Planning Committee - Wednesday, 1 February 2017

Item 8 – The Mayor's Draft Affordable Housing and Viability Supplementary Planning Guidance

Tony Devenish AM (Chairman): We come on to the main business today, a discussion on the Mayor's draft Affordable Housing and Viability Supplementary Planning Guidance (SPG).

May I welcome the Deputy Mayor for Housing and Residential Development, Mr Murray, and Jamie Ratcliff from the Greater London Authority (GLA). Good morning. We will be joined shortly, I am hoping, by Richard Fagg from Linkcity and Asif Aziz from Criterion Capital. Can I thank all our guests for coming.

Question one, going straight on to the matter in hand: We have heard that the threshold approach is a new one and that it is untried in London. What evidence do you have that it is workable and that it will help fast-track the delivery of affordable housing, please, James?

James Murray (Deputy Mayor for Housing and Residential Development): Thank you for inviting me along today and for the opportunity to speak about the SPG. When we came into office, it was clear that there was frustration, quite widely felt, with the current process of viability assessments to determine the level of affordable housing in planning applications. I can say very genuinely from speaking to boroughs and to applicants that people are frustrated by the uncertainty and by the delay and by the disagreement that is caused by going through the quite protracted and sometimes confusing process of viability assessments. What we wanted to look for through the SPG was a way through that and a good way that brings as many stakeholders with us as possible and offers a way forward to both increase the amount of affordable housing and, at the same time, cut down on the confusion and delay that has become associated with the viability assessment process.

What we are proposing through the SPG is, as you highlighted, a twin-track approach. We have one approach that anchors the whole policy within the viability assessment process, which is necessary given that the National Planning Policy Framework and the London Plan have viability as centre-stage and so the policy basis for us producing supplementary guidance has to be hooked onto viability assessment. The primary route through the SPG is to say, "Here is the methodology for conducting viability assessments, which we believe is consistent, fair, transparent and so on".

Then, as you say, there is this new approach, this threshold approach, which we think is genuinely innovative, where we say that if you hit a certain amount of affordable housing, you do not need to provide the same viability information as long as you implement the permission within two years.

The threshold approach is very explicitly not viability-tested itself and so the 35% number that features in the draft SPG is not an amount that has been separately viability-tested. Clearly, in terms of the London Plan and so on, all of that has to be looked at in quite a lot of detail about what is "viable", but this is very clearly not a viability-tested amount. It is simply a way forward where we believe there is a good degree of consensus in the industry, across councils and so on as an option. There may well be situations where for whatever reason - peculiarities of the site, contributions to large infrastructure investment and so on - a particular scheme will not be able to deliver 35%. In that case, the viability route is still there as part of the core methodology as a route for them to go down.

The hope in terms of offering a threshold approach is, again, to see a way through all of the confusion and all of the difficulty which people have associated with the process up until now by saying, "If you hit 35% grant-free" - and there is still the process later on to add grant and so on into it to get the amount higher than 35% - "let us all just move this forward quicker". Let us say to the applicant, "You can have your planning permission, do 35% and deliver it within two years", and that way the borough has certainty about getting a decent base level of affordable housing and the applicant has certainty about getting the planning consent.

Part of what we are trying to achieve through this is to then impact on land values, ultimately, so that when bidders are putting in a bid to buy some land for a development in the future, if they have a back-of-the-head assumption that 35% is a pretty good bet and that they are going to have to deliver at least that, we hope it will then factor into the calculations they make when they are putting in a bid on the land. Ultimately, that is to the benefit of Londoners in the broadest possible definition insofar as it means people are not competing over land values and then coming back and trying to squeeze down affordable housing and so on to make the developments viable. If people just accept, "We have at least 35%. We are going bank that", it is considered as part of the land value calculation upfront.

It is a way forward that we wanted to move on with quickly in terms of the new administration. As I said, just to be really clear, again, viability still underpins the SPG approach and it has that hook to national and London-wide policy as it exists, but 35% is not a viability-tested route. It is simply an optional route for people to make quicker progress through the planning system and to give certainty all around.

Tony Devenish AM (Chairman): Thank you. Jamie, did you want to add anything at all at this stage?

Jamie Ratcliff (Assistant Director - Programme, Policy and Services, Housing and Land, Greater London Authority): Yes. I would probably just say three things, the first of which you know: it is a new approach and, if you are trying something new, you cannot prove that it is going to work until it has happened, but it does align well. As you have heard and as the Housing Committee heard last week from Philip Waters [Planning and Policy Team Leader, London Borough of Southwark] from Southwark, they are trying a similar approach and it aligns with that. It is something that is getting some broad support from a range of different people.

I would just add something in terms of the value of certainty on top of what James [Murray] said; not just the way that, hopefully, this approach will start to embed clarity around affordable housing expectations within land values, but also that it should help more sites come forward. From many conversations that I have had with housebuilders, there is frustration that people who maybe do not intend to take forward a site and who might speculate on that site push down levels of affordable housing to very low levels in what they are assuming in their planning applications. This makes it harder to do that and it will advantage people who are actually going to build out sites. It should mean that the land market works a bit more efficiency and builders are advantages. Lots of housebuilders and developers I have spoken to have welcomed that approach. Yes, I will leave it there.

Asif Aziz (Chief Executive, Criterion Capital): I agree with Jamie [Ratcliff]. As a developer, we know where we stand and that is very important. A number of schemes do not progress because of the unknown and the discretion that is involved with that, whereas here we know where we stand.

Tom Copley AM: To go back to the point that Jamie was making, one of the things that intrigues me most about this is that it appears to put in place a mechanism to try to tackle land-banking with the review after two years by saying to a developer, "Once you have planning permission, if you have not implemented the scheme" - obviously, that definition is up to agreement between either them and the local authority or them and the Mayor - "upon that review, the level of affordable housing cannot go down but it could go up". Is that a way of discouraging developers simply sitting on the land in the hope the value will go up and then managing to reduce their affordable element? I will put that one to James.

James Murray (Deputy Mayor for Housing and Residential Development): It is an attempt to say that if you are going down this quick route through the planning system, the implementation and the delivery has to be quick as well. A lot of the discussion generally is about planning permissions and planning consents and we are all aware of the research that has been done into how many consented units there are in London that do not necessarily lead to building out. That is not to say that it is not important to get those consents through, but it is only one half of the equation. You then have to work out how you are going to make sure that the planning consents get implemented and the delivery is achieved.

Therefore, that is right. What we were trying to achieve through having that two-year time limit around the 35% threshold route is to say, "If you are getting this quicker route through the planning system, it must be because you want to implement that planning permission and build the homes". There is that two-year timeframe hanging over it to say, "If you are going to get this quick consent and this consent that everyone agrees on, it must lead to delivery pretty quickly".

If I could just add one further point, if that is all right, you just made me think while Jamie [Ratcliff] was talking in response to your last question, Tony, about the proof that it will work. Having the viability assessment process underpinning the threshold approach is a really important thing to remember. We are saying that if we get everyone up to 35% and above, it is, clearly, going to be a boost from where we are at the moment. Even if did not work, we would not worse off, because we still have the viability process there and we have a consistent viability process, which we think is an improvement on the current confusion about different assessment methodologies. It is important to say that it is testing out a new methodology in terms of the threshold approach, but it is not forcing everyone down that because we have the underpinning of the viability assessment methodology within that.

Nicky Gavron AM (Deputy Chair): After two years, could it not be a situation where, actually, the 35% went down and it was renegotiated down?

James Murray (Deputy Mayor for Housing and Residential Development): The process is that, if you go down the 35% threshold route, you have to deliver that 35%. If after two years you have not met the agreed milestones in terms of implementation, it would then trigger a normal viability review process and that would be based on the methodology set out as the underpinning of the SPG. Again, you would not be any worse off. Rather than just going straight down the viability assessment route we set out, you would try going down the 35% route and we hope you are going to build out within two years if you get that planning permission under that route. If you do not, you just revert back to the viability assessment route. Again, you are no worse off, but what we are hoping is that it is a win-win because it is boosting the level of affordable housing from what we have become used to and delivering it quickly and with greater certainty for the applicant.

Tom Copley AM: Can I clarify something? My reading of the document - correct me if I am wrong - is that, if that review is triggered, the level cannot drop below 35% or it cannot drop below the previously agreed level; it can only be revised upwards. That was my reading of the document.

James Murray (Deputy Mayor for Housing and Residential Development): We would expect that to be the case because you are having some values agreed upfront. There is provision in there. Although there is no viability information provided for the 35% route, you are agreeing certain values at that stage and so there is a fix in there if you need to trigger the viability process later on.

Tom Copley AM: Is the benchmark land value part of that?

James Murray (Deputy Mayor for Housing and Residential Development): Yes.

Andrew Boff AM: You replied that you would expect that but that is not the rule. That is what *(over-speaking)* Might be theoretically possible --

Jamie Ratcliff (Assistant Director - Programme, Policy and Services, Housing and Land, Greater London Authority): There is a rule. There is a floor that is set and it will not drop below that level.

Andrew Boff AM: It is a floor and it will not drop any lower?

Jamie Ratcliff (Assistant Director - Programme, Policy and Services, Housing and Land, Greater London Authority): Yes.

Navin Shah AM: On the situation that Nicky [Gavron AM] has just asked you about, if that was the case, because the threshold is dropping and it is going to take the viability route, would it mean a new planning application and the whole procedure would start again? What I am keen to know is that any such major shift is back through the planning process and that it is in the public domain. It will have implications on the density and the shape of the scheme and so on, which are planning considerations that for the community will have major implications. What happens in that situation?

James Murray (Deputy Mayor for Housing and Residential Development): Do you mean if after two years a review is triggered?

Navin Shah AM: Yes. If you agreed on the 35% route and then if this was to be reviewed, what then happens? Is it going down or is it going up to, say, 50%? If it is going to trigger a viability situation, then does this mean that the whole scheme is seen as a new scheme requiring a new planning application? How will it work in planning terms?

James Murray (Deputy Mayor for Housing and Residential Development): A review mechanism generally does not trigger a whole new planning application because, if you go through the first route, the viability assessment route, there are triggers for review mechanisms built into a planning application. It will be the same planning application but there will be triggers there, which will then trigger an assessment of how much affordable housing should be provided.

Maybe part of the answer to your question is to do with how the affordable housing is provided. If you look at the viability assessment route within the SPG, the earlier review mechanisms are more likely to lead to more onsite affordable housing; whereas towards the end, when the scheme has started to be built or is quite far down the line, that is more likely. There may well be an opportunity there for a payment in lieu, which can then provide affordable housing elsewhere. I do not know if that starts to answer some of your --

Navin Shah AM: Thank you. Chairman, just for my clarity, basically, what you are saying is that the actual package in terms of the number of units on offer will not change and therefore remains as it is; it is just the affordable units package that is different and so it will not have an overall impact on the size of the scheme and so on. Is that the case?

