

## London Assembly Housing Committee – Tuesday, 4 September 2018

### Transcript of Item 5 – Housing Delivery Vehicles

**Sian Berry AM (Chair):** That brings us on to today's main item on Housing Delivery Vehicles and our Members' briefing covers the item in more detail.

Can I welcome our guests? We will have, later on, James Murray, the Deputy Mayor for Housing and Residential Development, and with him is James Clark, who is the Head of Housing Strategy at the Greater London Authority (GLA). We will be asking them some questions later. We have Councillor Ravi Govindia CBE, who is the Leader of the London Borough of Wandsworth, a Council with a Direct Delivery Programme, and accompanying him is Chris Jones, who is the Assistant Director of Strategy and Development at the Council.

Then, from councils that have Housing Development Delivery Vehicles, we have Deborah Heenan, the Major Projects Director for the London Borough of Newham, and Richard Blakeway, the Chair of BexleyCo, which is the local housing company for the Borough of Bexley. We have Councillor Louise Mitchell, the Cabinet Member for Housing for the London Borough of Waltham Forest, accompanied by Paul Mawson, the Managing Director of Sixty Bricks, which is their local housing company. We have Simon Theobald, who is the Head of Finance, Neighbourhoods and Housing for the London Borough of Hackney, and we have Mark Baigent, who is the Interim Director of Housing and Regeneration for the London Borough of Tower Hamlets. In the middle we have Pat Hayes, the Chief Executive of BeFirst, which is the local housing company in Barking and Dagenham. We have many guests and we will try to keep the discussions as brief as possible, but this is a very interesting subject.

I would like to start by trying to work out why councils are setting up local housing companies in reasonably large numbers now, asking the councils that are doing this, starting with Deborah Heenan. Can you run through what the primary motivations were for you to set up a local housing company and what you are planning to build using it, including what kinds of tenures of homes? Also, if you are retaining some direct build, what is the difference between what you are building directly and what you are doing with the housing company?

**Deborah Heenan (Major Projects Director, London Borough of Newham):** Three main reasons. Number 1, to get on and build more homes, especially on Council-owned land. Number 2, we are taking, by delivering directly, a margin of return. Whether that return is recycled as more affordable homes at more affordable levels or recycled as a general revenue, that is a return that would not otherwise come back to the Council. The third is the placemaking and the leadership role to set a better bar for quality, be that quality in the built environment or the offer in the private rented sector (PRS).

On what we are building at the moment, we have just made a major shift with the new Mayor from a predominately PRS product to a 50% affordable and 50% PRS product. We have a programme, which should be onsite, by the end of this year.

**Sian Berry AM (Chair):** Are all your homes under this programme then, the ones you are building? You are not building any directly?

**Deborah Heenan (Major Projects Director, London Borough of Newham):** There were other smaller programmes like garage infill sites. What we are doing at the moment is looking right across the piece at historically where sites have come through via different routes and getting a better strategic grip on this. That is coming through a Housing Delivery Plan due out in the next couple of months.

**Sian Berry AM (Chair):** Can I just ask how it is financed?

**Deborah Heenan (Major Projects Director, London Borough of Newham):** Predominately [through the] Public Works Loan Board, and hopefully some of the affordable via a successful bid to the GLA grant.

**Sian Berry AM (Chair):** OK, thank you. Moving on to Richard, can you tell us about what you are doing?

**Richard Blakeway (Chair, BexleyCo):** Sure. Thanks very much. Very similar reasons to Deborah in the plans in Newham. Just before Christmas last year, Bexley Council published a very ambitious growth plan for the Borough. A key plank of that was to create a company to support their regeneration and growth plans, particularly growth along the northern part of the Borough, along Bexley riverside, where there is an Opportunity Area Framework coming forward. The company is solely owned by the Council, therefore, it is funded similarly through the Public Works] Loan Board. The goal is to do 2,500 homes over the next decade.

I would add one thing in addition to the points Deborah made that would be shared by Bexley. It is this idea of driving development at pace, setting a benchmark for quality, both in terms of the design of homes and in the quality of management, not just of the properties, because there will be a PRS portfolio, but also of the public realm.

The other thing I would add is to generate an income for the Council. That is also an important aspect.

**Sian Berry AM (Chair):** Yes. Did you cover the tenures in that?

**Richard Blakeway (Chair, BexleyCo):** Sure. It is a mix of tenures. It is split between 35% affordable housing and 25% build-to-rent PRS, which will be retained by the company, and then the remainder is private sale.

**Sian Berry AM (Chair):** OK, thank you very much. Pat.

**Pat Hayes (Chief Executive, BeFirst):** We are a slightly different model in that we are much more attuned to a development corporation than a housing company and we are not the Council's housing company. The real reason for us being set up, and it is interesting in terms of the range of activities that we cover because we do planning and land assembly. We also act as the developer in our own right, totally independent from the Council. The Council is our sole shareholder but the Council does not have a seat on our Board and that is the degree of independence that we have.

We are building out a programme for the Council mainly on their land with their money, borrowed through the Public Works Loan Board and from the Housing Revenue Account (HRA). It is 2,000-plus units, nearly closer to 3,000 as we have worked through that programme, on about 32 sites. We are also acquiring and doing our own development on other separate sites. In terms of the mix, on the Council sites are the 32 projects we are building out for them at the moment, a blended rental product ranging from about 50% of market rent, Council Comparative Rent as we call it, up to about 80% of full market. On the sites we are self-developing as part of the company, we will do a conventional market rent, PRS product. We may even do some units for sale as well if we can get in the space of generating and creating an affordable sale product.

The reasons that the Council set us up is because of Barking and Dagenham's enormous amounts of 46 hectares of surplus industrial land. There are lots of developmental sites, but the conventional house builder market has not worked there, and the house builder model does not work. Auctions [of development land] traditionally have been very low. The ability to take development risk has also not been there. Effectively, we are there to take that development forward, to accelerate growth and development, to both build directly and also to catalyse and assist other people in building out. A big part of what we are doing is getting the private sector confident enough and helping them to build out. That has involved us putting equity into schemes, putting debt into one scheme and joint venturing (JV) with private partners as well where we take part of the site.

It is a very much more an interventionist model and it is very much more a municipally interventionist model, but it is to cope with the market failure that has left Barking and Dagenham behind. We are bottom in virtually every key indicator in terms of lifestyle, quality and so on. This is to make that significant intervention in that Borough. It is a different model from your conventional housing company. It is a more expansive model.

**Sian Berry AM (Chair):** When you said you are going to be going down to 50% of market rent, are you applying for grants to cover that? That does not go as far as the social rent.

**Pat Hayes (Chief Executive, BeFirst):** The Borough's housing company Reside will apply for grant. It is setting itself up as a social housing provider, effectively. It has a number of subcompanies below that. There will be some grant schemes with grant in them, there will be some without.

**Sian Berry AM (Chair):** When you said you are more like a development corporation, the development corporations we have make planning decisions. You are not making planning decisions; you are just planning.

**Pat Hayes (Chief Executive, BeFirst):** We are the Borough's planning advisor. We produce the planning reports which go to the Planning Committee. Formally, the Borough takes the decision but effectively all the planning staff sit within our company, except for one planning officer, which the Council has, who deals with delegated decisions, for example, and advises the Planning Committee. It is a slightly different model from many. It is a little bit similar to some of the models where planning has been externalised. We are much more like a development corporation. We also have a planning consultancy arm where we do pure planning consultancy work for the private sector and sell that as a product.

**Sian Berry AM (Chair):** In that model, you are effectively doing planning scrutiny. You are scrutinising your own schemes and sending your own reports to the Planning [Committee].

**Pat Hayes (Chief Executive, BeFirst):** We have a separation in that we have a consultancy arm that works for us and works for developers. The Council have the Planning Officer, who effectively is their chief planner, who scrutinises our decisions and can say, "I do not like that, take it away", and will deal with our applications where we are the applicant. We have a very clear separation in terms of the planning functions.

**Sian Berry AM (Chair):** That is very interesting. Thank you. Louise from Waltham Forest. What are you doing?

**Councillor Louise Mitchell (Cabinet Member for Housing, London Borough of Waltham Forest):** As you know, Waltham Forest is a Borough. We have a very good record on affordable housing. Between 2013 and 2016 we managed to produce 47% affordable housing. In the last year we have set up our company, Sixty Bricks, which is our delivery vehicle. If you are querying the name, I can tell you - and I have learnt this

because they have informed me – that sixty bricks are the number of bricks it takes to build a square metre, apparently so. It is a fascinating fact for our housing company.

The reasons why we decided to set one up are threefold. We need to be able to respond to the housing need within our Borough. We have a large number of people on our housing register. We have an increasingly large number in temporary accommodation. We need to be able to meet that need. We need to be able to bring forward more homes than would be possible under the current arrangements with the HRA and Right to Buy (RTB) receipts. This is very important for us; as a Borough, we want to be able to retain control over the housing delivery and local affordability. Increasing our housing stock, particularly affordable housing stock, is very important to our residents and we want to be able to help reduce our waiting list. Sixty Bricks and the building programme that we have behind that is one of the many strands we have as a Borough in order to bring down our waiting list.

**Sian Berry AM (Chair):** Do you cover the tenures you are producing?

**Councillor Louise Mitchell (Cabinet Member for Housing, London Borough of Waltham Forest):** At the moment, we have plans for just over 883 houses or dwellings. They are in the pipeline at the moment. Sixty Bricks is a start-up. We have been in existence for just over a year and we are working plans up, working things together. We have all those bits in the pipeline. On our tenure, we are looking at 50% affordable housing. Within that, we are looking at 60% affordable rent and 40% shared ownership and other products.

**Sian Berry AM (Chair):** Do you have anything to add?

**Councillor Louise Mitchell (Cabinet Member for Housing, London Borough of Waltham Forest):** Probably lots.

**Sian Berry AM (Chair):** Sorry, Paul first.

**Paul Mawson (Managing Director, Sixty Bricks):** Just the rental element is that the social rent levels are not at the 80% intermediate.

**Sian Berry AM (Chair):** You would be applying for grants through the GLA to cover some.

**Paul Mawson (Managing Director, Sixty Bricks):** We are as well, yes. We are working with the GLA and a number of partnerships.

