are trying to do and the ability to remove some of the barriers that get in the way.

The second thing that would be interesting is to actually separate the developers who are developing for private sale versus the affordable housing let. Traditionally we had the section 106 model, where private developers are asked to deliver affordable housing as part of their requirement. If we have a London zone where we know what the target is for affordable housing, sell us the land for affordable housing and we will probably pay you a greater capital receipt than the developer. The sum of the parts will be greater than just the individual unit and I think that might be a really effective way to increase the pace of housing delivery for social housing. If you are a developer, you want to pace out how many units you are putting on the market every year because you are selling these units, so you want to put out 50 units a year or 60 units a year because you do not want the price of properties to drop. The need in London for housing is immense. We need 1,000 units tomorrow. Allowing us to separate and not be tied to the developer's delivery timetable and allocating land for affordable housing separately and distinctly from the overall scheme would allow for much faster delivery.

There are issues that we have to deal with around community mixing and how do we make sure that we do not create ghettos of affordable housing. These are important things to discover and to explore, but I think there is a way of separating the two. Now that we know what the target is, we can move forward. It is hugely helpful that there is a strategic objective. Let us now put the pieces in place so that we can deliver those homes much faster than relying on traditional private sector developers.

Andrew Boff AM: Mr Crawford, what more could the Mayor do to encourage investment in affordable homes for rent in London?

Gareth Crawford (Head of Development (South), Home Group): I would agree with a lot of what Shamez has said. A lot of it is about how we can streamline processes, get things moving more quickly. We talked earlier about public sector land disposal, about how there is an issue there, that the public sector can find mechanisms for making sure that it gets affordable housing through those disposals. It should do that. It should work with RPs and others like local authorities to facilitate that. There is an issue about regulation and what we can do. The interesting means-related rent regime that Dolphin [Living] is doing would be very difficult to do in a regulated RP. We would have to find ways of doing that outside of regulation, which is what Dolphin is doing. We are constrained by the kind of regulatory framework that we are in and there may be something around that that could be done.

One of the things that is going to take development capacity out of the RP sector in terms of additional affordable housing is because Right to Buy is coming in for housing associations and what we will be required to do is replace like for like. A lot of our development capacity is going to be sucked in essentially by just replacing what we are losing and is going to take out capacity that could otherwise be used for additional affordable housing. There may be something that we can do --

Andrew Boff AM: Can you not just group that into your existing schemes? It is just more for existing schemes that you have already.

Gareth Crawford (Head of Development (South), Home Group): If you think about it, yes, in theory, but in practical terms we have already talked about how difficult it is to buy land and get things moving. If there is a limit to the amount of land we can buy in London and the rate at which we can develop, if we are doing more of that just to replace what we are losing, that is less. Perhaps I am not making the point very well. I am highlighting that as an issue and I wonder if there is something that could be done around that in the capital.

Andrew Boff AM: Should the Mayor designate land for affordable rent homes?

Gareth Crawford (Head of Development (South), Home Group): Yes. Why not?

Andrew Boff AM: Rather than come up with a housing target or an aspiration, should he absolutely allocate land particularly to affordable homes?

Gareth Crawford (Head of Development (South), Home Group): I do not see why not. We have also talked quite a lot from a number of perspectives here, including Denise [Brown] and others, about what we mean by affordable housing and we have talked about affordability and what that means. There is a --

Andrew Boff AM: We will not stop talking about what is affordable, yes.

Gareth Crawford (Head of Development (South), Home Group): Yes, we need to, sure. There is a big issue there and I started off at the beginning by saying there are lots of different definitions and lots of different ways of looking at that. We have heard some interesting ideas about what that might mean.

Jonathan Gooding (Chief Executive Officer, Dolphin Living): Can I say that, personally, allocating land for affordable rental housing in London is the key to this? What you have heard this morning is that there is plenty of capital available and there is actually plenty of expertise available in the affordable housing sector. There are quite innovative Councils in boroughs in London who are keen to try to deliver these. There is no shortage of money or expertise; it is just the land that is the problem and whether you do that through leasehold, as I was suggesting, or income stream types of models, there are structures that can be used to do that. The London Land Commission should think about how it allocates that land.

The other thing the Mayor could do potentially is take back the regulation of RPs from the HCA and introduce a regulatory regime that is appropriate for London rather than one that is designed for somewhere else because, as you have been hearing, RPs are now finding themselves trying to do the right thing with their hands tied behind their backs. People like us or housing charities, who are outside of that loop, are actually now - and the YMCA and others, as you can see - beginning to lead the way in terms of innovation because the poor RPs are being seriously hampered in terms of doing what they want to do.