James Murray (Deputy Mayor for Housing and Residential Development): Basically, whether it could start unpicking some of the other aspects of the planning application?

Navin Shah AM: Yes.

James Murray (Deputy Mayor for Housing and Residential Development): I suppose, in theory.

Jamie Ratcliff (Assistant Director - Programme, Policy and Services, Housing and Land, Greater London Authority): It would just be what is permissible within the section 73 variation to the planning application. There are minor variations you can make in terms of layout or potentially a couple of extra units. However, broadly, it will be that there is a 35% floor and so the viability would show that somewhere between 35% and 100% could be affordable. If you wanted to re-plan the scheme significantly, then there will be another planning application.

Navin Shah AM: Chairman, I will leave it at that.

Nicky Gavron AM (Deputy Chair): On review mechanisms, could I just ask: in the viability route, you are building in anyway a review mechanism, yes?

James Murray (Deputy Mayor for Housing and Residential Development): On the viability route, yes.

Nicky Gavron AM (Deputy Chair): Yes. Last week [24 January 2017], it was pointed out to us [the Housing Committee] that there is a huge difference between a viability assessment and a development appraisal. A viability assessment is based on current land values - in this case, it would be existing use plus and we will probably get on to talk about that - but a development appraisal is based on forecasts of land values. They are very different things.

We work on the former, not the latter and that would seem to be a flaw, F-L-A-W, because it meant that we did not get the best that we could get out of any development. I just wondered if you had a comment on that.

James Murray (Deputy Mayor for Housing and Residential Development): In terms of the viability assessment process, there is quite a clear methodology set out within the SPG in terms of what the assumptions are about the different land values and the different inputs into the methodology. Hopefully, that is set out within the SPG in terms of our approach to all that. I do not know, Jamie, if you want to --

Jamie Ratcliff (Assistant Director - Programme, Policy and Services, Housing and Land, Greater London Authority): There is a point I want to make, but Richard wanted to come in as well and provide a developer perspective on that, if that is OK.

Tony Devenish AM (Chairman): Absolutely. Can I welcome Richard Fagg from Linkcity and also Katy Walker from Criterion [Capital] as well to the panel? Richard?

Richard Fagg (Deputy Managing Director, Linkcity): Good morning. In response to that direct question, you are absolutely correct that there is a difference between current value and forecast, but it is common practice to value construction and sales values with present-day costs and present-day values. The mess we got ourselves into ten years ago was because people were incorporating ridiculous value-inflation into home prices and development values, which were on the never-never. It is not good practice to do that.

However, I would suggest that boroughs and partners are protected because of the common overage provisions that are included within development appraisals such that, if value does increase over time, then the percentage share is down to negotiation but it is very common practice to share 50:50 of any upside above the value that is stated in a development appraisal. Therefore, I would suggest that the public sector and partners are protected in that regard.

Jamie Ratcliff (Assistant Director - Programme, Policy and Services, Housing and Land, Greater London Authority): The two points I was going to make were that, one, the viability process is quite contested already using current values, which should be much easier to ascertain and be clear on. Once you start projecting future values and future construction costs, it becomes a lot more speculative and potentially a lot more contested and difficult to do. You certainly have the protection, as Richard [Fagg] said, of the review.

Also, the other key point is around the land value and so we have set out a clear expectation in the SPG around what we expect a benchmark land value to be. If a developer ran a development appraisal and assumed significant house-price growth in the future, it might be able to pay more for the land and might choose to pay more for the land, but in terms of the viability assessment, that would not be able to be factored into it.

Nicky Gavron AM (Deputy Chair): In your review mechanism, you would be able then --

Jamie Ratcliff (Assistant Director - Programme, Policy and Services, Housing and Land, Greater London Authority): You would then use the current values at that point and so --

Nicky Gavron AM (Deputy Chair): That would be your rebuttal had you been there [before the Housing Committee] last week? OK.

Tony Devenish AM (Chairman): Andrew, would you like to come in at this stage?

Andrew Boff AM: Only to ask what effect the 35% affordable housing would have on the ability to fund any new infrastructure through planning obligations.

James Murray (Deputy Mayor for Housing and Residential Development): Part of the reason for having the viability assessment route underpinning the whole thing is that there may well be cases where there is a large amount of infrastructure investment needed for a particular development. If you are putting a large amount of money into a really hefty bit of infrastructure, you might need to look at the viability to work out what affordable housing is deliverable and what tenures within that are deliverable alongside the infrastructure investment. There is that flexibility, if you are having really heavy infrastructure investment, to have a look through the viability assessment process and what affordable housing is compatible with that.

There is a really important point about not saying that 35% has to be met in every single case. There is the flexibility there to say that, if a particular development is providing a very substantial investment in some infrastructure, then people are welcome to go down the viability route. If it is more of a normal contribution to infrastructure that is not exceptionally high but is more normal, then people might say, "We can deliver 35% and we can fund other community benefits as part of that".

However, again, I underscore the point that the 35% threshold route is an optional route. People can still go through the viability assessment process if they want to.

Andrew Boff AM: The whole point of the 35% threshold is to speed up the process and to provide an incentive for developers to come forward and develop more affordable housing. Is it not also an incentive for them to drop any infrastructure improvements because they know they can get the approval more quickly if they go for affordable housing rather than build a local surgery or a local school?

James Murray (Deputy Mayor for Housing and Residential Development): The expectation would be that the planning application would still meet all of the other requirements of a planning application. Clearly, if there was an unusual development where you provided a lot of investment in infrastructure, then it might well be more appropriate to go down the viability assessment route. Likewise, if there is an opportunity area with a whole neighbourhood being created, with complicated phasing, with infrastructure upfront and maybe with more housing later on or however it works out, we have invited boroughs to get back to us and say whether they want a specific approach for certain opportunity areas to how they want affordable housing delivered and at what stages. There is that flexibility there, but the point of the 35% is to say, "If you hit the 35% and the other normal planning requirements, then you will go through quicker".

Andrew Boff AM: There is an incentive not to provide infrastructure improvements, is there not?

Jamie Ratcliff (Assistant Director - Programme, Policy and Services, Housing and Land, Greater London Authority): Sorry, I will just add two points on that, the first of which is that there is quite a lot of evidence that the negotiation on affordable housing is one of the key things that delays planning application decisions. It is a very contested element of this and so this clearly addresses that. It does not address a whole range of other things that people - including some people around this table - might say are problems with the planning system and help to get stuff through.

The other important point, though, is that it is not a zero-sum game. It is not affordable housing versus infrastructure because it is also about where the benefit accrues. This is tackling land values, as James [Murray] said. Rather than there being very high prices paid for land, which is a great bonus for the landowner but means there is less money left over for affordable housing, this introduces some certainty. There should be more money for both.

My second-favourite Winston Churchill quote is about land being the mother of all monopolies and an evil monopoly. This is something that aligns with that speech he gave.

Andrew Boff AM: Let us find out what the first one is later.

Nicky Gavron AM (Deputy Chair): Starting with James [Murray], with the 35%, is there a possibility that it will lead to a levelling-down?

James Murray (Deputy Mayor for Housing and Residential Development): I will disregard that last question.

Tom Copley AM: That is OK. Nicky has already started off, but we did hear some comments at our previous meeting [15 November 2016] that land prices would simply adjust to take into account the 35% affordable housing value and that it would become a ceiling rather than a threshold. Do you think there is a danger that land prices will simply settle there and it will make you harder for you to get up to your strategic target of 50%?

James Murray (Deputy Mayor for Housing and Residential Development): If you look at the planning permissions coming through already, I know that we are all well aware of the 13% figure that was inherited. Going to 35% on a grant-free basis in terms of planning permissions is a big leap up and that will significantly increase the base level of affordable housing.

The reason why it is called a "threshold" and is set out quite clearly in the SPG and the funding guidance, which was issued on the same day, is that there is a route through this for applicants to work with registered providers (RPs) to draw funding in as well and to work hand-in-hand with the affordable housing provider through the planning system to get it to 40% or above. There is a clear route there for a certain amount of affordable housing to be "banked" through the planning system and to then work hand-in-hand with the funding regime to increase it further beyond that.

Again, it is quite an important point because what we, ideally, what to avoid is a situation whereby grant is subsidising higher land values. If you are saying that you cannot get it up to even 35% without a huge amount of public investment, you run the risk that in certain circumstances some of that public investment might be effectively subsidising the higher price the developer has paid for the land. If you have this threshold and are saying, "Here is a basic amount of affordable housing. We just want to be locked into the land valuation and that part of the process", as an initial threshold that is then viewed in terms of its interaction with the funding, that is a clear route to get it up beyond there.

That is why it is important to pick a figure if you want to get stuff locked into land values. If you leave it too vague, you will not. You will just get a situation where people will outbid each other for land and you are back where you started. If you actually want to start banking a certain amount of affordable housing into land values, you have to pick an amount. That is why we have started this process by saying 35%. Clearly, it is out to consultation and we will see what people say, but it seems to be a pretty good number to start with. We say, "Bank that", and then there is a clear route to access funding to get it up higher towards the strategic target.

Tom Copley AM: It says at paragraph 2.7 in here:

> *"Where a borough currently adopts an approach which delivers a higher average percentage of affordable housing (without public subsidy) the local approach should continue to apply."*

We discussed this at the previous meeting as well. When it says, "Adopts an approach which delivers a higher average percentage of affordable housing", do you mean if a borough has, say, a 50% target or is this a different figure that you would be looking for?

James Murray (Deputy Mayor for Housing and Residential Development): Sure. That is specifically about what boroughs are currently able to and expected to deliver through the planning process. If a borough can bring forward evidence to show that it has a system or an approach whereby it is now delivering and is expecting to continue to deliver more than 35% consistently without grant in future planning applications, then we will look at the methodology and work out how to incorporate that into the overall way forward. I suspect, having our look at some of the data upfront --

Tom Copley AM: Haringey, for example, does deliver 50%.

James Murray (Deputy Mayor for Housing and Residential Development): This is not about the strategic target, though. This is not about the overall target because --

Tom Copley AM: This is not a target; it actually does deliver 50% affordable housing. I think I am right in saying that.

James Murray (Deputy Mayor for Housing and Residential Development): OK. It is worth looking at the figures and just double-checking. Over how long are we talking and is that involving public subsidy or not?

Tom Copley AM: All right. It probably is involving public subsidy, yes.

James Murray (Deputy Mayor for Housing and Residential Development): The 35% is very much grant-free. It is on standard planning applications. Particularly if boroughs are having a lot of investment or public land or whatever, yes then you would expect them to get up to a higher level of affordable housing. That might be what is going on there.