**Sian Berry AM (Chair):** OK. Moving on to Hackney, Simon, would you like to tell us what you are doing?

**Simon Theobald (Head of Finance, Neighbourhoods and Housing, London Borough of Hackney):** Hackney has a track record of in-house delivery. We have built 500 homes and we have another 2,000 due to be built over the next three years. We very much support the in-house delivery of housing. Therefore, the reason for our housing company is primarily to mitigate some of the sales risk. We are taking on that development arm of taking on the private sales within our development programme and using the company to buy properties and use it as a market rent product, but also to mitigate some of that sales risk.

In doing so, and effectively by taking out some of those developer profit elements to selling via a developer to owner occupiers, we are able to deliver some more additional affordable housing within the company. Primarily, the development programme has 50% affordable, 50% outright sale and then it is of that 50%

outright sale, some of those will go to the company. Of the properties that are sold to the company, we will have a split of 80% market rent and 20% of affordable living, London Living Rent level product there.

In terms of the delivery part, we feel we have -- sorry.

**Tom Copley AM (Deputy Chair):** Can I just clarify? You have your 50% which will be affordable when you develop them and then the other 50%, you are saying because you are not making any profit, you can take homes out of that.

**Simon Theobald (Head of Finance, Neighbourhoods and Housing, London Borough of Hackney):** Development on the site is dependent on what we do. We have a number of options that have come forward. We might come into a development agreement with a developer to take on effectively the sales risk of those private properties. At the moment, where there are smaller numbers, where, let us say, a developer would not be so interested up to say 30 properties, we are saying, "We will take it on. As a Council, we will take on that sales risk and development risk".

The problem of going to market at any point in time is price fluctuation. At one point, you could be going, "OK, this scheme is viable and it works" but within three to six months, a drop-in price could cause an impact. We are looking to the company to say, "Well, if that happens, we will take a longer-term interest via a company in the properties, have them as market rent", and then, at some point in the future, it may be 10, 20 years down the line, we will look to sell them at the right time. Added to that, we can also provide additional affordable housing within the company.

**Tom Copley AM (Deputy Chair):** OK. I think certain developers, private developers are looking at doing that anyway, flipping. You are taking that option, yes.

**Simon Theobald (Head of Finance, Neighbourhoods and Housing, London Borough of Hackney):** Yes. It is effectively giving the Council the same option as the developer would have, yes.

**Sian Berry AM (Chair):** When you say "London Living Rents" in that, what you are going to do with some of the ones you keep in the rented sector, those are still permanently rented homes at the London Living Rent? They are not the products we are talking about that attract grants, which is where people are trying to save up to be shared owners.

**Simon Theobald (Head of Finance, Neighbourhoods and Housing, London Borough of Hackney):** No, it is not that. It is the London Living Rent level of rent as the benchmark of what we set the rent at.

**Sian Berry AM (Chair):** Within the 50% affordable, are there any social rented levels?

**Simon Theobald (Head of Finance, Neighbourhoods and Housing, London Borough of Hackney):** Yes. Within that 50%, 30% are social rented, 20% are shared ownership. That all sits within the HRA. The development programme is funded within the HRA, juggling the money around about payments and receipts within the debt cap, which is the biggest challenge.

**Sian Berry AM (Chair):** OK. Thank you very much. Mark, you are in Tower Hamlets. Will you tell us what you are doing?

**Mark Baigent (Interim Director of Housing and Regeneration, London Borough of Tower Hamlets):** Similar to Hackney, Tower Hamlets is very much doing in-house delivery through the HRA. Last year, we built

nearly 150 homes and we acquired another 150 directly within the Council. However, the housing finance system, as it is at the moment, does not work for us. Since the Government rebooted the RTB a few years ago, Tower Hamlets has probably netted more than one for one retained receipts than any other Borough.

We have had something like £105 million of receipts which we can spend on building new homes. It sounds fantastic and then you read the small print and you find that we can only use that for up to 30% of the cost of building and all the rest of the money has to be funded some other way, which would normally mean borrowing. Then you read another bit of small print that says there is a cap on borrowing. Basically, we cannot move. We have all this money from RTB receipts. OK, there is an extra £1 billion been announced last year for additional borrowing, but we have to bid for that against everybody else. We are about to put a bid in, a very large bid, to the GLA who will be managing that on behalf of the Government, but we do not expect to match all that we need in order to spend that £100 million of RTB receipts. We had to come up with another solution. Although we would much prefer to do it all through the HRA, we just do not believe we will be able to sustain that.

We have set up two companies. One is a wholly owned company to do market rented housing and that is purely to cross-subsidise what we want to do through the other company which is to deliver social housing, affordable housing. That company has been set up as a community benefit society; it is a charitable organisation, it is independent of a Council, it enables us to fund RTB receipts through that company in order to pay for that new social housing rather than being dependent on grant. We will be bidding for grant, but we want to be able to use those RTB receipts as well. That is it in a nutshell.

**Sian Berry AM (Chair):** It is quite similar to the Hackney scheme, but you have separated it into two separate companies that trade with each other in the homes.

**Mark Baigent (Interim Director of Housing and Regeneration, London Borough of Tower Hamlets):** Yes. Basically, on a particular site, they will probably work as a JV, the two companies. There will probably be one contractor building the homes but the ones for market rent will sit in the wholly owned company, which means that the Council can take all of the profits from that private renting and then recycle that money through the other company which, as I say because it is going to use RTB receipts. Again, one of the bits of small print in the Government rules is you cannot use RTB receipts in a wholly owned company. We had to set up something independent to do that.

We have had to jump through several hoops and bend our way around the rules, but we know this is going to work. As I say, we are confident that will deliver, as well as what we want to do through the HRA.

**Nicky Gavron AM:** Can I just ask? Is it the RTB receipts with the company that is doing social rent?

**Mark Baigent (Interim Director of Housing and Regeneration, London Borough of Tower Hamlets):** We can.

**Nicky Gavron AM:** It is doing affordable. I just wanted to check, OK.

**Sian Berry AM (Chair):** Thank you, everyone. That was a good overview of quite a complex set [of questions]. That was very concise, great. There are lots of complexities in what you are doing.

I have just one more question to ask everybody, although obviously some of you, Waltham Forest and Tower Hamlets, have slightly covered this issue. The restrictions that the Government places on housing, as well as RTB, seem to be driving the creation of quite a few of these companies and certainly controlling some of the

structures that you are putting in place. Can I ask each of you: would you still be setting up a local housing company if there were no borrowing restrictions and RTB in existence? Also, how secure do you feel about RTB not applying to some of the things you are building?

**Deborah Heenan (Major Projects Director, London Borough of Newham):** Our fundamental point is that the land we have, has been sold to a third party. If we develop it directly, there is a margin. We would still set up a Special Purpose Vehicle (SPV) of some sort to put risk in a sheltered position outside the mainstream funding. In short, we would still set up a housing company. It is not just about getting around central Government rules.

**Sian Berry AM (Chair):** Great, and Bexley?

**Richard Blakeway (Chair, BexleyCo):** Sure. The Council is a stock transfer borough. There is a slightly different situation with Bexley compared to other authorities. Creating a development vehicle is an important statement for them and a way of maximising the potential of their assets in ways they would not be able to achieve otherwise.

**Sian Berry AM (Chair):** OK, thank you, and Barking?

**Pat Hayes (Chief Executive, BeFirst):** Yes, absolutely. We would do this regardless of RTB or indeed any other changes in the HRA because we are much more about the development of a Borough which has huge opportunities but has lagged behind. It is about building a new housing supply. It is also about building a new form of housing supply. Our focus around that, a blend of rented product for those people who cannot get into the purchase market at the moment, who are excluded by quality and price in the private rented market and probably would not, in many cases, qualify for social housing. We are very much looking at that, delivering a whole range of housing across lots of different types and price points and also delivering conventional council housing as well. That would not be affected by our thinking in terms of where we would go and where the Borough would go if the RTB rules were changed, unhelpful as they are.

**Sian Berry AM (Chair):** Waltham Forest?

**Councillor Louise Mitchell (Cabinet Member for Housing, London Borough of Waltham Forest):** Yes. Like a lot of what has already been said earlier, we would be setting up a delivery vehicle even if the restrictions on our Revenue Account were lifted. We would be looking for, as I said earlier, control and accountability to our local residents. We also have a real interest in providing quality accommodation around our regeneration as well. We are looking at things like the speed that a company like Sixty Bricks can bring forward developments, which, again, is slightly quicker, and looking at different, more innovative ways of building than sometimes the Council can do itself with our Direct Delivery Programme. Obviously, as a Council, we are learning from what Sixty Bricks is doing and if they are doing something good then our Direct Delivery Programme will be following them.

As I think was previously mentioned, we are also looking at affordability of housing and at income return as well for us as a Council.

**Sian Berry AM (Chair):** Do you think that RTB will apply to the homes you are building?

**Councillor Louise Mitchell (Cabinet Member for Housing, London Borough of Waltham Forest):** I do not think so. We are building homes. I cannot look into the future and see what will happen with legislative



changes. Obviously, we have the Green Paper that has come forward recently. There are things mentioned in that. We will have to see what happens. As things stand at the moment, the answer is no.

**Sian Berry AM (Chair):** Hackney?

**Simon Theobald (Head of Finance, Neighbourhoods and Housing, London Borough of Hackney):** As we are not developing through the company and it is really to mitigate our sales risk and then opportunity provides more affordable housing, we would still do it because that sales risk would still be there within the Council. It is probably just worth noting that the debt cap is obviously based on housing stock in 2012 under self-financing. All these new homes that are built, none of that debt cap calculation was used to formulate the borrowing for these. You are kind of borrowing on existing stock for new delivery, which is the struggle that we all have.

**Sian Berry AM (Chair):** And Mark? Do you have a wider comment on this as well because I know that you are somewhat of a consultant?

**Mark Baigent (Interim Director of Housing and Regeneration, London Borough of Tower Hamlets):** It is interesting to look back at the introduction of self-financing in the HRA and the Localism Act back in 2011 because it all happened around the same time. A lot of authorities thought that was opening up possibilities to be much more locally focused around use of all this money within the housing sector, the income, the capital receipts and so on. All the rules that came in on top of that did not free up the kind of development opportunities that we thought there were going to be in terms of HRA developments.

If that had delivered what it promised, I think there would be far less impetus in terms of housing companies. Given the restrictions that were introduced and that are still with us, unless that changes radically in the next couple of years, the motivation for housing companies is going to stay with us. Those of us who have done it have seen all kinds of benefits, flexibilities and so on in a kind of cultural change that people have talked about. Once you have tasted that and you have experienced that, why would you give it up and go back to something that was more restrictive?