Tom Copley AM (Chair): It seemed rather silly that the Mayor got the grant power, essentially, but did not take over the regulatory function.

Jonathan Gooding (Chief Executive Officer, Dolphin Living): You do not need the grant. I would stop spending time trying to invent new innovative grant products that are really not what anybody wants.

Shamez Alibhai (Partner, Cheyne Capital): All of the private sector guys and even Home Group have all found ways of being able to deliver without grant. We do not need grant. What we need is land that is priced fairly, that we are not competing for --

Nicky Gavron AM: Is that not a grant?

Shamez Alibhai (Partner, Cheyne Capital): That is not a grant; that is pricing the land fairly. That is saying that if this land is being used for 50% keyworker housing, 30% discounted sale, 10% rent-to-buy, that land value has to respect that use as opposed to respecting the use - which is how land is currently sold traditionally - maximum value because we are going to put some penthouses and three-storey under-basement garages in and sell it at £2,500 a square metre. You cannot compete with somebody who is going to sell it overseas for £2,500 a square metre when you are charging £120 a week in rent.

Tom Copley AM (Chair): Denise wants to come in first, sorry, and I will come to you in a moment.

Denise Brown (Chair, William Street Quarter Tenant's and Resident's Association): Could I just turn that question back on to the panel in terms of what Andrew [Boff AM] said? Should the Mayor designate land for affordable rent homes? Why should he not? That seems to be a big barrier and not designating land specifically for affordable renting has then stopped him from reaching his target of how many homes he wants to build in London within a certain given time. My question is why he has not designated certain land because there is lots of land going. This is what the conversation has been.

Andrew Boff AM: To feed on from what Denise is saying, we have talked about the London Land Commission and the fact that the Mayor sits on the London Land Commission and is our voice on there. You have the NHS, which is absolutely committed to generating the maximum capital return in order to fund the health service. You have TfL, which makes private developers look like pussycats. You have charities. All of these are going to contribute towards land in London that we are looking at to provide affordable housing. That is the problem: that somebody else wants something else out of that land. It is probably the first thing you said, Mr Alibhai, about the value of the land.

Shamez Alibhai (Partner, Cheyne Capital): It is a challenge and the point is that it is not just housing; we are not just building houses. There are lots of externalities that come with housing. Good quality housing reduces the bill on the NHS because people do not get sick, they do not get pneumonia in the winter and they do not get mould and mildew in some of the private sector rented suites. If one day we could convince the NHS to sell land, there is an externality.

Barbara Brownlee (Director of Housing and Regeneration, City of Westminster): That is where I started. We all agree that it is the value of land in London that makes housing unaffordable. You are saying selling at a social use value. People might be more inclined to lease. Leasing models are interesting and we should look at them a lot. We have had one round of City Hall selling off land and there is not an appetite just to do that again and I would not support doing it again; it should be on some form of lease. As you have just said, I know the NHS land and have dealt with it; you have dealt with all of it.

What the Mayor should do is to lead a debate about the use of public sector land in London. We might never calm down those vociferous voices, but we might if we have a proper debate about all the public sector land in London, not just about selling it off, about leasing it and what you want where. That could be a decent debate to have that the Mayor could lead on.

Andrew Boff AM: If we are going to get to developments like that, then we have to have some kind of affordability criteria on the land. I can get that and that is what is coming over from everyone.

Jonathan Gooding (Chief Executive Officer, Dolphin Living): You could maybe use the grant facilities that you have to actually buy that land in, in effect, and compensate, just top up the payments to the NHS in order to get hold of the land. It is cheaper to subsidise the land at that point, at the supply of it than it is to actually try to deliver this further through the development process.

Tom Copley AM (Chair): The other bit about the NHS is not just the reduced costs from people having to go into hospital less because they are housed better, but nurses need somewhere to live. I understand why an NHS Chief Executive, with a massive deficit, will be thinking, "I want to plug that with this", but the leasing then allows them to achieve long-term returns anyway.

Nicky Gavron AM: A lot of local authorities are doing that.

Jonathan Gooding (Chief Executive Officer, Dolphin Living): Because of the very low interest rate environment, if you lease, even with the long leases, the reversionary value is quite significant. There is a good valuation argument at the moment for that type of thing.

Tom Copley AM (Chair): We have reached the end there. Can I thank our guests for their contributions today?