Tom Copley AM: Yes, I see what you mean.

James Murray (Deputy Mayor for Housing and Residential Development): As I said, these are conversations that we want to have with boroughs to understand exactly what is going on and if they have a different view on how things will go forward. Our initial look at the figures, which informed our decision to go with the 35% in the draft SPG, is that as a threshold for a grant-free level of affordable housing planning applications going forward is ambitious but practical.

Tom Copley AM: It might be better for Jamie to answer this. I do not know over what period but certainly in recent years, say, how many developments would have come forward offering 35% or more affordable housing without any public subsidy?

Jamie Ratcliff (Assistant Director - Programme, Policy and Services, Housing and Land, Greater London Authority): I do not have those figures to hand but we can write to you afterwards.

Tom Copley AM: You will provide those?

Jamie Ratcliff (Assistant Director - Programme, Policy and Services, Housing and Land, Greater London Authority): Yes.

Tom Copley AM: Could you give us an idea? Is it a large number or a small number?

Jamie Ratcliff (Assistant Director - Programme, Policy and Services, Housing and Land, Greater London Authority): A small number, I suspect.

Tom Copley AM: A small number. Just one last question, in terms of Route A and Route B, on whether or not you think that simply making viability assessments public will be an incentive for developers to go down Route B rather than Route A and whether transparency itself will have an impact.

James Murray (Deputy Mayor for Housing and Residential Development): The overall direction of travel when it comes to viability assessments is clearly in favour of transparency. If you look at some of the various rulings that have been made on that subject, transparency is where things are headed. If you look at the work the boroughs have done in parallel with the SPG work that we have done, again, transparency was pretty important to the borough protocol, which they have been developing alongside the SPG.

It is one part of the overall approach to viability. I am not sure that you can necessarily separate out all of the different components of viability but, clearly, when you go down a viability assessment route, it is a lot more onerous than the 35% route. Definitely, part of the point of having 35% without a viability assessment is to make that far less onerous. You just do 35%; you do not need to get bogged down in all of the discussion and so on. You just deliver 35% and go forward.

As I said, transparency is clearly the direction of travel when people are talking about viability assessment and it is part of the overall viability assessment. It is quite hard to draw out individual elements of the methodology, but if you are an applicant looking at the two options, we have definitely structured it in a way that we are encouraging people to get planning applications through with a minimum of 35% and build them out within two years.

Tom Copley AM: It says: "...the Mayor reserves the right to refer to, and publish, the information as part of his referral stage 1 and 2 consideration of the application." Does that mean that viability assessments will be essentially published with the Mayor's comments at those stages and that these viability assessments will be published in good time before any decision on the planning application is actually taken?

James Murray (Deputy Mayor for Housing and Residential Development): It is saying, basically, what it says in the document. When the Mayor considers a planning application, it comes in with viability assessment information and the standards of transparency will apply.

Tom Copley AM: At that stage, they will be available to the public?

James Murray (Deputy Mayor for Housing and Residential Development): Yes, I think so. Are we talking about stage 1?

Jamie Ratcliff (Assistant Director - Programme, Policy and Services, Housing and Land, Greater London Authority): I am not sure at which stage the reports are published.

James Murray (Deputy Mayor for Housing and Residential Development): OK. Can we get back to you on the exact details of that? I do not want to give you an incorrect answer.

Tom Copley AM: That is fine. If you could get back on that and then if Jamie can provide us with the figures that we discussed earlier, it would be great.

James Murray (Deputy Mayor for Housing and Residential Development): Sure.

Tom Copley AM: Thank you.

Andrew Boff AM: I must admit, just on that, I wanted the reply, "Yes, they will be transparent, completely and utterly", and I hope that we can end up getting that once you write to us.

Just to go back to a point that Assembly Member Copley raised, there was advice we received from Professor Pete Wyatt at the Housing Committee. He is a Professor of Real Estate Appraisal at the University of Reading. He suggested to us that if all you ask for is 35%, 35% is what you are going to get. Subject to what you have said about grant, why is he wrong?

James Murray (Deputy Mayor for Housing and Residential Development): To refer to my previous answer about saying that this is a threshold and then there is an interaction with the funding regime, that is pretty important because we have always said that --

Andrew Boff AM: Yes, but is there money around for these schemes?

James Murray (Deputy Mayor for Housing and Residential Development): As we know, we have secured £3.15 billion from the Government, which is the biggest deal ever between City Hall and central Government for affordable housing investment in London, which is for starts up to 2020/21. The --

Jamie Ratcliff (Assistant Director - Programme, Policy and Services, Housing and Land, Greater London Authority): We are in negotiations for a share of the further £1.4 billion that was announced in the Autumn Statement.

James Murray (Deputy Mayor for Housing and Residential Development): We have always been clear that the way of getting to the overall strategic target of 50% affordable housing is a combination of planning, land and investments. What we are trying to set out through the SPG and the associated funding guidance is a way of making sure that they work really well together.

It is fair to say that this is the first time in the way that City Hall has approached the matter that we have had a fully integrated approach in planning and in investment.

Andrew Boff AM: In terms of the non-grant-funded element of an application, Professor Wyatt was saying that there would be a levelling down to that or there is likely to be. He has not stated that - he does not have the gift of prophecy - but with his expertise he said that there may be a levelling down to that 35%.

James Murray (Deputy Mayor for Housing and Residential Development): If you look at what we inherited, with planning applications being approved with 13% affordable housing, my maths says that 13% to 35% is not levelling down.

Andrew Boff AM: No, but there may be people who want to put 40% or 45% in. You are saying, "No, you can go down to 35%".

James Murray (Deputy Mayor for Housing and Residential Development): What we are saying is that, having looked at the evidence so far, it appears that very few applications are coming through in a grant-free scenario with over 35%. As I said to Tom [Copley AM], if boroughs can show that they have a different approach that has a greater level of affordable housing being provided through a grant-free route in the planning applications, then we can look at that and see how we incorporate that going forward.

However, our view is that having 35% as a grant-free amount in planning applications will lead to a boost in affordable housing. By picking a number, we start to lock it into land values, which is crucial to the whole thing working.

Andrew Boff AM: Thank you, Chairman.

Nicky Gavron AM (Deputy Chair): First to Richard Fagg: the Mayor has put an enormous emphasis on mixed-use. How do you assess land value and existing use plus when a site is a mixed-use site?

Richard Fagg (Deputy Managing Director, Linkcity): I would like to start by saying that what we are talking about here sets ambition and we all have to admire that ambition in terms of housing.

When we are responding to that point, if I can refer to Assembly Member Shah's own constituency in Brent, we are trying to create a place with hundreds of homes but also there is a college. In the case of the College of North West London, there is an ambition and a sentiment from the College to create a facility for the future of these young people in vocational training, but there is also the ambition to create a sense of place in terms of somewhere to live and provision of housing.

The question is what creates that place. It is not simply a college; nor is it simply housing. There is a huge amount of infrastructure investment required in terms of public space to have a healthy lifestyle, to have open space for children to play and other activities, but what is the level of convenience that people want? Is it shopping? Is it leisure? Is it retail beyond food convenience? Then, of course, there is the infrastructure that others were mentioning about health provision, medical doctors, dentists and pharmaceutical provision in terms of local need, as well as many other factors. It is all of these things that we set off, genuinely, on behalf of the private sector, with that intent to try to satisfy that ambition.

However, there are so many forces in tension that we have to come up with the ideal compromise and the sweet spot that demonstrates - in the case of our scheme at the College of North West London - a fantastic, state-of-the-art college fit for the future and also a level of housing. Here, yes, we have an ambition to produce as much affordable housing as we possibly can but, when we are starting to push density to pay for what is essentially £70 million of college provision, it is an awful lot of private for-sale density or private rented sector (PRS) density or commercial housing density to create value and to cross-subsidise £70 million. Instead of giving a land value of £70 million, we are providing a college and so there is a lot of tension in here. What we cannot afford to do is to race to the bottom of a cost pile only to lose money because inflation runs away, as it has done in the last three to five years on cost and labour rates. Equally, we are trying to reach this balance.

Yes, we admire the ambition of the GLA and the boroughs to set a threshold, but there has to be a genuine, open conversation - a transparent conversation, I totally agree - about what is possible. To attract the investment and to attract parties that are prepared to risk £3 million of costs before even getting a planning consent, they want to know that there is that viability, there is that political will and there is that social need to deliver that. What we are trying to create is social regeneration as well as economic regeneration as much as the physical homes and the physical college when we are trying to create places. We are investing in, for instance, a business incubator hub. Our offer to the College will be a business incubator hub so that the young --

Nicky Gavron AM (Deputy Chair): Sorry, I do not feel I understand how you are going to assess existing use value plus.

Richard Fagg (Deputy Managing Director, Linkcity): When we look at a scheme, we are saying - and we are going to put some retail units into this space on the land of the College at the moment and it is going to be really deep into the site and extending the high street - "Is there going to be demand for that?" We are going to build a space and what we do not want to have is a retail unit with no demand or the retailer going in there and paying a peppercorn rent and, if we can rent it, it is worthless and is not even covering the costs of the construction, let alone in the investment market. When we are trying to generate at least £70 million of profit to give to the College, is it a small retail unit? It could be a Chicken Cottage. What is that going to do for aspirational change and value change in that area compared to having a Waitrose Mini - sorry, I do not mean to quote particular brands - or a more aspirational brand? There is a really delicate balance between what we aspire to have and the practical reality of whether we can attract a retailer and an occupier to spend cash and invest in a lease upon which annuity funds and others will take investment value? At the end of the day, it is a balance of viability and ambition.

Nicky Gavron AM (Deputy Chair): Can I ask Criterion the same question?

Katy Walker (Head of Planning, Criterion Capital): For us, it is a very similar message --

Nicky Gavron AM (Deputy Chair): How, given it is going to be a mixed-use site, do you get to the existing use value plus?

Katy Walker (Head of Planning, Criterion Capital): It becomes very difficult. We are often directed down a route of providing things like active frontages at ground level, office space and retail space without necessarily having a really strong case for that. We are trying to deliver against local authority objectives. That might be to create a better or increased sense of place and destination in an area, but unless we have a really strong market for retail, for office or for whatever it might be, our viability does begin to look very weak.

It is difficult to answer your question directly, but what I am trying to say is that when we are pushed down that route, which might not be our core business if our core business is delivering houses, we are then plunged into this world of delivering office, retail or whatever else it might be and it does impact our viability. It is very difficult for us to sometimes understand what our end position will be and whether a scheme is actually viable.