**Sian Berry AM (Chair):** Tom, you have a question.

**Tom Copley AM (Deputy Chair):** Yes. I have a couple of things. Firstly, it is quite clear from what I have heard from most of you that your primary aim is about providing housing, particularly as much affordable housing as possible. We know some boroughs have set them up because of the income stream that it provides, and perhaps with other boroughs it is both. I am wondering, did you do any sort of cost-benefit analysis between getting the affordable housing or getting the income stream, or generally is the primary aim to deliver as much affordable housing as possible, rather than getting revenue in to fund services?

**Deborah Heenan (Major Projects Director, London Borough of Newham):** We have just gone through very explicitly calculating those trade-offs because we have moved from a 25% affordable position to a 50% affordable position. We have sat down and done the full range of cost-benefits and that is what we would expect most local authorities would do when they take a piece of land. They do an options appraisal and then offer the Council some choices in trade-off.

**Tom Copley AM (Deputy Chair):** Sure.

**Simon Theobald (Head of Finance, Neighbourhoods and Housing, London Borough of Hackney):** From our point of view, the Council, in terms of the stock that we are building for them, make a very clear



financial appraisal in terms of this trade-off between how affordable a product is and how low the rent level is and how much they can cover from their investment and borrowing. That is constantly flexing, both against housing demand and against where they want to be financially.

The revenue that we drive in is outside that, effectively. Therefore, that is from the development activity we are taking on, that is the PRS development we do outside, development management activity we do for third parties, land acquisition and build on those sites. Effectively, the generating of a stream to fund other services comes from our activities outside the activity we are doing for the housing company. That pays for itself, but it is not driving a specific revenue stream because that is about delivering housing supply. We are about delivering additional housing supply on top of that and a revenue stream.

**Tom Copley AM (Deputy Chair):** You said third parties, by the way. Is it just other local authorities or all manner of --

**Simon Theobald (Head of Finance, Neighbourhoods and Housing, London Borough of Hackney):** At the moment we are working as a development manager for a number of private developers, effectively. We take a development management fee, which has a number of advantages: it drives a fee back to the Council, it gives us control or a very strong say in terms of quality and placemaking in that particular scheme and helps ensure deliverability as well. It is win-win effectively but that is outside the straight housing delivery of the Council's Direct Build Programme.

**Tom Copley AM (Deputy Chair):** Sure. I take it you all have a cost-benefit analysis that you go through. Is that right?

**Simon Theobald (Head of Finance, Neighbourhoods and Housing, London Borough of Hackney):** We do.

**Councillor Louise Mitchell (Cabinet Member for Housing, London Borough of Waltham Forest):** Yes.

**Tom Copley AM (Deputy Chair):** Do you all use Section 106 as well? Do you use Section 106 funds within your housing company or do you just use it to fund in other ways? We will start with Tower Hamlets.

**Mark Baigent (Interim Director of Housing and Regeneration, London Borough of Tower Hamlets):** The simple answer is that we have not yet, but we have agreed in principle that we will. It is a yes.

**Simon Theobald (Head of Finance, Neighbourhoods and Housing, London Borough of Hackney):** At Hackney, yes, we have used Section 106 to fund the programme, but in some ways that is effectively recycled to deliver more housing. Bringing in these other funds and grants, borrowing one for one, gives you that breathing room in your borrowing ability and the ability to deliver more properties. Ultimately, yes, the Council is there to deliver more affordable housing, but it is not just the housing. It is the place-shaping stuff, it is the public realm, it is the commercial opportunities to make the whole community and make it work together. Housing is just one element of a whole wider range of development that makes the place, rather than just focusing on delivering the most amount of housing at the cheapest cost. We have learned the lessons of 50 or 60 years ago of putting up concrete blocks and just a bland box. We are looking at that design quality, designing out the antisocial behaviour within the design, making homes that people are proud of, the maintenance of it --

**Tom Copley AM (Deputy Chair):** We are coming on to quality in the next question and I do not want to pre-empt that but thank you.

**Councillor Louise Mitchell (Cabinet Member for Housing, London Borough of Waltham Forest):** Like my colleagues said earlier, we have the facility to use Section 106. As I said, we are still a start-up and we have not yet built anything. Money is public sector borrowing, so we are there.

**Tom Copley AM (Deputy Chair):** Sure.

**Pat Hayes (Chief Executive, BeFirst):** Our approach, I suppose again, would be slightly different in that we are actually bidding to housebuilders and saying, "Look, we will do the Section 106 component for you", which would give us a double return effectively. We can deliver the affordable housing and we get the commercial return from that.

**Tom Copley AM (Deputy Chair):** Sure. Rick?

**Richard Blakeway (Chair, BexleyCo):** No Section 106s. [Public] Works [Loan Board] alone.

**Tom Copley AM (Deputy Chair):** No Section 106.

**Deborah Heenan (Major Projects Director, London Borough of Newham):** We do Section 106 and, just building on the other point, what we are starting to do now is think a lot harder in a total place context of the financial trade-offs. For example, if you build homes for older people, what you are doing is preventing adult social care costs later down the line and also providing a better-quality service for that segment of the population. We are just beginning to think a lot harder about that and build it into the financial trade-offs.

**Tom Copley AM (Deputy Chair):** Finally, in terms of meeting a diverse range of needs, do any of your companies consider providing things like gypsy and traveller accommodation?

**Pat Hayes (Chief Executive, BeFirst):** We have been asked to look at a site--

**Tom Copley AM (Deputy Chair):** You have been asked to look at a site. Is it something you would consider and are there ways that the Mayor of London could support you in doing that?

**Pat Hayes (Chief Executive, BeFirst):** I think we would consider it because the planning part of our business needs to find another site and we would probably, therefore, be retained to find that site and build it out.

**Tom Copley AM (Deputy Chair):** Sure. Anyone else? It is not something that you have considered, but is there anything you think the Mayor could do to support that?

**Simon Theobald (Head of Finance, Neighbourhoods and Housing, London Borough of Hackney):** I think it is around the availability of land, which is obviously the key driver there, and the land that we do have, whether it is for the estate regeneration infill or surplus land. It is looking at the best use and the location of that and what is the most appropriate type of housing to deliver and whether that is temporary accommodation-type or hostel-type accommodation, whether it is permanent, rented or whether it is a traveller site. You look at the site and develop it in terms of the site context.

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

**Sian Berry AM (Chair):** Moving on, Assembly Member Kurten has some further questions about quality.

**David Kurten AM:** Morning. My question is about the amount of homes you can deliver with a local housing corporation (LHC) and also the speed at which you can deliver them. I know some of you have mentioned this already. Louise from Waltham Forest [Councillor Louise Mitchell, Cabinet Member for Housing], you said you think it is going to make delivery a little bit speedier, which is good.

There are three things I am very interested in specifically. If you compare having an LHC to if you did not, will this allow you to build more homes in general, more affordable homes specifically, and also to build them quicker or not? If I could ask you all to say something about those three things, that would be good. We will start with Deborah from Newham.

**Deborah Heenan (Major Projects Director, London Borough of Newham):** The short answer is “Yes”, “Yes” and “Yes”. It is about control and about your bottom line being the Council’s priorities, as opposed to having to report on a six-monthly cycle to shareholders.

**David Kurten AM:** OK, thank you. Yes, move on to --

**Richard Blakeway (Chair, BexleyCo):** Yes, the short answer is “Yes” in answer to all of your questions. We are very keen to make a statement around quality. As I said earlier, it is not just the quality of the build but the quality of the management that we do in the longer term. As an example of that, we have a car park, which is opposite Abbey Wood train station. One of the things we have done is appoint the Royal Institute of British Architects (RIBA) to run a competition on that to find a high-quality architect to design that building with planning parameters on it, which will deliver more affordable housing than would probably be the case if it was just disposed by the Council outside of its company.

**David Kurten AM:** Thank you. Yes?

**Pat Hayes (Chief Executive, BeFirst):** The answer is clearly “Yes”. In the year that we have been in operation, I think we have added over 500 units to the Council’s existing programme, just by looking at it in a different way. We are now constituting ourselves as effectively a medium-sized housebuilder. Barking and Dagenham’s promise, as I said before, has always been absorption rate and build-out. The Barking Reach/Barking Riverside development staggered along at 150 units for about the last 20 years. We are doing that in six months effectively, just from ourselves on top of the Council’s existing programme.

It is a major accelerator in terms of what we bring to the piece. It is the fact that we sit outside the Council, that we can recruit the best people and we can pay market rates. We can do all these things that the Council as a multifunctional public-sector body cannot do so that we can really do what councils traditionally did: recruit all the best people and do what needs to be done. We can bring in external sources of finance. We do not have to use the Public Works Loan Board, for example. We can do JVs with other sources of investment, which I think is very important long-term.

**David Kurten AM:** Yes. So, Waltham Forest?

**Councillor Louise Mitchell (Cabinet Member for Housing, London Borough of Waltham Forest):** As colleagues have already said, the answer is “Yes”. We have some very ambitious targets in Waltham Forest that have been set for us by the Mayor. Our housebuilding target is 1,794 per year, which feels a lot. It is ambitious, but we are working towards it and a company like Sixty Bricks is one of the ways that we have of meeting that target. Like I said earlier, we have at the moment just under 900 homes in the process that we are working towards. We are looking at design quality and standards, how we can build those out and make

sure that they are the very best that we have for our residents. Paul [Mawson, Managing Director, Sixty Bricks] has promised me that these schemes will come out of the ground quickly and that we will be able to move fast as a Council.

**David Kurten AM:** OK, thank you. Hackney?

**Simon Theobald (Head of Finance, Neighbourhoods and Housing, London Borough of Hackney):** At Hackney we are not using the company to do development, but what I talk about is our experience of developing the in-house team. We should not underestimate the learning and the skills capacity to deliver homes. Probably over the last ten years, we have learnt, and we are in a position now where we have the template of delivering schemes and in the last year we have gone onsite on five schemes. To start with, it was quite a hard process to learn the procurement rules, the engagement of contractors. You were playing in a housing market at the time that it was growing. We now have a slightly changing housing market, so it has to be quite reactive. Is the housing company getting us to deliver more? No, because it is not delivering, but we want to deliver more within the Council, which will obviously deliver more affordable housing.

**David Kurten AM:** Yes, OK, thanks.

**Mark Baigent (Interim Director of Housing and Regeneration, London Borough of Tower Hamlets):** I would say similarly that once the company is set up, their capacity to do things more quickly, particularly around procurement, is definitely a big factor. In terms of the actual process of setting the company up - and I have worked with quite a few councils on establishing companies - it should not be underestimated how much is involved in getting all the approvals, particularly internal finance, legal and so on, to set these things up. If there were any boroughs who have not got one and you think it is just going to happen overnight, it does take quite a lot of work to set it up and particularly around the skills needed to make that a reality. It does need quite a lot of dedicated thought and time in each Council to set it up.