I have a couple of examples of that in terms of schemes that we are working on currently where we have been asked to provide doctors surgeries, commercial space, etc, and we simply do not feel comfortable that those items will make our scheme viable and that we will get any return from those items. I do not know if that answers your question.

Nicky Gavron AM (Deputy Chair): Yes. I just wondered, James, if you want to comment, too.

James Murray (Deputy Mayor for Housing and Residential Development): I was going to, but I have just seen Jamie indicating and he might want to come in.

Jamie Ratcliff (Assistant Director - Programme, Policy and Services, Housing and Land, Greater London Authority): The straight answer would be that it does not make any difference because it is the existing use of what is currently on the scheme. The plus is to give an incentive to the landlord to change it to a different use. Where a mixed-use scheme may impact on the viability is in terms of the revenues being generated and you have heard that from these two [Richard Fagg and Katy Walker].

There is a slightly more nuanced answer that is more positive, which is that it can actually create an incentive for the landlord to redevelop. We have seen that with some industrial sites. I have forgotten the name of the affordable workspace provider, which may come to me. There are quite a number of sites that it has redeveloped in partnership where effectively what it has got back is some higher-quality affordable workspace and some residential alongside it. The plus for them is very little because there has been an improvement through the development and the mixed-use development, therefore, can make it work.

However, broadly, the existing use is the existing use and it is easier to value that rather than to speculate on the market value or the maximum development you can extract from it. Is it called "Workspace"? I do not know.

Nicky Gavron AM (Deputy Chair): Nobody else coming in? OK. Can I ask one other question? We have talked a lot - and there has been quite a lot of conversation in different meetings, including today's - about transparency. I do not know quite who to ask this to. All of you will be interesting. You are looking at what is on balance sheet and we know very well that there are things that are put off balance sheet. When you talk to developers, you hear them saying, "This will be on balance sheet and that will be off balance sheet". How do you get at what is off balance sheet and how much that counts?

James Murray (Deputy Mayor for Housing and Residential Development): If I understand your question correctly in terms of what information is considered within the viability assessment, ie which costs of a development are included within the assessment versus those that are somehow not included, is that where the question is pointing?

Nicky Gavron AM (Deputy Chair): Yes. All I know is that developers put some things on balance sheets and some things off balance sheets. I am just wondering. Are you getting that full picture?

James Murray (Deputy Mayor for Housing and Residential Development): What I would say is that, in terms of the approach set out in the SPG, there is some quite specific guidance there about exactly what costs should be included in the assessment process. In terms of the things that are included within the assessment and in the transparent assessment that is conducted, hopefully, the SPG sets out some quite clear guidelines of what should be included and what costs need to be accounted for in the process. Hopefully, that helps to give a bit of clarity about what is included within the assessment.

Tom Copley AM: On that point, we heard, Nicky, of Versace kitchens being included in a viability assessment on a particular development in the Vauxhall Nine Elms area. Are you going to specify bans as to how expensive, for example, a kitchen could be that is included? It is no wonder if you are sticking in these incredibly high-end things; you are not going to have very much left over for affordable housing. Indeed, I think it was £28 million that they had put in to spend on a marketing suite. Should a marketing suite be included in a viability assessment? I wondered what your thoughts were on these things and how tight the SPG in terms of maybe restricting some of that.

James Murray (Deputy Mayor for Housing and Residential Development): As I said, hopefully, it does set out some expectations about what costs can reasonably be included or not. Without getting into specific examples, it does set out in the SPG what we would expect to be reasonably included and what we would not because, actually, you can get into whole conversations about what kind of enabling costs are included within a viability assessment and so on. Hopefully, the SPG does give a steer on that, yes.

Jamie Ratcliff (Assistant Director - Programme, Policy and Services, Housing and Land, Greater London Authority): The other thing it says on that specific point, although it does not mention Versace kitchens because it is brand-neutral, is that --

Tom Copley AM: I was not suggesting that it ought to, but there might be some language in there that restricts that.

Jamie Ratcliff (Assistant Director - Programme, Policy and Services, Housing and Land, Greater London Authority): -- but what it does clearly say is that the costs that go into the fittings should be reflected in the value. If somebody was saying, "We are putting in all of these incredibly expensive kitchens and bathrooms and that makes it less viable", it is just not plausible because they must be doing because it is affecting the overall value and that should be improving. If they are claiming --

Tom Copley AM: It should not be eating into what --

Jamie Ratcliff (Assistant Director - Programme, Policy and Services, Housing and Land, Greater London Authority): -- B&Q prices as values and Versace prices as costs, then there will be a challenge there. There has to be an alignment. If it is high-spec, then the value should reflect that.

Tom Copley AM: That was a very helpful answer. Thank you.

Richard Fagg (Deputy Managing Director, Linkcity): Similarly, with a sales and marketing suite, typically, sales and marketing costs are between 4% and 5% across the marketplace. If that is for the Battersea Nine Elms scheme and that marketing suite is going to stand there for five to ten years, that investment in securing, in a great atmosphere, sales at enhanced values, there is a benefit in doing so because it is over such a long course. Of course, it makes an impression to potential purchasers.

Andrew Boff AM: We heard what was said by Mr Fagg and Ms Walker. Should local authorities just wise up and realise that, if they are going to turn something that is designated as an industrial or retail area into housing, they should just turn it into housing rather than struggle to try to provide empty units that create very inactive streets? For example, I could take you all around Mare Street and the London Fields. All around there, if you walk up the street, it is empty shop, empty shop, empty shop. They are still granting planning permissions on the basis of empty, nonviable shops with no parking places, which restrict enormously the number of homes that can go in there. Do you think they should wise up and just say, "Let us get rid of the industrial and set it as housing?"

Richard Fagg (Deputy Managing Director, Linkcity): Our planning colleagues are always seeking that ground-floor animation and activation. If you can do that another way, it should be applauded and supported. However, we could all name specifically half a dozen schemes where, after three to five years, they prove there is no interest, they have marketed a suite and then they go for change-of-use and convert it back to residential. At ground floor, issues of privacy and convenience are a real problem. If it is designed correctly in the first place, you will not have those issues. Notwithstanding that, ground-floor animation is an important part of street-setting and place-making and so it is a difficult balance.

I apologise, Assembly Member Gavron, if I did not reply to your question properly. In terms of the differential in value, what is hugely beneficial is to take that whole-life situation and a whole-life valuation of what is proposed. There are a number of systems out there and tools out there - and Nathaniel Lichfield & Partners does one - where, instead of valuing just the capital receipt of land in the short term, there is a mechanism for valuing the economic, social, health and wellbeing benefit to that community: the income of those new homes generated in the streets, the creation of employment, the health dynamics. There is a huge number that can be considered to say, "The income now generated from this development is taking £10 million land receipt now or it is generating £100 million or £200 million of income per annum in the future". That is the balance and I appreciate that there are political priorities over time, but it is just a different way of looking at the social benefit that these schemes can have in the longer term.

Nicky Gavron AM (Deputy Chair): Yes.

Jamie Ratcliff (Assistant Director - Programme, Policy and Services, Housing and Land, Greater London Authority): Can I just come in briefly on that? There are two sides to it, one of which is that as well as if there is inappropriate space being provided developers are not blameless - and, as Richard [Fagg] said, there are people who will hold units empty in order to get a change-of-use and increase the value against them - it is a real shame to have empty units in terms of wasted space and resource. I would be keen to see affordable workspace and better use made of that.

Then there is also a broader question around land use. As London grows, land becomes more contested. Most of the land that we have is being used for things already. We do need to become better at mixing uses. We are seeing, particularly with industrial and with large boxes, where you can creatively combine residential with that in a way that creates nice, fantastic, beautiful places to live and usable industrial space as well.

Andrew Boff AM: Theoretically, of course, the developers may be blamed but, as somebody who has tried to get planning committees to say that the commercial should be let before the residential as a condition - "No, that does not happen. They do not listen to you. They will not let it happen" - actually, I do think that it is planning committees that are responsible for this, not developers. Developers get what they want. There are plenty of developers but there is only one planning committee in an area.

James Murray (Deputy Mayor for Housing and Residential Development): I suppose, as Jamie [Ratcliff] set out there, the question is broader than just having commercial units at the ground floor. It is also a bigger question about land usage. If we are going to balance industrial land use and residential land use across London, are there cases where they are located in good, well-accessible locations where we do need to have mixed-use so that we support both? Just to flag that up, it is a slightly bigger question than just the ground floor.

Andrew Boff AM: Yes. They are fooling themselves at the moment, Mr Murray, are they not? They are fooling themselves into believing that they are still providing commercial outlets when all they are actually providing are housing outlets and nonviable commercial ones. It is another debate for probably another planning committee, I would say.

Nicky Gavron AM (Deputy Chair): Just very briefly, I want to come back to this transparency issue. We know that there is an open-book criterion. Will the SPG help you in the way it is framed to be more open?

Katy Walker (Head of Planning, Criterion Capital): We very much welcome the transparency both from our own perspective when we are taking forward a scheme - and we have absolutely no problem or issue in having that information openly shared - and also from a perspective of acquiring sites. It is really helpful to understand what viability process that site might have been taken through in the past. That helps our judgement in terms of what we might choose to pay for that site going forward. It is really helpful on both sides of that equation and we very much welcome that transparency.

In terms of on-book/off-book, certainly from our perspective, the items that tend to be off-book are specifics around loan arrangements, which are commercial deals and the ins and outs of those do not necessarily need to be put in the viability for public consumption. How a loan is structured is potentially commercially sensitive. Apart from that, we have no issue with full transparency on all of the viability inputs.

It is in particular welcomed in the SPG that that viability should be provided in a format using one of the various different tools that one can go into, change the numbers, play with it, understand how it works and get under the skin of that. We absolutely welcome that.

Nicky Gavron AM (Deputy Chair): Thank you.

Tony Devenish AM (Chairman): Moving on, question 4, Sian?

Sian Berry AM: I wanted to ask about build-to-rent and we have providers here. Are you also a build-to-rent provider? Great. You can all chip in with the answers.

We wanted to ask what the challenges you face at the moment are with build-to-rent projects in London. It is quite a new thing. Of the schemes I have seen, a couple of them have been done under permitted development rights but, if you are building, what are the challenges? Will the Mayor's proposals help you to do more of them?

Katy Walker (Head of Planning, Criterion Capital): Yes. We have a number of build-to-rent schemes. Some of those are under a permitted development regime; others are through the traditional planning process.

What we are seeing as a trend is that a number of those schemes that have come through the permitted development process are really thinking differently about how provision can be delivered, really tackling design in a different way and tackling things like co-living opportunities - almost an adult version of student accommodation, if you will - and are thinking differently about how provision can be delivered. They have the freedom within the permitted development rights to be able to do that. I have seen some quite exciting changes, particularly around the challenging London Plan size standards, parking standards and other things like that. Those aspects are really positive.

I am really encouraged the SPG, but under built-to-rent what we are seeing is a flexibility around some of those standards so that those principles that are already being delivered in permitted development schemes can be taken through the traditional full planning permission route as well. At the moment, that is one of our challenges. Where we cannot benefit from permitted development and we are looking at a new-build scheme where there is an opportunity to develop something more fit-for-purpose because we are starting from the ground and building something new, we are being really challenged on some of those items. What we would like to do is to really take some of that innovation that we have seen under permitted development through into new-build. That is our challenge coming forward.

In terms of going back to what we were talking about on affordable housing and the London Living Rent being a currency, if you like, for build-to-rent schemes, we see that as something really positive from a developer's perspective. It is not that we are averse to providing affordable housing or trying to wriggle out of providing affordable housing. That is definitely not the mind-set. It is about ease of provision sometimes. It is about getting the right affordable housing product that we can deliver in an easy and manageable way. For us to deliver a proportion of our units under the London Living Rent, a discounted market rent or some other form of benchmarked rent is something that we can really embrace and deliver and do quite easily when it comes down to it. Those are the main things that we have taken out of the SPG as positives.

Richard Fagg (Deputy Managing Director, Linkcity): Given the spectrum of housing that needs to be provided in London across the board and that continuum of housing, what is affordable? For those who are not eligible for - in true terms - social housing, the middle ground of the squeeze for the majority is in the rented sector. The build-to-rent market has stepped in and tried to address that, but it is competing, of course, for land and viability with private development. There is real tension and so you have to work really hard to get a scheme. Anyone can compete on land value, but the consequence is that the return on your capital is going to be reflected in the setting of your rental price. If we are to get this true plethora of a range of affordable rents in the city, we need to address that. A number of key points have been highlighted. PRS tenants do not have cars. They do not want bicycles. They do not necessarily need the type of provision that you would do otherwise. If we enforce --

Tom Copley AM: They do not want bicycles?

Richard Fagg (Deputy Managing Director, Linkcity): Not to the extent of having to have 1.5 bicycles per unit. We have to come up with a realistic measure in response to this. If we force someone to have 300 units with 500 bike spaces, which are taking a huge amount of space in a basement or somewhere else, it is just adding to the cost and that increases the pressure on higher rents, etc. There needs to be a balance and we do need to be realistic.

I am a very keen cyclist. I commute into London every day. It is not that I am against cycling. However, can we have flexibility such that, if there are 500 bikes needed, yes, there is space in the basement for 500 bike spaces, but let us provide those spaces as the demand ramps up. Let us start with 100 spaces dedicated in the space, let us use the space for an alternative use - storage, etc - and then ramp up thereafter.

Tom Copley AM: Sian, I do not know where that data is from.

Sian Berry AM: Yes, can we get some data from you on that? It does not really chime with what we think, does it, at the moment on bike usage?

Tom Copley AM: On bikes, yes.

Sian Berry AM: On affordable housing, though --

Asif Aziz (Chief Executive, Criterion Capital): Can I --

Sian Berry AM: Go on. We did not --

Asif Aziz (Chief Executive, Criterion Capital): We have done 14 build-to-rent schemes. We are a small-to-medium sized developer. Parking is a big issue. When the planners say, "We need parking", we have proved that parking is not needed but bicycle space is. I do tend to agree with you. An element of flexibility is needed, but bicycles for sure if we want to encourage people to be out on the streets, not even use public transport but get out there and be fit. Car spaces? No. In three of our schemes, we had to provide car-parking and, in one scheme, 300 spaces. They are empty. There is an element of flexibility.

Sian Berry AM: Thank you. Can we go back to the affordable housing side of this and the 35% figure? At London Living Rent levels, are you going to be able to provide that as part of build-to-rent schemes?

Richard Fagg (Deputy Managing Director, Linkcity): There is no vanilla answer to that. It is site-specific in terms of the particular circumstances of each site: how much has had to be paid for the land, what the density on that site is and what the requirements are for planning in terms of what section 106, the Community Infrastructure Levy and others are imposing on that. Do you have a take-up space for ground-floor space for employment? All of these things have to be factored in. It is an ambition and, genuinely, the market and the industry wants to respond to that, but the absolute and definitive answer cannot be a "yes" from us, I am afraid.

Sian Berry AM: On the map that the Mayor has produced about what the London Living Rent levels will be in each ward - it is ward-specific - they vary an awful lot. London Living Rent levels are much higher in Central London and much lower in Outer London. Is that potentially going to push developments like yours into Central London and mean we do not get them in Outer London?

Richard Fagg (Deputy Managing Director, Linkcity): For us - and I can only speak for us - Zones 1 and 2 is not the marketplace that we are chasing in terms of chasing higher values constantly because of international demand. That is not a market that we are in. We are very much in the ring doughnut and in the outer boroughs. Zones 3 and 4 are very much our marketplace.

Sian Berry AM: You looked at the London Living Rent levels that there are and you consider --

Richard Fagg (Deputy Managing Director, Linkcity): Yes.

Sian Berry AM: Great.

Katy Walker (Head of Planning, Criterion Capital): We are very - but hopefully not ignorantly - optimistic. We are looking at Zones 1 and 2. We are looking at whether we can deliver the London Living Rent *en masse*. Is that possible? We are looking at schemes where we can try to make that possible. In our thinking, at least at the moment, we are trying to really embrace this and to think, "How can we do this? How can we provide 100% London Living Rent rental accommodation in the long term? How can we make that business model work?" There are a couple of sites that we are really working up through the master-planning process at the moment and we are hoping that we can try to push that forward and really test the market and ourselves to see if we can meet that challenge.

In order to do that, we absolutely need the flexibility around parking and size standards. We really need to be thinking more innovatively and differently about how we deliver space and that will, potentially, come with some compromises. If we are going to achieve those ambitious targets, we might need to compromise. As I said, we are really keen to look at that and see if we can make it work.

One of the things that we are looking at the early stages of is fewer tall buildings and a more dense mansion-block type of approach, yielding high densities. The compromise on that is sunlight and daylight. When we think about what good quality is in terms of housing in London, particularly in Zones 1 and 2, we think of Kensington and Notting Hill with those beautiful Victorian mansion blocks that we all like to see. Yet if we were to apply today's sunlight and daylight criteria to those, none of those would ever have been built. What we want to do is to start looking at that again. Can we merge the two? Can we merge the London Living Rent with permanent residential accommodation in the key zones - 1, 2 and 3 - and deliver something high-density but deliver something compact and functional so that the people who live in those units can use London as their kitchen and as their playground.

That is our vision at the moment and the direction of travel that we are looking to take a number of schemes in. Whether we are crazy or not will remain to be seen, but we are looking at this very optimistically, in summary.

Sian Berry AM: For my final question, are you in any way looking at potentially trying to utilise some of the grants that are available in the Housing Settlement? I know that that would mean becoming a RP. There are hints there that, if you did that, you might be able to apply the grants to the whole scheme and you might be able to do that for London Living Rent homes that last in perpetuity rather than the ones that become shared ownership. Is that something you have even looked at?

Katy Walker (Head of Planning, Criterion Capital): We have not necessarily looked too much into the grant funding side of things and that is something that we will probably want to explore. At this stage, we are not necessarily looking at that as a means to retaining those units as rental in perpetuity. We are quite happy to sign up to that as is. Yes, it is something that we need to explore as a route. It is not something we have done in the past and it would definitely be a new direction of travel for us if we were to do that.

Sian Berry AM: At the moment, you are optimistic about being able to get over the threshold at the London Living Rent levels published?

Katy Walker (Head of Planning, Criterion Capital): On a rental basis, it is much simpler to deliver an affordable housing provision than it is under a traditional built scheme of units for sale. The logistics of peppering affordable units throughout a scheme and all of those things that challenge us on a regular basis when we are thinking about how we deliver affordable, affordable housing is much easier to deliver on a built scheme where we can say, "That is the affordable block. There you go". When we are delivering tall buildings, it becomes much more complex logistically. With a rental model, a lot of those things disappear because we can run those ourselves under our own management system, albeit at a rent that ticks the London Living Rent box.

Sian Berry AM: Deputy Mayor, does the Housing team want to comment on any of that? Is there anything that you have identified that you should be doing more of, certainly from the responses you have had so far to what you have published?

James Murray (Deputy Mayor for Housing and Residential Development): Generally, in terms of the industry that is interested in building new homes for build-to-rent, the guidance with steering we have given in the SPG has been quite well received. We have had quite a lot of discussions as we were bringing the SPG together to work out exactly how prescriptive we should be and what we should leave slightly more open because it is still a model of delivery and a tenure that is developing and people are understanding how it might work in practice. It was quite important for us to work out where to be specific and where to leave it slightly more open to new ideas for people to be slightly more innovative about how they are going to deliver the affordable housing and so on.

From some of the discussions we have started having with boroughs as well, some clearer understanding about how to approach build-to-rent is something that will become increasingly welcome because, at the moment, members of planning committees and the officers supporting them are well-versed in understanding build-for-sale-led developments, the affordable housing offer they have, how that all works and so on. Because build-to-rent is slightly different there is a process there that will not be achieved in one fell swoop, but there is a process about boroughs understanding how build-to-rent operates, what its benefits are, what flexibilities it might need and what different approaches it might need as well.

Yes, it has generally been seen as a good way forward, but it is not the end of the process. There are still ideas that are developing and people are still understanding exactly how it might work in the local context.

There are a few really crucial things about having the affordable housing as part of the main development and delivering it as an intermediate rented option. We have been quite clear that we do not expect there to be shared-ownership units in the middle of a build-to-rent block, which, clearly, would not work. There is the approach to viability as well. We have just signalled that we understand build-to-rent and we want to work with boroughs so that, generally, it is understood.

Jamie Ratcliff (Assistant Director - Programme, Policy and Services, Housing and Land, Greater London Authority): If I could just reinforce that, it has been the biggest plus on this. Understandably, the Mayor's manifesto did not go into huge amounts of detail on why build-to-rent was a good thing - it is a bit of a housing techie thing - but there has definitely now been a clear statement that the Mayor is very positively behind it and James [Murray] has driven that. As part of the SPG, there was a huge amount of engagement from James and Jen Peters [Strategic Planning Manager, GLA], who wrote the SPG, listening to the build-to-rent sector, saying that we want to support it and saying that it is an important part of bridging the gap between where we are now and the overall housing numbers we need to get to.

Just the convening power of the Mayor saying, "This is something I am enthusiastic about. It is something I want to see happen more", will be really powerful. There are some boroughs that are already very supportive of build-to-rent and are doing some fantastic things. There are probably quite a lot of others that are a bit unsure. This is a way of building some enthusiasm and taking it forward.