**David Kurten AM:** OK, thank you. Just one other thing: what are the benefits to tenants and people who are buying from an LHC? Could you say something about that? Is there something that makes it better or would there be no difference in the experience of tenants and buyers if they come to you as an LHC?  
Deborah?

**Deborah Heenan (Major Projects Director, London Borough of Newham):** OK, so because of the particular issues in Newham very explicitly, we are providing a better PRS product. Again, as others have alluded to, we are in general taking a much more considered approach to building quality and place-making.

**David Kurten AM:** Yes?

**Richard Blakeway (Chair, BexleyCo):** For those who are going to rent privately from the company, our intention is to provide a better offer than you would find in the open market in the Borough. The tenancy arrangements will be different, and the fee arrangements are very different. We want to make a very clear statement around that. On the market sales side, in addition to it being a quality product, there are certainly efforts that we will look to make around the buying process for individuals, their ability to view the properties earlier, the way we would address any snags that came up and so on. I would hope there is a very strong offer there to support buyers and also how we market the properties. Clearly, one of the things we will look to do is have a very strong local marketing exercise so that local residents or indeed Londoners, more broadly, can access those properties.

**David Kurten AM:** Thanks. Yes?

**Pat Hayes (Chief Executive, BeFirst):** Ours is a much better-quality product than is available in the private sector, full stop. Effectively, again rather similar to Newham, quality of product in the PRS is very, very poor, even right down at the bottom price point. People will be getting a very good and also a very consistent product in terms of what we are building out. The objective is that although there is a very wide range of external finishes and designs, the product internally will meet common standards. There will be as much uniformity of parts like electrical and service equipment, so it is much easier to maintain and look after.

There is a big focus on cost of use in terms of design, build, construction and cost of maintenance. It will be a much easier to maintain product, an easy to live in product and, indeed, a product where you will be able to move around the Borough, for example, and you still know pretty much where everything is. Someone going in to service things and fix things knows that this is effectively a BeFirst product. Therefore, just as when you go under the engine of a Volkswagen or Audi car, it does not matter if it looks different on the outside; the basic operational parts are all in the same place and with a fair degree of standardisation. They are a better place to live in and somewhere you can move around.

**David Kurten AM:** Is that because you think the quality of PRS accommodation, specifically in Barking and Dagenham, is lower? Would that be an issue in every area or is that something that is--

**Pat Hayes (Chief Executive, BeFirst):** It is every area I have worked in in London. I have worked in quite a few London boroughs and the quality of the PRS is generally very, very poor. The product you will see provided by all or nearly all Council housing companies is way above what is available in the private sector and at a much more competitive price than is available from some of the new build-to-rent developers as well.

Our challenge is around getting "What is that absolute point of perfection?" in terms of range of services - concierge, communal facilities - that does not start to make it too expensive but is what people actually need. It is getting that point of optimum price versus utility benefit and that is what I think a lot of Council housing companies are delivering. At the moment, in the private rented market it either tends to be a very poor amateur landlord product or bulk landlord but at the bottom end of the market or quite expensive, especially build-to-rent developers who pitch to the particular market, which is not the ordinary Londoner.

**David Kurten AM:** Right, thank you. That is very interesting. OK, yes, Louise, Waltham Forest.

**Councillor Louise Mitchell (Cabinet Member for Housing, London Borough of Waltham Forest):**

Thank you. As previously said, we will obviously be building quality products and that is really important to us as a Borough. With the 50% of the dwellings that we are bringing forward through Sixty Bricks that will be available for private sale, we are looking at ways that we can market those to local residents in the first instance, almost on a sort of first choice basis. That is what we will be trying to do. Importantly for us, we will be having 50% of affordable housing with a high proportion of those as social rent. That is crucial within our Borough. That is what the desperate need for accommodation is and that is what Sixty Bricks allows us to build.

**David Kurten AM:** Thank you. Yes?

**Simon Theobald (Head of Finance, Neighbourhoods and Housing, London Borough of Hackney):**

Private market tenants are part of the company. The Council has a better private renting campaign and so we are going to demonstrate those quality renting things that you need to do within that company. The sales element is done through the Council and obviously we are a visible freeholder. Early on, we had a discussion of whether it is good or not good to have the Council as the freeholder of the land. Actually, if there is a problem

and you are the freeholder, or you are the management company, there is a place for you to go to get your problems sorted out, rather than a sort of invisible management company that pop in once a week. I certainly think, yes, whether it is through the Council or through a company, you are visible in terms of that management and support to tenants and owners.

**David Kurten AM:** Good point, thank you. Mark?

**Mark Baigent (Interim Director of Housing and Regeneration, London Borough of Tower Hamlets):**

The key to your question is who you are comparing with or what you are comparing with. Most of the answers you have heard have been about a comparison with the PRS. There is no doubt that local companies will offer a better service than most private renting, which is generally from individuals rather than large companies.

In Tower Hamlets' case a lot of what we are going to be developing is on land that is in the middle of a Council estate. The trade-off, if you like, or the comparison, is the people who are on our waiting list who would like to wait for a Council flat and a Council tenancy. However, we do not have the capacity, as I talked about earlier, to develop those. We are having to develop something which is still at the same rent level; it is the same kind of product but it is through a company that, in effect, is a private landlord and it is not "The Council is the landlord", even though ultimately the Council owns what is being developed. There is an explanation for people. There is a whole marketing piece there around explaining to people that this is the best we are able to offer, and it is a good product but it is not the same as a Council tenancy. It is virtually the same but there are differences and it is explaining that to people which is the challenge for us.

**David Kurten AM:** OK, thank you.

**Sian Berry AM (Chair):** Yes, that was really interesting about the place in the market for these between Council housing and private renting. Yes, we will talk more about that later. Assembly Member Devenish, you have some more challenging questions, I believe.

**Tony Devenish AM:** I have one question I have been given. What are the greatest risks for the Council in setting up an LHC? Perhaps we should start with Mark because he has written the book.

**Mark Baigent (Interim Director of Housing and Regeneration, London Borough of Tower Hamlets):**

Obviously, the risk is that it becomes insolvent, you have to close it down, you lose a lot of money and it is publicly embarrassing. That has not happened yet, as far as I am aware, with any of the companies that have been set up in London or nationally, but there is a real risk. When you have a Council that is effectively underwriting that risk, that money has to be found from somewhere. If the Council is lending money in the company and that loan cannot be repaid, then the Council effectively has to clear that debt.

There are companies I am aware of in other parts of the country who are coming up against those kinds of challenges, where they have set up something, hoping to make money, and in fact they are not making the money they were hoping to make. They have other savings they have to achieve and they are under pressure on a number of fronts and rather than a solution, it is creating another pressure. That is the biggest risk, I think.

**Tony Devenish AM:** How can we mitigate that?

**Mark Baigent (Interim Director of Housing and Regeneration, London Borough of Tower Hamlets):**

Make really sensible commercial decisions and do not take risks that are beyond manageability really, which is easy to say and very hard to do. That is why you need experts and you need people who know what they are

doing to take on a development and say, “OK, this one is going to work. This one is too risky”. With all of these sites that we are looking at, there will be reasons why it makes sense to develop it out and there is an income stream and it is going to cover itself. There will be reasons why, if it becomes too expensive to build it out or the income cannot be secured, then it is commercially better to just stop and say, “OK, well, we will write that off rather than continue to build it out”.

**Tony Devenish AM:** We have probably some of the best councils in London here in terms of their record. Would you advise all of the ones that are not here or some of the ones that are not here to stay out of this game and leave it to experts? Or are you happy to have up to 32 of these operating with a market which is, let us just say, not where it was three years ago?

**Mark Baigent (Interim Director of Housing and Regeneration, London Borough of Tower Hamlets):** Sure. If you look at the skills and the expertise, then you have some of that in the room here. You have other boroughs who are doing this and there is a lot of sharing, there is a lot of fluidity in London between people learning from each other and that collaboration is really important. There may be some authorities who are on the edge. They are not sure whether they should be doing this. Should they dip their toe in the water? If they are not committed to making a success of it and if they are not prepared to invest at scale, then for some of them it would be better to come to one of the existing players and say, “Well, why don’t you come and develop it for us?”, which I know is what several of us are offering as a service to others.

**Tony Devenish AM:** Thank you. [Councillor] Ravi [Govindia CBE] has not spoken yet, I do not think, and we were going to ask Ravi. You are not going down this particular route. Could you explain why you are doing a more perhaps, can I say, conventional route?

**Councillor Ravi Govindia CBE (Leader, London Borough of Wandsworth):** I feel a bit like being a control experiment here and so in a sense let me explain why we are where we are. It is because all the reasons why councils have set up companies are to do with accessing cash. They are using their land assets and place-making and delivering a product to meet their housing needs. Those are broadly the reasons why people have set up companies. We think we can do all of that without setting up a company and it was a pragmatic decision and back to Mark’s idea of a sensible commercial decision, we looked at it and made a sensible commercial decision that we could deliver all those without setting up a company. We have not taken a doctrinaire position, “We won’t do a company”. We said that for what we need to do now, we can do it within our resources. That is particularly because we do not have an awful lot of land of our own and the land that we need to eke out to deliver housing has to be on Council estates, where the engagement with our existing residents and tenants is an important part of making people accept delivery of new housing in their area. We think we can do it better by being the elected authority doing it.

Secondly, we have a robust financial position both in the Housing Revenue Fund (HRF) and in our General Fund. We think that we can use both of those, including our capacity to borrow within our headroom rather than extending our headroom. We think that we can recycle the Section 106s and RTB receipts to make the finances work so we do not need to rely on external funding, which obviously [having] a company would make it easier to access. I do think that place-making is an important part of delivering new housing, particularly, especially in trying to persuade people to accept new housing in their neighbourhood. It is an important consideration. We can deliver that through a robust planning process and a much more engaged planning process. We feel that we have delivered that so far without any difficulty and that is the reason.

**Tony Devenish AM:** Thank you. Rather than going through the whole panel, has anybody got anything particularly to add in terms of risk management that gives a particular insight? Simon?