Sian Berry AM: It sounds like the assessment of viability in these kinds of schemes is, because they are a new thing, a bit tricky. Is it a role that you see for your team to bridge that gap between the people coming forward with schemes which maybe are harder to understand and the boroughs that have to assess them?

James Murray (Deputy Mayor for Housing and Residential Development): Jamie [Ratcliff] might want to add something, but my view on it is that you are right. The SPG does highlight a slightly different approach you might need to viability and slight flexibilities you might need around its approach. Again, I talked earlier about being clear on where you land between very prescriptive at this stage versus leaving it a bit more open. The approach to viability is clearly one where we have given a steer and have said, "It needs to be slightly different and you might want to consider X, Y and Z", but we have tried not to be overly prescriptive at this stage to an extent that might curtail build-to-rent development. It is about finding that right spot and where to go in terms of the approach to viability.

This is still a field that is evolving. It was interesting in the discussions that we had with all the build-to-rent providers before that there was a range of different views. There was not a settled view about some of the viability issues. Some of them had different responses to it and different understandings. However, in a way, through the publication of the draft SPG, some of those ideas might get teased out a bit more. Certainly, we have our viability team starting here and it will be able to help with that.

Tom Copley AM: The SPG says that under the build-to-rent route, as it were, the units can be sold on the open market after 15 years. Why did you pick 15? It seems a rather short amount of time.

James Murray (Deputy Mayor for Housing and Residential Development): It is something that we have discussed with the industry about what an appropriate covenant would be to have on the properties. What we would be hoping - particularly when we have people who are serious about build-to-rent in the long term, investors, people who are going to run it and so on - is that it would go a long way beyond that, but this is a minimum covenant that it should be retained within the build-to-rent sector.

It is important to point out that the affordable provision is in perpetuity and so the affordability does not run out within 15 years. If you were then to sell it to another build-to-rent provider, the affordability conditions would just transfer over with that sale. If you were to sell the units into the private sector after 15 years, the national definition of affordability is in perpetuity and so it would have to be recycled in some way at the end.

Tom Copley AM: Can we just go into more detail on that point? When you say "recycled", let us say there is a 100-unit scheme of which 35 are at London Living Rent and that, after 15 years, is sold, the whole thing, onto the private market. Do the London Living Rent units remain London Living Rent or do they become shared ownership? What happens to them?

James Murray (Deputy Mayor for Housing and Residential Development): It would depend on the viability of the scheme. There would be a need to preserve the affordability that was engrained in the planning permission given originally, but the exact way you would deliver it could then be worked out at the time of selling the building on.

Tom Copley AM: But in theory they could be sold, which would mean that the tenants would then have to leave, but the money from the sale might go to the local authority's affordable housing pot. Is that a possibility?

Jamie Ratcliff (Assistant Director - Programme, Policy and Services, Housing and Land, Greater London Authority): In the absence of anything else, the planning conditions would stay the same and there would be a restriction that those homes had to stay as the tenure they were specified within the section 106. We would assume that, if there was an exit, the developer might want to buy its way out of that obligation and --

Tom Copley AM: Then it would be up to the local authority?

Jamie Ratcliff (Assistant Director - Programme, Policy and Services, Housing and Land, Greater London Authority): Yes, either to pay a commuted sum that the local authority could use to provide affordable housing elsewhere or to negotiate a different tenure that the local authority felt was broadly equivalent.

Tom Copley AM: Within the SPG at 2.35 here, which I do not think is actually the build-to-rent bit, it talks about RPs and they are "expected to actively encourage London Living Rent tenants into home ownership". Does that also apply to build-to-rent providers?

James Murray (Deputy Mayor for Housing and Residential Development): In most instances, it would be unlikely they would access grant because most build-to-rent providers are not RPs and you have to be --

Tom Copley AM: This only applies to units where grant has been received in terms of encouragement into home ownership?

James Murray (Deputy Mayor for Housing and Residential Development): That is right. The London Living Rent caps or the rates, which are set out on the website, can apply to different products underneath the overall umbrella of London Living Rent. Let us say you had a council delivering some homes under the London Living Rent and they decided they wanted to have them at Living Rent in perpetuity and they are not receiving grant from the main programme, that is their prerogative and they can do that. The assumption of the grant rate that we are providing for London Living Rent homes and through the main funding programme is based on an assumption that they do flip into shared ownership after the end of a time period.

Tom Copley AM: It is an interesting assumption and the language is quite interesting. Sorry, this is going off build-to-rent slightly, but it is going into more detail on the ones that are delivered with grant. If it gets to the end of ten years and the tenants either could not save because they could not afford to or did not want to save, presumably that unit will continue as a London Living Rent unit beyond the ten years and will not become shared ownership. Am I right in saying that?

Jamie Ratcliff (Assistant Director - Programme, Policy and Services, Housing and Land, Greater London Authority): It is hard to forecast exactly what is going to happen in ten years' time. The thing that we are being clear on is that we have an expectation that providers will actively encourage people into home ownership within ten years. That is what we have said and will say that in the contracts as well. Exactly how that translates in ten years' time is beyond my abilities.

Tom Copley AM: Sure, but providers or developers must have to take into account the possibility they will not because surely if it does not become shared ownership, that will affect the viability of the scheme.

Jamie Ratcliff (Assistant Director - Programme, Policy and Services, Housing and Land, Greater London Authority): From a viability perspective, the key thing is selling it at some point or introducing some other cross subsidy at some point. Whether you sell in year 10 or year 11, it does not make a massive difference unless something disastrous happens to values in that period and at some point tenants will move.

Tom Copley AM: Sure, but in the vetting process, if someone makes clear when they are signing up or expressing an interest in a London Living Rent property and if they say, "Well, I actually am very happy renting. I have no interest in buying", would you expect a RP not to let to that person because they have expressed no interest in buying in the future?

Jamie Ratcliff (Assistant Director - Programme, Policy and Services, Housing and Land, Greater London Authority): We are saying that an eligibility requirement should be that people are using this to be supported into home ownership. If somebody said that, I would expect providers to say, "This is not a product that is suitable for you. There are other options".

Tom Copley AM: All right, but after the contract is signed, there is nothing that says that that person has to save? In theory, the property could be carrying on in perpetuity as a rented property?

James Murray (Deputy Mayor for Housing and Residential Development): Part of it is flexibility about exactly how the provider wants to make their allocations and the relationship between them and their tenants. When the providers are identifying potential tenants, there is an expectation the tenants are saving and working towards home ownership. It might vary slightly from provider to provider how they want to help the tenant do that and what relationship they want to have with them. We have been clear about what the expectations are, but in the exact delivery of the relationship between the provider and the tenant that is something which individual providers can decide on.

Jamie Ratcliff (Assistant Director - Programme, Policy and Services, Housing and Land, Greater London Authority): We had quite a lot engagement around the product over the summer and autumn and it was clear that there were no two providers that would operate this in the same way. Us trying to come up with some prescriptive set of rules of what they needed to do just was not going to work and would put people off.

Equally, there is an experience of things like rent-to-own buy which happened in 2008 where a lot of tenants came in and they were not really told "This is a route into home ownership and it is going to be sold at some point", or, if they were told, they were only told once and they were not really reminded. Then those people six/seven years later quite rightly felt, "This is my home. I want to stay here for a long period of time", and then were not very happy with their landlord saying, "You have to buy or move out".

We are being clear that this is an issue for providers to manage. They need to be aware of that and they should be clearly communicating with tenants at the outset and regularly that this is a route to home ownership to avoid some of those issues that have arisen in the past.

Tom Copley AM: Once a unit has been bought essentially under shared ownership, would you expect that money to be recycled into London Living Rent or into other intermediate products?

Jamie Ratcliff (Assistant Director - Programme, Policy and Services, Housing and Land, Greater London Authority): Effectively, the initial sale is assumed within the grant rate so we would not have any recycling at that point. It is effectively a deferred sale within the business model of the provider. Beyond that, on any stair-casing we would have proportionate repayment of our grant and then it would be for the GLA/the Mayor at that time to decide how to reallocate that money.

Tom Copley AM: Finally, are you worried that some confusion will be created? Essentially, you have one brand which is London Living Rent but you have two products within it. You have the one which leads to shared ownership which is where there is grant, and you have the one that can be rendered in perpetuity where there is no grant. Are you worried that there is going to be confusion amongst people there?

Andrew Boff AM: Just a point. Ms Walker, earlier you talked about the possibility of converting your London Living Rent properties into rental forever. Of course, that stops being London Living Rent if it is rental forever and so that is --

Sian Berry AM: That is not very clear.

James Murray (Deputy Mayor for Housing and Residential Development): No, it does it.

Andrew Boff AM: No, it is not clear. It is not clear and that is precisely the point.

James Murray (Deputy Mayor for Housing and Residential Development): It may well not be clear between at least two of the Assembly Members, but hopefully I can clarify that. As Tom [Copley AM] said, there are broadly two products within the London Living Rent umbrella. There is one where it might be in perpetuity, which might be one that is provided in a build-to-rent scheme and the principle of being a build-to-rent scheme is that all of the units there are rental within perpetuity. You would expect the London Living Rent units there, as with the others, to be all rented in perpetuity. If they are receiving grant funding through the main programme, it is assumed to be a route to shared ownership.

What is important for that, as Jamie [Ratcliff] said, is the communication between the landlord and the tenant and just being really upfront. If you are a landlord, if you are a RP and it is a London Living Rent home as a route to shared ownership, be really clear with the tenant upfront that that is what they are signing up to and that is the expectation of their tenancy --

Andrew Boff AM: Can I ask one thing then? Would you intend to call it something different rather than calling it the same thing but there being two subtle flavours of the same thing? To take up Mr Ratcliff's point, that will add to the confusion if they are saying, "You are getting a London Living Rent property". Actually, it is not a London Living Rent property. It is more the other London Living Rent property.

Jamie Ratcliff (Assistant Director - Programme, Policy and Services, Housing and Land, Greater London Authority): My answer was just about to address that and explain the broad umbrella of how it is brought together. The two differences are pretty clear. You either have the right to purchase your property on a shared ownership basis or you do not, and you should clearly be told that upfront.

Andrew Boff AM: Call it something different, then.

Jamie Ratcliff (Assistant Director - Programme, Policy and Services, Housing and Land, Greater London Authority): The thing that unifies it all together is that we are saying that London Living Rent tenants will have priority for other shared ownership properties. You might go into a London Living Rent property that is in perpetuity and you may think that is what you want. You may think, "I want to rent forever and that is what suits me", but over time your circumstances change and you say, "Now I want to purchase". Since you are in that property, you then have priority for shared ownership properties elsewhere. Similarly, you may go into a --

Tom Copley AM: Like courting a right-to-buy discount if you are a housing association tenant?