**Simon Theobald (Head of Finance, Neighbourhoods and Housing, London Borough of Hackney):**

Hackney would have to set a company up to mitigate the development risk for the Council. We are using it, like I say, for a slightly different purpose. Yes, building properties is risky and seemingly within the Council we have the governance and the structures and the decision-making to manage that risk in the development and control the decisions. Ultimately, you make money on property over the longer term, not in the short term, and if you try to make it in the short term, the five or ten years, with price fluctuations you are at risk of the company folding. If you are in it for the longer term and so providing a product for a longer period of time, history has shown that property prices do always rise over that 20, 30, 40-year period. I guess the risk is managed by not trying to make a quick buck but investing in the community, investing in the property, investing in the longer term. That is how you manage the risk.

**Pat Hayes (Chief Executive, BeFirst):** There are two very important points in terms of the risk issue. One should only set up a company if one is very clear why one is doing it and what one wants out of it, and that should not be just to avoid RTB and it should not be just to make money. You might make money but that should not be the main driver and it will be a very slow burn if you do.

The other important point is to make sure that when you set up the company you are actually committed to it. Therefore, you commit the resource in terms of working capital, you commit the resource in terms of Council borrowing - credits, if that is the way you are going - and you enable the company to be sufficiently independent to actually have those advantages of not being part of the Council. It is absolutely pointless going through all the costs and rigmarole of setting up a company, which Mark alluded to, to then effectively not free it from the Council to gain any of the benefits of being outside the Council, which is a mistake, I think, that people will and have made.

Once you have a company in place, it is then about making sure that company is adequately resourced to have the professional staff and the processes and systems to keep making sensible investment and acquisition decisions continuously and at pace. That is not necessarily easy. It is about the process, it is about the regulation in the company and it is about the resource in that company. If you are going to do it, you cannot do it half-heartedly. If someone does this half-heartedly, that is when it will go wrong.

**Richard Blakeway (Chair, BexleyCo):** If I could just, sorry, jump in. Just to add: I agree entirely with Pat. I think on the development side, I would have a very strong view that you probably need a mixed development model. If you just went with one route, "We will do self-build as a company", then that is taking on a considerable amount of risk. Certainly, the way we have looked at the assets that we are developing is we have a mixed approach. The larger the site, the more likely we are to partner with someone or in particular potentially use a JV vehicle to try to mitigate some of the risk and bring in additional capacity and expertise, as well as additional finance to bring in those projects forward. Probably, the risks that I would highlight the most is sales risk. As companies, we are all pushing very hard to accelerate development, but that means therefore we are building into a less certain market, I would argue, and a less certain sales market, certainly beyond 2020-2021.

**Tony Devenish AM:** Thank you. Deborah?

**Deborah Heenan (Major Projects Director, London Borough of Newham):** It is worth building on what Pat has said as well about doing this at scale. If you think from the perspective of a developer, generally you would look at it in three types of risk, the sales risk, the planning risk and then the construction and design risk. If you take those in order, you can mitigate sales by thinking harder about how you segment the market. It is back to that point: if you are building an older people's product and you are specifically targeting downsizers, you are able to take a segment and know that you are going to be able to sell. You need to think,

beginning like a developer, and then think harder about what your unique selling point is because you are the local authority.

Ditto planning. You cannot fetter the discretion of the Head of Planning, but you should understand your own planning policies in your own area inside out and you should be able to uniquely de-risk that.

Then the third point that I think is probably going to come towards the end of this session and is worth spending some time on is the construction risk. For some of the people around the table here, the number that we are getting into in terms of construction is heading towards £1 billion per Borough. The margin of developer profit is generally 20% in residential development, but if you do not have a full understanding and grip of your construction prices, you can easily lose that 20% by mismanaging the construction process. I would like to perhaps pick up on that again a little bit later.

**Tony Devenish AM:** James has just come in. Good morning, James. I will ask him. How can you help risk manage this process to make sure local authorities do not take a hit on the market or the points that Deborah was particularly making as you came in?

**James Murray (Deputy Mayor for Housing and Residential Development):** Sure. Without jumping in and getting the wrong end of any sticks, I would say start from a general point of view in terms of the housing developments that we are trying to support through City Hall. Clearly, one obvious way of avoiding market risk in terms of sales is to focus on more affordable housing and actually to increase the proportion of affordable housing within schemes effectively de-risks them.

**Sian Berry AM (Chair):** Sorry, James, to interrupt. We want to talk to you later on about all of these issues. Sorry, Tony. You have come right in the middle of a discussion about just the risk side of things and I would rather we wait, if that is OK.

**James Murray (Deputy Mayor for Housing and Residential Development):** That is fine.

**Sian Berry AM (Chair):** Do you guarantee any loans? Is there anything that you do with your grants to mitigate risk?

**James Murray (Deputy Mayor for Housing and Residential Development):** I will take your steer about when I am allowed to talk.

**Sian Berry AM (Chair):** OK, fine because we are talking about financial risk at the moment. Are you finished, Tony, yet?

**Tony Devenish AM:** I think I am being told to finish, Chair, so I will finish.

**Sian Berry AM (Chair):** My apologies for jumping in. I have one or two more questions, if that is OK, to Wandsworth. As I understand it, you partly keep doing development yourself but also doing the more traditional going into a JV with a developer over quite a large proportion of the schemes that are coming forward. People have talked about creating housing companies in order to remove that need to export profit. Does that affect your tenure split? Are you reducing the amount of affordable housing in the part that is the JV side of things because you will need to supply that profit to the developer?

**Councillor Ravi Govindia (Leader, London Borough of Wandsworth):** There are two estate regeneration schemes, and both have slightly different delivery mechanisms. One is a JV and the other one is a

development model. The JV takes both the risk and the delivery and of course we will return all the social housing that currently exists and more, so it will create 100 more social housing units in Winstanley/York Road estate. There will be further PRS products on which there will be profit share and of course there will be market housing, too.

I do not think that there is that risk of exporting. Mr Jones, you will have greater detail on the specifics of the finances of the Taylor Wimpey.

**Chris Jones (Assistant Director, Strategy and Development, London Borough of Wandsworth):** On the Taylor Wimpey, again, in respect to the site, it is right next to Clapham Junction. One of the things that we thought about in terms of risk was it was worth going into a JV rather than a development agreement or arrangement where we essentially sold packets of land. We did want to share in the benefit to reinvest that benefit and obviously it was a development of scale. We needed a private sector partner to assist us with that and that was Taylor Wimpey. There were other elements as well, which included a leisure centre, library and what have you, so it was a wider regeneration in that respect. Clearly, we spent a huge amount of time in dialogue, not just with Taylor Wimpey, but during the procurement process to get the right partner and to get the right financial deal. As I say, there was an awful lot of work that went into that.

Our own development programme clearly works on the basis of delivery of 1,000 homes, 60% of which are affordable, 40% market, which we will be developing on infill sites. That programme as well has been through a financial rigour, in terms of whether we can actually deliver that with a significant amount of risk built into that, in terms of sales and what have you.

**Sian Berry AM (Chair):** Have these schemes gone through [the] planning [committee] yet?

**Chris Jones (Assistant Director, Strategy and Development, London Borough of Wandsworth):** The 1,000 homes?

**Sian Berry AM (Chair):** No, I am still concerned about the JV and the estate regeneration.

**Chris Jones (Assistant Director, Strategy and Development, London Borough of Wandsworth):** Neither scheme have got outline planning permission for the whole regeneration, but we are confident of that. Winstanley and York Road have got planning permission for, what is called, phase nought, an initial phase of development, particular to assist with decants.

**Sian Berry AM (Chair):** What affordable housing percentages are you getting then in that?

**Chris Jones (Assistant Director, Strategy and Development, London Borough of Wandsworth):** There are two aspects to that. There were drivers that sat behind those discussions about maximising the delivery of affordable housing. Clearly, in terms of any regeneration, the level of affordable housing you achieve will be dependent upon the market. If the housing market continues to increase, that in turn would increase the amount of affordable housing you can deliver. If the market takes a different direction, clearly you need to look at that model and whether you can deliver some of the forecast levels of affordable housing.

Remember also, Winstanley and York Road is almost unique in terms of the fact that that stock is coming back to the Council. We are not selling it to a housing association. We are actually retaining that stock within the Council's ownership. There is cost to that as well. We are not selling on to a housing association.

**Nicky Gavron AM:** You are not building much affordable housing then?

**Chris Jones (Assistant Director, Strategy and Development, London Borough of Wandsworth):** No, we are building a significant amount of affordable housing, because our commitment is to replace all of the Council rented housing, which is going to be demolished, and more.

**Sian Berry AM (Chair):** That is the very minimum of the Mayor's requirements.

**Chris Jones (Assistant Director, Strategy and Development, London Borough of Wandsworth):** For any estate regeneration, the London Mayor will take a view in terms of those regenerations working financially. Clearly, when doing this regeneration, we are also developing a leisure centre, which will be in the Council's ownership; a library, which will be in the Council's ownership; all of those things have a cost to them. You build a new leisure centre with a pool and potentially you are talking about £20 - 30 million that you need to take from the development to actually fund that facility.

**Councillor Ravi Govindia CBE (Leader of the London Borough of Wandsworth):** Could I just add, you need to see this in the round, because there was an earlier comment about place-making as one of the drivers offsetting a company. An estate regeneration has to be seen as a place-making opportunity as well. The place-making is more than just bricks and mortar with which you provide homes to people who want homes. It is about making a place and in the context in which you do this. The leisure centre is one of those things, but there are health facilities, there is a school to be moved and repositioned and churches to be provided. All those costs have to come out of the estate regeneration envelope. That is one of the big factors in making the scheme work, but also restricts the opened ended growth of affordable housing.

**Sian Berry AM (Chair):** We are the Housing Committee though, so we are very concerned about the amount of affordable housing.

**Councillor Ravi Govindia (Leader of the London Borough of Wandsworth):** If I may say, housing sits in the context of a wider community. The acceptability of the challenge of housing, estate regeneration and particularly infill sites on estates, is going to be about how you take the existing population with you. If you do not take them with you, the delay in getting planning permission, delay in getting started onsite would be significant, which would undermine both the delivery and drive up costs. The non-housing factors are just as important in making sure that this is accepted by the local community.

**Tom Copley AM (Deputy Chair):** It is a shame we do not have Assembly Member Cooper with us today to offer a perspective. You mentioned delivering PRS, do you deliver that through your General Fund? I know some councils are delivering through the General Fund rather than through the HRA.

**Councillor Ravi Govindia (Leader of the London Borough of Wandsworth):** The PRS on the York Road and Winstanley is through the JV.

**Tom Copley AM (Deputy Chair):** That is all the JV. Thank you.

**Sian Berry AM (Chair):** I have a final question to Mark, if that is OK, in general terms, what we have seen is quite a few of the councils have been telling us they are using Public Works Loan Board's money to finance this. As I understand it, councils borrow from the Public Works Loan Board at those rates and then they lend to the company, which then has to provide a commercial interest rate back to the Council. The company is having to behave more like a commercial company and make, effectively, enough profit to pay back the loan. Is that part of the financial risk? What do the rules say if the company runs into trouble? Can the loans be renegotiated at lower rates, for example? Is that allowed?

**Mark Baigent (Interim Director of Housing and Regeneration, London Borough of Tower Hamlets):**

Sure. This is all to do with state aid regulations. Depending on the purpose for which the loan is made, that will determine to some extent what loan rate is used. If a loan is given for a purely affordable housing scheme it does not have to comply with state aid regulations, there is an exemption which, you can secure and therefore the loan margin might be very small. Whereas, if it is for a PRS or a new build for sale scheme then it will be at a full market rate, which could be quite a substantial margin.

All of these rates are set by a decision-making process that the local authority has to go through. It is Section 151 of the treasury management process. It has to be transparent, but it is not regulated other than through legal challenge. The District Auditor, for example, would have a look at the investment strategy and the decisions being made and might have something to say about it. It is not something that central Government or the European Law is actively scrutinising.

As far as I know, there have not been any legal challenges to any local authorities taking on loans and having state aid compliance issues. The only case law I am aware of is in relation to the Ricoh Arena in Coventry, which was a football stadium funded through a loan from the local authority, which was challenged through a judicial review and the case found that the local authority acted properly and that it was a state aid compliant loan. That was a loan at something like 4.5%, which obviously was considered a market rate for a football stadium.

What a market rate is for a housing development company again just depends on the product and the level of risk. Those kinds of levels of loan are being made and, as far as I am concerned, are compliant. The advice I have seen from various different companies would sustain that.

**Sian Berry AM (Chair):** Thank you, that is really interesting. We are moving on. Assembly Member Hall has some more questions.

**Susan Hall AM:** This is a much shorter section. It is about quality, capacity and capability. We have touched on some of these issues as we have gone through. If I could start by asking, where do you obtain the services and expertise needed to set up and run the housing companies? If I start with you, Mark, and work my way round and then we will ask Ravi something different.

**Mark Baigent (Interim Director of Housing and Regeneration, London Borough of Tower Hamlets):**

Sure. I said a little bit earlier about the setup and a lot of authorities when they first start out do not have the expertise and they buy in consultancy support and then they grow it within their team. As you have heard from other boroughs, some boroughs over the last ten years have been developing this kind of development capacity; not just in housing, but also in other aspects of property development, whether it is schools or community centres, children's centres and so on.

Quite a few local authorities have built up teams with those kinds of project management and development finance skills. You then get into the whole issue about managing property. Some authorities will use their existing housing management service that provides management to direct council housing. Others will use housing associations or even private sector property managers. There is quite a range of different options.

**Susan Hall AM:** Thank you. Simon, have you anything to add?

**Simon Theobald (Head of Finance, Neighbourhoods and Housing, London Borough of Hackney):** As Mark said, we have had an in-house development team for about ten years. We have built that capacity up.

We have learned lessons. We have made, not big mistakes, but we have learned from the things that have gone wrong and put things in place. We now have that template for delivery. We have not done it, as I say, through a housing company, but we have still gone through that learning and growth process within the Council.

We are at the point now where the challenge is retaining those highly skilled project managers who have learned the processes, because there are a number of other boroughs who now need the expertise. We are finding the retention of those staff is quite difficult. It is the capacity within London for all of these councils to have these teams to deliver these projects. Obviously, the people have developed within councils who have done it and from the private sector and we are all looking to have a part of that. There is a skills shortage, let us say, moving forward.

**Susan Hall AM:** Do you assume this will get worse? Earlier, I think it was Pat, said the advantage of doing this separately and a separate company is you can pay whatever the cost implications are for these people. As they get more experienced and you are all vying for a certain amount of people, do you find this is an issue for you, because prices and costs of doing so are escalating?

**Simon Theobald (Head of Finance, Neighbourhoods and Housing, London Borough of Hackney):** Yes, there are very experienced project managers who have delivered schemes and have moved on to other councils. That is their right to do that and to move on. Yes, we have got to be careful we are not undercutting each other and end up creating a false project management environment where they are paid a lot of money because we are all vying for the same resource. I think it is the sharing of skills and sharing of the processes that actually will make us all develop properties better and at a greater rate. There is the private sector in there, where project managers, quantity surveyors, development finances have got their knowledge from the private sector as well, so we are not all vying for the same resource in how we can work together to deliver more homes.

**Tom Copley AM (Deputy Chair):** Sorry, excuse me. Just on that very specific point, do London Councils play any role in that kind of sharing and co-ordination or is it a more informal arrangement?

**Simon Theobald (Head of Finance, Neighbourhoods and Housing, London Borough of Hackney):** For us, it tends to be more informal. We have done a number of sessions with different councils where we have talked through our process. We have offered to share that development skill. Certainly, in-house councils are less reluctant to let another council develop. They want the consultants and they want control. There is something there for the sharing of knowledge and certainly Hackney's willing to share with any other council what we have learned and what we go through.

**Mark Baigent (Interim Director of Housing and Regeneration, London Borough of Tower Hamlets):** Can I just very briefly add that there is a network being set up at the moment through the Future of London, which is a training and best practice organisation. It is funded by the GLA team to promote better collaboration and learning, both within councils that are doing direct delivery and those that are doing it through companies. That network is going to be launching this October.

**Susan Hall AM:** Who will be in control of that? The GLA?

**Mark Baigent (Interim Director of Housing and Regeneration, London Borough of Tower Hamlets):** As far as I know, it is funded and led by the GLA, but Future of London are delivering it. James might want to explain.

**James Clark (Head of Housing Strategy, Housing and Land, Mayor of London):** I will do my best. It is run by Future of London and funded by us, because we felt that it was much more valuable to councils if it was led by Future of London rather than us.

**Susan Hall AM:** Do you have any control or oversight of it?

**James Clark (Head of Housing Strategy, Housing and Land, Mayor of London):** We have oversight of how our funding is used but our main condition is that it is something that is useful to local authorities. Currently you are going through a process, which Mark and others are involved in, in designing content for that network. As Mark says, we are hoping to launch it in the autumn.

**Nicky Gavron AM:** What is the Future of London? Is that a non-governmental organisation?

**Pat Hayes (Chief Executive, BeFirst):** As I am a member of it, I declare an interest. I can tell you, it was originally set up by a number of regeneration directors in London to help train and develop the next generation of senior managers in local government regeneration. That is where we started from. Since then it has become an organisation which is partly think tank, partly training and mentoring body, and also does some practical project delivery. This is just another example of Future of London working to help the sharing of knowledge by local authorities, something which it does in lots of different ways. It is effectively a developmental organisation for London local government, but informally run as a company and set up outside of any London Councils or any other structure.

**Susan Hall AM:** It is run as a company?

**Pat Hayes (Chief Executive, BeFirst):** Yes.

**Nicky Gavron AM:** It is not of local councils?

**Pat Hayes (Chief Executive, BeFirst):** No. Local councils are members, as are a number of housing associations, as are a small number of private bodies.

**Susan Hall AM:** OK. If we go back, Louise, have you got anything to add to this?

**Councillor Louise Mitchell (Cabinet Member for Housing, London Borough of Waltham Forest):** Yes. Again, agreeing with some of the things that my colleagues have already said, we have a small staff team within Sixty Bricks. They are resourced through paid consultancy, other ways and shared resources within the Council, in order to keep our costs low at this early stage in the business. As I said, we have only been operational for just over a year. We are making sure that our on-going costs are pretty low. We have that partnership support.

That means, for example, that Paul gets to sit within our housing team and within our housing office. He does not have a swanky office in the centre of town. He sits within Council services and uses support from the Council staff and resources, obviously with Service Level Agreements and other input. As Simon from Hackney was talking about movement of staff across boroughs as delivery companies get set up, one of the things that is very important to us is to improve the working environment for our staff to make sure that people want to work within Waltham Forest.



We are a young borough. We are a growth borough. We are really trying hard to bring Sixty Bricks up and to make sure that it is a good place to work and that our staff feel enthused and they feel that working for us is important. Part of my job is to make sure that they want to work for us.

**Susan Hall AM:** It is in-house within your own business, as it were?

**Councillor Louise Mitchell (Cabinet Member for Housing, London Borough of Waltham Forest):** Yes, at the moment. They are paid through consultancy and things. Do you want to add some more to this, Paul?

**Paul Mawson (Managing Director, Sixty Bricks):** Roughly 50% of the staff are permanent staff. The rest of the staff are consultants and agency staff, as we have grown quite rapidly. We started with three people, we are now up to 10. First scheme goes onsite in October. Planning was put in in June. We have only been going a year,<sup>2</sup> but we are going to start building our first set of homes in about October or November.

**Susan Hall AM:** I am more interested in where you are getting the staff from, because clearly the more that gets built the more you are all going to require? Have you anything else to add, Pat?

**Pat Hayes (Chief Executive, BeFirst):** My view on this, and the great strength that we have had, is that we have found we have been able to recruit the very best people from the private sector into the organisation. We are a hybrid organisation. More than half the staff were Transfer of Undertakings (Protection of Employment) (TUPE'd) over from the Council into the new company. We have then recruited other people from outside.

Interestingly, we have drastically reduced operating costs, even though we are paying higher salaries, because we have been able to save on a lot of consultancy and agency staff who the Council were historically relying on. There has been a real cash saving. I think the really interesting thing is that the opportunities that having a company enables one to develop in terms of -- it is a counter-cyclical intervention in many ways.

What we will find is that as the economy, as it almost certainly will, goes down and the housing market cools: (1) that is good for us in terms of being able to acquire land and develop and we will be able to keep development going; and (2) we will also be able to recruit people. I have less of a worry about recruitment and competition, because actually we will be a counter-cyclical position fairly soon, where we will be able to draw even more people in from the private sector. That is what we need, because you need that level of expertise and skill, people who are used to working at volume house building.

**Susan Hall AM:** What would you say are the employment and consultancies ratio?

**Pat Hayes (Chief Executive, BeFirst):** I do not have an objection and I think it is good sometimes to have consultants rather than having all your own staff, but what we are finding is that we have been able to replace staff with permanent employees within the organisation. That works for us, because we have a substantial pipeline of development and it is better to have permanent people. We will always bring in consultants to complement those on specific projects.