Jamie Ratcliff (Assistant Director - Programme, Policy and Services, Housing and Land, Greater London Authority): Much better than that, Tom.

Tom Copley AM: I am just using it as an example.

Jamie Ratcliff (Assistant Director - Programme, Policy and Services, Housing and Land, Greater London Authority): Yes, and, alternatively, you might go into a two-bedroom property that you have the right to purchase in a location that suits you at the time. Your circumstances change and therefore having priority to buy other shared ownership properties is useful. London Living Rent is a way of providing you with a discounted rent and it can provide a route into home ownership, even if you are in an in perpetuity property.

Tom Copley AM: I am loathe to suggest creating more names for affordable products because I always thought we had too many and I did quite like the narrowing down that we have done. I like London Living Rent as a product - I think it is great - but it is something you might want to think about because people talk to each other. Two people in different London Living Rent properties might say, "Hang on a minute. I get to rent mine forever", or whatever and for this other person it is a route to home ownership.

I take your point about being able to then access another shared ownership property, but it just seems to me to be a bit confusing so it is something you might want to think about. Yes, RPs, as you say, are expected to make it clear, but it is not just something that is between a landlord and a tenant. It is a branding thing, it is something that the Mayor talks about publicly, quite rightly, and people across London are getting a sense now or should be getting a sense of what London Living Rent is. I worry there is going to be a confusion by having two products under the same umbrella.

James Murray (Deputy Mayor for Housing and Residential Development): You end up in a situation where you could have a whole range of brand names for every single variant and every product or you can try and simplify it into as few names as possible. We can have debate about where it is right to land. If you look within "social rent" or "affordable rent", those terms cover a huge range of different rent levels and conditions; whether people have right to buy or not depending who their landlord is; whether they were in a stock transfer; whether they are a new housing association tenant. When they kick in for right-to-buy, within even those terminologies that we think we understand very well there is a huge range of options that people have.

It is an interesting debate, but we have to pick what level to communicate it out and we can make the argument that maybe it should be more fine-grained or less. The emphasis in any situation should be on the landlord communicating effectively and regularly with a tenant about what their responsibilities and rights are within a tenancy.

Tom Copley AM: That took longer than I thought it would so thank you.

Andrew Boff AM: A scheme ultimately can appeal to everyone. I looked at this scheme and I thought, "Great. It is a route to home ownership", and other people will look and they will say, "Great. It is more private rented". If it is all things to all people, then it is time we needed some further definition.

Tony Devenish AM (Chairman): Can I just welcome Westbourne Primary School from Sutton to the audience? Katy [Walker] wants to come in, but I am going to let Sian ask her supplementary question first and then Katy can come in.

Sian Berry AM: Just to add to the confusion, there is the idea that you have these two separate products that are both called "London Living Rent" where one is a benchmark. It literally says in the housing funding guidance London Living Rent is a rent-to-buy product essentially. We have all these build-to-rent providers and housing associations who would love to be providing London Living Rent homes without conditions in perpetuity to retain the viability of their own schemes from their business model to retain ownership of them. Why is grant not available to them? It seems like a way of extending the availability of genuinely affordable homes and lots more homes could perhaps be brought in that way. It seems like there should be some flexibility in the programme for some grants to be available to build-to-rent providers, including housing associations who want to do London Living Rent homes forever.

James Murray (Deputy Mayor for Housing and Residential Development): Just to be clear, the phrase you used about London Living Rent as a rent-to-buy product is in the funding prospectus.

Sian Berry AM: Yes, but it is how it is defined there.

James Murray (Deputy Mayor for Housing and Residential Development): That is funded so it is saying "when funded through the programme". That is the expectation. It is worth being clear that if you have London Living Rent as a rent-to-buy product when it is funded, that is clearly part of what RPs understand when they are bidding for the funding. If people want to provide it in perpetuity as a build-to-rent provider or another means, they can do so. There is that flexibility within the system.

Sian Berry AM: Paragraph 69 in your funding guidance really needs to be clarified. It does say that build-to-rent providers, if they are registered social housing providers, can apply for grant for homes that are rented forever. If they are able to do that, that is a genuine opportunity for some of the build-to-rent providers to register and start delivering some of these. At the moment, paragraph 69 has not been clarified to our satisfaction, has it? Paragraph 69 in the funding guidance is extremely unclear.

Tony Devenish AM (Chairman): Maybe I can suggest that you re-read it after the meeting, gentlemen, and maybe write to us if you feel that clarity is required.

Sian Berry AM: Yes and just stick to viability. If you can clarify that, it would have a real effect on how clear you can be in your viability guidance and what you expect boroughs to try to get from these providers as well. We need clarity on all of that on build-to-rent.

Jamie Ratcliff (Assistant Director - Programme, Policy and Services, Housing and Land, Greater London Authority): I am happy to write and we can clarify that. I should say generally the guidance has been welcomed as spectacularly clear and Andrew Williams [Area Manager, North West - Housing and Land, Greater London Authority], who wrote that, deserves a lot of credit. Some of the stuff around build-to-rent is stuff that was drafted several times by lawyers in some of the most carefully bits and I can explain that in more detail. There are some very specific reasons for some of the wording, which I am happy to expand upon in a letter.

Sian Berry AM: Yes, it needs "expanding upon" rather than "re-writing". That is the word maybe.

Tony Devenish AM (Chairman): Moving on then to our final question from Assembly Member Navin Shah.

Navin Shah AM: Yes. I have opening questions mainly for response from Katy [Walker], Richard [Fagg] and Asif [Aziz]. In terms of management standards, design flexibility, tenancy length and formula-linked rent increases, do the Mayor's proposals to make build-to-rent a more or less attractive proposition for your investment? If the answer is "Yes", great; if not, why and what can the Mayor do to make this proposition more attractive for your investment?

Katy Walker (Head of Planning, Criterion Capital): As I mentioned earlier, for us it is about can we deliver quality and can we deliver, to go back a step, at London Living Rent? Just to be clear what we mean when we say "London Living Rent", we mean a rental which is benchmarked against the average wage in London, as set out in the London Plan and at that calculation. That is our understanding. When we are talking about "London Living Rent", we are talking about a rental product which is benchmarked to the average wage, very simply, rather than any sort of transition into shared ownership.

We feel that we can deliver that. We feel that the SPG allows us to deliver build-to-rent at a London Living Rental price, providing there is some flex in terms of those standards. I mentioned that earlier, really thinking about can we deliver units at 20% to 30% less than London Plan size standard and really challenging that whilst delivering quality. That is how we feel that we can make that work. As I say, we are taking what we have learnt from some of the permitted development schemes, taking that forward into new build and seeing if we can make that work. Does that answer your question? Yes, we can deliver.

Navin Shah AM: I will be coming back.

Katy Walker (Head of Planning, Criterion Capital): The SPG allows us the flexibility. We welcome the flexibility in the SPG around size, around parking and around standards to allow us to deliver a different new product which we will deliver against those rental values that we are looking to achieve.

Richard Fagg (Deputy Managing Director, Linkcity): I would only endorse the point about flexibility. The demands, the changing nature of how we live/how we work is going to increase. The younger generation coming down the line will want something different and many in the sector are responding to those needs. Every build-to-rent scheme is very different and collectively is a very different approach.

All I would ask for is allow us to reflect and change with those needs over time so these units do not become redundant and the capital returns are not decreased over time. The greater the flexibility to allow us to do that would be well placed.

Asif Aziz (Chief Executive, Criterion Capital): I agree with Richard that we need flexibility. I saw a number of "No's" there when Katy [Walker] suggested flats that are smaller than the London Plan. The build-to-rent sector is a journey. We are starting that now, all of us collectively, and there are a lot of learnings to happen. As Richard said, we need to be flexible in our approach to everything.

If the market will sustain smaller flats which deliver more housing in Zones 1, 2 and 3 that keep our talent in London and keep our shops occupied, why would we not consider that at a rent that is benchmarked to London living and that is the permanent PRS? It is a segment that does not really exist at the moment. Build-to-rent and PRS is effectively housebuilders building for the sell market and the same concept, same size and dynamics apply to build-to-rent. It is a different market and we need to be flexible.

I am not suggesting that Katy's comment of a significant reduction in London planning is the answer for everything; it may be the answer for a particular scheme. It certainly does deliver housing in Zones 1, 2, 3 at the same rents as housing in, say, Southend, and it keeps our talent here. The market will determine where we end up, but build-to-rent and PRS is something new, done on the scale that is being proposed currently. It is something new and one cannot apply standards for housing that is being built for sale. That is my view.

Navin Shah AM: That brings me to more detailed questions and further discussion because what I have heard to be honest gives me great concerns. On maintenance, the document says that it showcases the best management practice. First to James and Jamie [Ratcliff], the question is: what is this best practice? What will be the role of management *in situ*, you say? Will it be one-stop access for the residents? What would it cover? Complaints, repairs that come up whilst they live there and, indeed, both ongoing maintenance and upkeep as well?

Can we have a bit more clarification? After that, what do the providers/the developers think in terms of what that role of maintenance should be *in situ*? What can you provide viably? James?

James Murray (Deputy Mayor for Housing and Residential Development): It was important for us to reference the high standards of maintenance and service within build-to-rent developments. We felt it was important for us at City Hall to give a clear steer on what kind of sector we want to develop and to reflect the fact that a lot of the landlords in the build-to-rent sector are providing a decent, very good quality service to their residents. It is important that we make clear that if we are going to encourage the development of a build-to-rent sector, we want that to be an essential part of it. If we are going to be building new build-to-rent homes with more professional management companies looking after them, we want that maintenance and high service standard to be a core part of it. That is why we wanted to reference it in the guidance.

Navin Shah AM: Do you want to come back on what you reckon that maintenance role should entail and how effective it can be from your perspective? Richard?

Richard Fagg (Deputy Managing Director, Linkcity): Perhaps a few comments, but this is far more Asif [Aziz] and Katy's [Walker] core business than ours. We are in a competitive marketplace and the selectivity and the ambition of the people that we are trying to attract, our residents, to come and pay their rent in here is hugely competitive. The level of convenience we all now expect as society needs to be addressed.

Katy [Walker] was talking about these beautiful mansion blocks. There is no storage for the concierge to take parcels that we all order on Amazon. Our residents, the people paying our rent, expect a huge amount of quality and convenience. They want concierge, they want all their needs addressed and they want additional facilities that are embraced within this facility. Of course, for me, we want to give them superb quality so they are content and they remain in the dwellings. The last thing we want is a churn rate of months.