A lot of councils have become over reliant on very long-term consultants, who are actually poor value for money, effectively. I would much rather have a consultant in for two weeks or two months, possibly 18 months and then they go, rather than rely on long-term consultants. You get much better value from paying the market rate for people. One of the benefits of local authority companies is being outside the Council pay ceilings, which are quite rightly designed for a whole range of professions and occupations, so you can actually pay the market rate, which often is cheaper than consultants.

**Richard Blakeway (Chair, BexleyCo):** We have been in set up mode for the last few months. We are on a journey in terms of staffing the operation. Where we are at the moment we have a team, which is mostly made up of secondees. We have a secondee around finance and secondee on development from the Council. We also have someone who is a part-time secondee from the GLA as well to help us on the projects. We appointed a Managing Director (MD) in June.

The notable thing about that is we went to the market, very clearly looking for someone that had worked with the public sector but had a predominantly private sector background with expertise in construction. We got someone who had been doing regeneration around HS2 up in the West Midlands, but his background is predominantly working in the private sector where he worked for Balfour Beatty. We thought that was the right person to drive the organisation as we go forward.

Like Pat said, we want to create a company that is still very light touch, but has more in-house expertise, rather than a reliance on consultants. Just say a very quick word about the shape of the board that we have, because I do think we have given a considerable amount of thought about having the right board in place as well. Two appointments that we made to the board, which I think are important, is someone who recently retired as a development director for a major housebuilder and someone else who had been a chief finance officer at a local authority. We thought that was the right kind of skills mix to bring in to give proper oversight.

**Deborah Heenan (Major Projects Director, London Borough of Newham):** Just two things to add on what has already been said. When you get to the senior level it is really important to get the combination of skills. If you solely go to private sector residential developers, they are brilliant at commercial, but they do not understand politics and working in an environment where you have multiple bottom lines; whereas if you go solely to the public sector there is not the sharpness of the commerciality often. It is getting that combination.

Again, I absolutely agree with trying to recruit counter-cyclically, but in addition to that, if you look at private sector residential development, the extra element that becomes really important is bringing together the quantity surveying, the planning, the architecture and the finance skills at a senior level. That marks out the successful from the unsuccessful in the private sector. There might be scope for all of us, and hopefully through the Future of London, to look a bit harder and maybe professionalise through a Masters some of that residential development skill set.

**Susan Hall AM:** Yes, I think we can all understand your first comments on that. Ravi, you have heard what everybody else has said that working with the private sector is so much more commercial, etc. I know Wandsworth is run extremely well. What would you say about those comments, with you getting staff and retaining staff or do you use long-term contractors?

**Councillor Ravi Govindia (Leader of the London Borough of Wandsworth):** Everything colleagues have said here applies to a local authority, whether it has a company or not. In fact, it applies to other aspects of a local authority, because you do need to make sure that you retain a certain amount of nimbleness to recruit consultants for a short-term period to get the jobs done and finished. What is unique about Wandsworth, which also explains why we did not go down the company route, is that we have been a long-term, steady developer of housing, particularly the start of it through our Hidden Homes programme.

We have some sort of development planning, project management, financing expertise; small scale, but in a sense, it was a good base from which we could expand and grow. We have retained that and continue to retain it. In time, when the estate regen schemes go big and the delivery starts really piling up, we will

probably need to be looking for expanding that capacity. You need to be nimble to be able to do it. I do not think it is any different from what colleagues around the circle have said.

**Susan Hall AM:** You have had no issue with finding staff?

**Councillor Ravi Govindia (Leader of the London Borough of Wandsworth):** No, no, no, I did not say that. In a sense, the challenge of finding quality staff, keeping them enthused, engaged and with you is always a challenge, whether it is housing or anything else. It is about making sure that you remain nimble to recruit, reward and let go if you need to.

**Susan Hall AM:** Thank you. If I go back to the housing companies, do you anticipate differences in the terms of the qualities of the homes built? How will you all be held to account for snagging and things like that? We slightly touched on that earlier. Anybody like to come in on that?

**Pat Hayes (Chief Executive, BeFirst):** Part of our mission is to drastically increase the quality. Richard alluded to the design competition, but when we started 12 months ago, we took over an existing housing regeneration scheme, which had been run by a Registered Social Landlord (RSL) and a constructor. They completed the first phase and have now moved off the project. We have taken the next phase on. We ran a design competition, both to review the masterplan and also to design the second phase.

That was the second design competition run in the country that year. There were 850 run in France during that same period. That is a demonstration of how housing companies coming into this can bring a fresh approach and much more rigour on architecture and design. We have an architectural advisor that we have appointed, who is actually a consultant who works part-time for us. The Council never had anything like that. On our board we have Peter Murray, who again is a leading architectural thinker and expert. Again, practical hands-on advice in terms of architecture selection and a real commitment to design. It is very much what we are about.

On the snagging issue, we have inherited a lot of projects, probably due to poor project management to a degree and contractors, to a degree, taking advantage of the Council client. Yes, there have been snagging problems. A big challenge for us is getting the employer spec right at design stage to make sure that the product: (1) is easy to build; (2) is easy to maintain; and (3) is easy to snag and that we are right on top of our contractor.

At the moment, we are going out to procure effectively two platforms of contractors; one for the very big schemes and one for the next tier down. Part of doing that is about the quality, but it is also having the redundancy within our contractor framework; that if one falls over or ceases to be as good as we want we have enough capacity there. We are not reliant on one contractor, but we have a long-term relationship with a number of contractors to build our supply chain, so we can really squeeze on quality.

It is about getting the employer specification right, in terms of being very clear what you are asking for. You are not asking for things that are very difficult to do or very difficult to maintain. You are asking for the things that derive quality, giving architects a range of choice, but not too much choice, effectively, and that you have the contractors there and the relationship and the ability to police and control those contractors, which traditionally local authorities have been poor at. It is part of the problem from the 1960s and 1970s, poor policing of the contractor at the time, in terms of build quality.

**Susan Hall AM:** Can I ask, this new company that is being launched, are you going to be sharing best practice with that?

**Pat Hayes (Chief Executive, BeFirst):** Yes, we do and will. The other thing is that we will sell our services as a consultant to others as well. That is an important part of our business plan, effectively, that we are there to support other people and we will sell our services to other people in terms of things like running design competitions, for example.

**Richard Blakeway (Chair, BexleyCo):** Can I just add to what Pat's said? I completely agree that being clear up front about what you want as a company is important. It informs, not just the planning process, but also the procurement process. We have spent a considerable amount of time thinking about how our quality management system and design brief are very clear on the house types that we want, the build types that we want, choice of materials and so on. As I say, we have a mixed development model and we will not always be doing self-build, but where we do self-build we will aspire to have zero defects.

If, for whatever reason, that is not achieved on a project, the other important part is how you then respond as an organisation. We will be very rigorous and very clear about responding promptly and having an effective relationship with people who in particular have purchased the market sale properties and how we manage that process. We touched on it before, but how we manage that process, there is a lot we can do to make that work for consumers.

**Susan Hall AM:** Thank you. Does anybody have anything different to add? No? Well, I am finished then, thank you.

**Tom Copley AM (Deputy Chair):** In terms of build-out time, is building through your companies quicker than a private developer, because you do not have any interest in land-banking or trickling out homes slowly? Can you bring homes forward quicker than a developer would?

**Deborah Heenan (Major Projects Director, London Borough of Newham):** Two aspects to that. One the control and then, as was alluded to earlier, if you are building affordable you are not dependent on the sales to drive the build-out rate, so you should be able to build them as quickly as you can simply occupy them. Another aspect to market segmentation is often with volume residential developers they tend to target quite narrow market segments and that slows down their build-out rates.

If you are more savvy as the local authority and thinking more in the totality of what you are trying to do then you can split out segments to more RTB, PRS, older peoples and *ergo* your build-out rates even where you are going away from. The bits that are not affordable should be speedier as well. That improves the cash flow and hence the finances and the risk.

**Tom Copley AM (Deputy Chair):** That is the general consensus on this? Anyone to add anything? Yes, Simon?

**Simon Theobald (Head of Finance, Neighbourhoods and Housing, London Borough of Hackney):** The build rates; that is the point where you are in contract with the developer and the build rate would not vary very much. It is the bit leading up to that, so the design, development, the planning, the tendering, the contracting, and so I do not know. We do another element in house and we obviously look to control that process and have the governance to get the quality. I do not know through the companies whether that part of the process becomes quicker because it is outside the local authority.

**Deborah Heenan (Major Projects Director, London Borough of Newham):** There is a big distinction, because lots of people are building on small sites, so if you are building 50 houses, it is frankly, you just build

them, sell them, and where this really comes into play on the banking and the holding back is where you are doing 5,000 units or an estate regeneration.

**Chris Jones (Assistant Director, Strategy and Development):** One very quick point, the importance for us is having the frameworks in place, so the procurement frameworks where you can cut out some of the process. Therefore, having those in place, the GLA have been very helpful in that, but there are also ones that have been set up by councils that you can access where you cut out some of the procurement process. The issue that we have often found, and I think that it might well change, is having enough contractors interested in taking on some of your schemes, because a lot of our schemes are infill and what have you, so they have their own challenges.

**Tom Copley AM (Deputy Chair):** More capacity within the whole market, right.

**Chris Jones (Assistant Director, Strategy and Development):** Yes, the framework is really important, and we have used them and we have also used them for consultancy services as well, so they provide a kind of more standard price that you can work to and negotiate discounts against.

**Councillor Ravi Govindia (Leader of the London Borough of Wandsworth):** I would say the capacity can provide more fiddly projects, the kind of five or 10 million, so they in a block and you do not get them, that is where there is a real challenge.

**Tom Copley AM (Deputy Chair):** There is a broader issue there.

**Sian Berry AM (Chair):** Pat wanted to say something.

**Tom Copley AM (Deputy Chair):** Yes.

**Pat Hayes (Chief Executive, BeFirst):** There are two ways where we speed up, clearly, we are incentivised to speed up, our business plan is partly based on getting new homes bonus in, so there is an important financial incentive to get stuff built. It is also about having that pipeline effect, which means you can procure a contractor to do lots and lots of units, you can twin-track lots of work on a project, and it is also the integration, as was alluded to earlier, between the financial investment appraisal, the planning design option and the construction team that we have those all working together so that people are not working up a scheme, which they then are going to get into a conflict with the planning, which is a big delay in lots of private developers' schemes because they do not start from the right place, then have a six-month argument with the planners.