It is in our own interests to do that and fundamentally and financially it is in our own interests to maintain the dwellings and the property for asset value and we are absolutely on board in terms of that quality issue. I would suggest, in terms of the maintenance, it is one small part of ensuring that the tenant, the investors and the community are happy. It is far more your ...

Asif Aziz (Chief Executive, Criterion Capital): Absolutely. As Richard says, it is in our interests. We do not want to churn; we want to maintain our properties. Again, it is what the market wants, business will adapt to what the market wants and the market demands a level of service and quality on minimum standards.

Navin Shah AM: It currently does not exist pretty much when you look at the tenants and the shoddy treatment they get from private tenants when they raise issues about maintenance.

Asif Aziz (Chief Executive, Criterion Capital): That may be for private landlords having one or two properties.

Navin Shah AM: Sure, yes.

Asif Aziz (Chief Executive, Criterion Capital): When you are doing it as a business, you cannot afford not to give proper service because you cannot afford to have a churn in tenants because of the void period, even if the void is a week. It will be driven by the market.

Going back to the other point about reducing the London Plan for permanent PRS, that is fine. It does not have to happen, but then there will need to be subsidies. What PRS has done or is doing is delivering a lot of permitted development, delivered a lot of housing, all for the rental market, some for sale, but it did deliver housing. Build-to-rent will deliver a lot of housing.

If the issue is we need to provide housing that is affordable, there are two ways of achieving it. One is grant and the viability, all the drama and the journey that takes to get us there. Or we compromise on some of the sizes because you compromise on a size, provide something that is efficiently designed and that is functional, which people want. That would deliver housing quickly to London.

Navin Shah AM: Yes. That brings us neatly to this whole question about design standards. The document says and I entirely agree - I am sure all of us will agree - that we want innovative designs and we want exceptional design and standards. That is great.

My question is to James [Murray] and to Jamie [Ratcliff]. Does this mean lowering of space standards, ie, room dimensions and therefore the unit sizes? Does it mean lowering of ceiling heights, for example, which I do not agree with but which the Government has been promoting, packing more units vertically, going high and so on? That will be bad news if that is what the intention is to promote. Families need to grow. Families, even a couple, in small units have need for growth because families grow and if you have a child, you cannot still move on to larger units. You are stuck there so space standards are very critical. What is your position on space standards?

James Murray (Deputy Mayor for Housing and Residential Development): In terms of what the SPG sets out, there are clearly limits to how much the SPG can include. It cannot set new policy and it cannot set a whole new set of space standards.

The area of flexibility that we have tried to point to in the SPG is to say that on a case by case basis, if local planning authorities are looking at a build-to-rent scheme then there is an argument for a different approach to the design of the rooms and the design of the building. Yes, there is an argument for approaching it differently and local authorities should consider that as the applications come in. We have not set out a different set of space standards or whatever for build-to-rent in the SPG, but we have said that local authorities should look at the applications that come in if there is a case being made for a different way of laying out the rooms.

Just to give some examples, build-to-rent schemes sometimes are laid out slightly differently with two bedrooms off a central area in a slightly different configuration than BuildforSale might be. They might have more communal space, a shared kitchen or whatever on the floor rather than the same space within each individual unit. These are not things that we are in a position to give definitive rules and guidance on in the SPG. What we wanted to flag up is that local authorities should look at the applications that come in and work out whether they think it is providing appropriate accommodation.

The other thing just to point out that is quite important in the SPG is a steer to local authorities that they might want to consider what length of covenant the provider is happy to sign up to. If it is, let us say, a big institutional backer who is signing up to a really long-term covenant and you are expecting it to be build-to-rent near enough in perpetuity, then it makes a stronger argument for designing it in a way that is appropriate for a rented community. If it is the shortest covenant, 15 years, there might be an expectation that the people who built it want to sell it at the end of that time period and clearly you are expecting that to transfer into the private ownership market after not too long a time. There might be less of a case to allow flexibility in terms of the approach to design in that case.

Again, let me just bring it full circle to the point I was making earlier about finding out what the right balance is between giving a steer but not being too prescriptive at this stage, given that the sector is still evolving and recognising the limits of supplementary guidance as such. We have given that steer for local authorities to consider when it might be appropriate to have flexibility but without pinning down anything too prescriptive.

Jamie Ratcliff (Assistant Director - Programme, Policy and Services, Housing and Land, Greater London Authority): There are three different scenarios here. One of them is around people who, once you unpack it a little bit, are just talking about saving some development costs and a smaller unit will be cheaper to build. If it is not appropriate for somebody to live in that, then that is not what we should be promoting. You are trying to unpick it and I am not saying either of the colleagues on this panel are saying that and there is something there to bear in mind.

Another thing that people say quite frequently is they look at the pocket example which we are supporting. A lot of people miss the fact that Pocket are building to minimum London Plan standards at 37 square metres. The London Plan does have flexibility for one bed/one person units, to go below that if they are designed exceptionally. I have not seen any of those yet, but there are provisions for it and there is a design challenge there for somebody who is able to do something. Potentially, there are things around if you had very high ceiling heights, you could double up and have mezzanine floors which are more creative. I am sure there are people looking at it but I have not seen anything yet.

The third one is about specific design, as James [Murray] said, the dumbbell design where you have a two-bed unit and you have bedrooms off both sides. A lot of people point at the fact that that reduces circulation space so you should in theory be able to produce a smaller unit. If it was possible to produce a unit that met the minimum size for both bedrooms, for the living space, for the kitchen, for the bathrooms and was then smaller than the two-person standard just because there were fewer corridors, then that seems like it would be acceptable. Again, I have not seen anyone design something to meet that so there is still a design challenge.

Then you also have specific bespoke products where there might be much more communality to it and sharing kitchens and other things where again you can look at the component of space that people have and you can make a case for it on that basis.

Navin Shah AM: From my position, I am very clear what the approach needs to be and it is something the Committee will look at in its response and certainly I will be pushing for that sort of approach. One is that we must stick to the space standards as they are in the London Plan and quite rightly. In terms of innovative design or new approach to an interesting concept, whatever system you come up with where you have shared facilities, communal facilities of high grade whether it is lounge areas or information technology and the other facilities where you can invite guests and so on. In that case, under the set of clear space standards as to how proportionately, for example, to the number of units those communal spaces should be and what they should be as well in terms of over-delivering in terms of accommodation quality of life. Indeed, that should also therefore form part of those alterations in the London Plan, supported by SPG.

I go back to my original position; that once you start lowering standards, you stop the ability of those tenants, those families where there is a couple, it is a one-bedroom or two-bedroom unit to grow. As elected Members and, I am sure, officers as well in local authority cases where because of affordability issues because of supply problems once you are in an accommodation, your family has grown but you are not able to move. I do not want to see tenants being treated differently than other forms of tenures that we have, whether it is selling on the open market or other sorts of tenancies. Very clearly, we want to make sure that this form of tenure does not basically compromise living standards. That is where I am coming from.

Tony Devenish AM (Chairman): Very brief comments, please, and we are going to wrap up in a second. Thank you.

Katy Walker (Head of Planning, Criterion Capital): I absolutely take the point but I just wanted to pick up on that. In terms of any market product, whether it is a one-bed flat or a four-bed house, you will always have the challenge of as a single person you may buy something as a one-bed flat, you meet someone and you then co-habit and you go, "Oh, is there enough space?" You then think about getting married, having a family and you naturally move to somewhere bigger. That is a challenge that everyone faces throughout life, irrespective of the tenure. That is not unique or specific to build-to-rent. You will naturally buy a property/rent a property to suit your circumstances at the time. We cannot futureproof in one given tenure someone's life journey. I am not sure how any of the housing market achieves that. You cannot futureproof someone's life journey.

Navin Shah AM: No, you cannot but space standards, if they are not cramped into an accommodation, they will be more comfortable. Should they find themselves in a situation where there is a personal change in circumstances but for whatever reasons they are not able to move on to the next stage of bigger accommodation or whatever it is.

Tony Devenish AM (Chairman): Finally, the last word to both Tom and Andrew.

Andrew Boff AM: How can we be certain that the Mayor is serious about building more affordable homes when he has cut back on Old Oak Common funding?

James Murray (Deputy Mayor for Housing and Residential Development): My understanding is he has not and I think that has been responded to.

Andrew Boff AM: The budget was £11 million and after being revised that went down to £6 million and you have received two chunks of contingency funding of £1 million each. That does not make the original budget and so it is a cut.

James Murray (Deputy Mayor for Housing and Residential Development): I do not have the figures in front of me, but I believe that point was answered and we can send you the answer again if you missed it the first time around. In terms of the commitment to affordable housing more generally, I would simply point you towards the £3.15 billion settlement which we agreed with national Government, the biggest settlement ever done between City Hall and Westminster to deliver affordable housing over the coming years.

Andrew Boff AM: Of course, it is not the biggest.

James Murray (Deputy Mayor for Housing and Residential Development): That operating --

Andrew Boff AM: It is not the biggest and you know it.

James Murray (Deputy Mayor for Housing and Residential Development): -- in conjunction with the supplementary planning guidance we have discussed today, no one could accuse him of not being committed to it.

Andrew Boff AM: I am accusing him of not being committed to it.

Jamie Ratcliff (Assistant Director - Programme, Policy and Services, Housing and Land, Greater London Authority): Simon Powell [Assistant Director, Strategic Projects and Property, Greater London

Authority] and I had a really productive meeting with senior people from the Old Oak and Park Royal Development Corporation yesterday, looking precisely at the issue of what we can do to drive much more affordable housing. We are looking at it --

Andrew Boff AM: With the reduced amount of money that is being allocated.

Jamie Ratcliff (Assistant Director - Programme, Policy and Services, Housing and Land, Greater London Authority): With the increased amount of capital grant funding that we have available to drive affordable housing.

Tony Devenish AM (Chairman): Very briefly, Tom?

Tom Copley AM: On space standards, I wanted to challenge the idea that reducing the space standards allows you to build more homes. We had a whole session on this and we had Nick Carr from Pocket Homes, who said very clearly that they build up to space standards and he told us that smaller homes cost more per square metre to build because the tighter space is in a higher density of things like kitchens and bathrooms.

Andrew Boff AM: Higher management costs for communal areas.

Tom Copley AM: I do not know if perhaps Katy [Walker] can respond or someone could respond to that. The moment you say you can fit more homes on a piece of land, the price of the land goes up.

Tony Devenish AM (Chairman): We have had the debate at the Housing [Committee] meeting but I am sure you will be talking to Pocket anyway.

Tom Copley AM(?): Developers.

Andrew Boff AM: Developers want both flexibility and certainty at the same time.

Tony Devenish AM (Chairman): Can I thank all of our guests this morning for coming. It has really been appreciated and all your contributions. Thank you, in advance, for what you are going to write to us on; it has all been noted. Thank you.