**Tom Copley AM (Deputy Chair):** Finally, on your schemes, are they all tenure blind?

**Pat Hayes (Chief Executive, BeFirst):** Yes.

**Tom Copley AM (Deputy Chair):** Excellent, good, that was quick.

**Sian Berry AM (Chair):** Assembly Member Gavron is going to ask some questions but maybe before that we could ask you all the similar hands-up question about whether you are looking at using modular construction, off-site construction, just as a very simple are you looking at that?

**Nicky Gavron AM:** Just because many of you want to do market rent and affordable rent and it lends itself.

**Sian Berry AM (Chair):** Is that everyone?

**Tom Copley AM (Deputy Chair):** Everyone apart from Bexley.

**Richard Blakeway (Chair, BexleyCo):** No.

**Tom Copley AM (Deputy Chair):** You are?

**Richard Blakeway (Chair, BexleyCo):** Yes, I am vigorously nodding.

**Pat Hayes (Chief Executive, BeFirst):** Yes, we are, we asked specifically for their expertise in that area.

**Sian Berry AM (Chair):** That is of interest to us too.

**Nicky Gavron AM:** Just on the back of that last section of Tom's, can I ask, just on the build-out rates, you have heard about collaboration, working together, networks, are any of you pooling your land and are you aggregating a bit? Not necessarily for modular, but just to get quicker build-out rates?

**Pat Hayes (Chief Executive, BeFirst):** With private landowners?

**Nicky Gavron AM:** Yes.

**Pat Hayes (Chief Executive, BeFirst):** Yes, we have two schemes running at the moment where effectively we are putting our land in against and alongside a private landowner and we are developing a joint scheme, one of them we are putting equity in as well.

**Nicky Gavron AM:** Right. I am now going to ask some questions about transparency and governance and we have already, under the risks section, talked quite a lot about transparency. But to start perhaps with Deborah and it would just be good if we could hear a bit about accountability because Council homes are overseen by a democratic body and the question really is about how local housing companies can be accountable, especially in terms of the number of homes they are required to build and affordability.

**Deborah Heenan (Major Projects Director, London Borough of Newham):** We have arm's-length companies because that is how we can borrow from the General Fund and take advantage of some of the other aspects of being a local housing company. But arm's length, they are quite short arms and I would expect anyone who works for a local housing company to see themselves as ultimately working to the Council and ultimately reporting to the democratically elected members of that Council. Then again with any good governance between a corporate centre, so similarly if you have a national volume house builder, there will be a national corporate centre and regional companies, and you strike a balance of giving them enough design responsibility to go and shape the job that you have asked them to do, but transparency and clarity of how they report back and how they perform. That is the job partly of who is responsible in the corporate centre but mostly the board that you appoint to that company.

**Councillor Louise Mitchell (Cabinet Member for Housing, London Borough of Waltham Forest):** Looking at it from a slightly different angle, we have transparency around our residents as well, which we are obviously very interested in. Paul here is the Managing Director of our company and he reports to a chair of the board, who is our corporate Director of Housing. There are also a number of other senior Council officers who sit on the Sixty Bricks board, so people from finance, from legal, to make sure that everything is done correctly. Then that Sixty Bricks board then reports in to what we have in Waltham Borough, is a shareholder

committee, which is made up of Councillors, it is chaired by my cabinet colleague Simon Miller, with cabinet responsibility for regeneration. That looks at how the company is operating.

Then even simple things like all the building schemes that we have coming forward, they get brought to cabinet, which is obviously a public meeting, takes place in public, papers are published on the web, they are available to any resident who wants to see them, who wants to look at them and comment, and that shareholder committee also meets in public and then everything goes through the statutory planning process. For us that gives us another level of transparency with our residents so that they know what we are doing and they understand how Sixty Bricks is going to add to the housing across the Borough and alleviate our housing problems.

**Nicky Gavron AM:** Right, OK.

**Councillor Louise Mitchell (Cabinet Member for Housing, London Borough of Waltham Forest):**

That is a slightly different answer to what Deborah was alluding to but for us working with residents and making sure that they understand how this is working, so it does not come as a surprise that we have the Council direct building programme and then we have this, which is new and different and has not been explained to anybody about what we are doing and why we are doing it, which is very important.

**Nicky Gavron AM:** With your resident citizens.

**Councillor Louise Mitchell (Cabinet Member for Housing, London Borough of Waltham Forest):** Yes, and obviously every company around the table and across London and across the country, there are huge numbers of statutory controls that limit what you can and cannot do, internal checks and balances around audits and all sorts of things, and of course we have those, but in addition what is important to us is how we account to our residents for what we are doing as well.

**Nicky Gavron AM:** Yes, and can I ask Hackney?

**Simon Theobald (Head of Finance, Neighbourhoods and Housing, London Borough of Hackney):** So our new developments are within the Council, so obviously the accountability is held quite closely in terms of the development, but in terms of the company and what the company does and obviously the Council and the cabinet is the effective shareholder so they would approve any of the business plans and what they do, so there is that direct accountability of releasing of funds, direction of the company, what it does. I think it does come straight back to the Council, that accountability and what it does. Similarly, anybody employed or providing services on behalf of the company should be seeing themselves working to the same rules that the Council works to.

**Nicky Gavron AM:** So, the budgets and everything are scrutinised?

**Simon Theobald (Head of Finance, Neighbourhoods and Housing, London Borough of Hackney):** As I say, ours is slightly different in terms of we are not doing the development through the company, so our company effectively will buy the properties from the Council's regeneration programme and own the properties and then rent them out at a market rate. The policy around tenancy-linked rents that are charged will be set within the framework agreed by cabinet, so that accountability lies with the cabinet. We have rigour around the budgets through the control and governance [processes] within the Council".

**Nicky Gavron AM:** Mark, do you want to make any comment about this?



**Mark Baigent (Interim Director of Housing and Regeneration, London Borough of Tower Hamlets):**

I would echo what other people have said. The mechanisms that are typically in play, there is normally a shareholder's agreement between the shareholder, which is the Council, and the company board of directors who have to act in company law independently. They have to act on behalf of the company in its interests, which should be aligned with the Council's interests because that is why the Council set it up, but there has to be, if you like, some distinction there. That shareholder's agreement will set out what decisions are reserved to the shareholder, to the Council, and normally that is done through the Council's executive, through the cabinet, but in some cases, as we have heard, there is a shareholders committee, something like that, that has been set up to do that. There are a number of mechanisms that can be put in place.

Then what I would say, just to add to that, is that ultimately the investment strategy for the Council, and there was new guidance from the Ministry of Housing, Communities and Local Government (MHCLG) back in February this year about tightening up the regulations around this, not particularly around housing companies, more around councils investing in things like shopping centres and things like that. You have probably read in the press about the views on that. The investment strategy for the whole Council has to go to the full Council for approval every year so that the Council is clear that it is making sensible commercial decisions about how it invests its money albeit that, through these local housing companies, it is leaving the day-to-day decision making to a board of company directors rather than it all coming back through the Council's committees and cabinet.

**Nicky Gavron AM:** . There is some follow-up questions around this. One of them would be where, for instance, would I find the tenure split, the numbers of affordable housing, some of the facts you have been giving us today, where would I find that if I went to a Council? Does the company publish it? Does the Council publish it?

**Pat Hayes (Chief Executive, BeFirst):** In our operation that is all published by the Council. Essentially the Council has a housing strategy, which is taken to cabinet, and a housing investment programme, which it takes through cabinet, we build that stock; that stock is then handed back to the Council on completion, so they are the freeholder, they determine the rental levels, they determine the mix, they can obviously change them over time. That is governed by their housing strategy and by grant applications and everything else that goes with that, so that is all within the normal Council documentation that goes through the cabinet process.

**Paul Mawson (Managing Director, Sixty Bricks):** Our pipeline is typically split down by tenure, so we know in advance for every single scheme in phase one and phase two of our development programme, those that are certain and those that are more flexible, that is why we split it into two phases. They are all broken down into tenure based on viability assessments at the early stages and they are available to the public from our public website, they are part of our business plan, again available on our public website, so it is all upfront and transparent.

**Nicky Gavron AM:** Yes, and just another question to throw out, which is, given the obligation really for companies to make a profit, how are you able, as councils, to require the company to meet the needs of Londoners and the need for more affordable housing and so on?

**Pat Hayes (Chief Executive, BeFirst):** It is specifically set out in our case, in our shareholder agreement, what our objectives and targets are, which is quite explicit to deliver affordable housing for the Borough of Barking and Dagenham according to the Council's housing strategy and that is one of the key objectives. The Council then every year agrees our business plan, which they can change and vary and say you will do more of this and less of that or you should do more of Y and less of X, so it is specifically governed by the Council in terms of what they want us to do. Clearly, we are bound by other things like planning policy, which is national

and local, and other constraints that come in from statutory angles, but we are all essentially agents of the Council delivering their housing policy through an arm's-length vehicle at varying lengths of arm, but that all rests with the Council. As Mark said, the primary documentation is the shareholder agreement and the annual business plan, which is nearly in all cases I think approved by the Council.

**Nicky Gavron AM:** Is that true of Newham?

**Deborah Heenan (Major Projects Director, London Borough of Newham):** Yes, and I would add that it comes back to that proportionality again, so from the residents' perspective there is a huge difference between a small in-fill site and doing an estate regeneration, so regardless of which bit of the Council, whether it is the arm's length or centrally, you would rightly expect for a large site or where there is any kind of demolition or decamp that the residents are really closely involved and you would expect again proportionally that the public would be a bit less interested in a small garage and again, as the others have said, but across the board is what we have done is published the plans, the intention and the direction of travel, and because it is wholly owned it is from the point of view of the residents that is the Council building, it is not anyone else.

**Nicky Gavron AM:** Anyone else want to come in on this?

**Mark Baigent (Interim Director of Housing and Regeneration, London Borough of Tower Hamlets):** It does not have to be a for-profit company, a local housing company can be a not-for-profit, and the majority of them are for-profit and they are achieving affordable housing as well as market housing, but there are examples of not-for-profit housing companies and in fact in London --

**Nicky Gavron AM:** Is it Hackney's for community benefit?

**Mark Baigent (Interim Director of Housing and Regeneration, London Borough of Tower Hamlets):** That was the one mentioned earlier --

**Nicky Gavron AM:** Sorry, sorry, there you are.

**Mark Baigent (Interim Director of Housing and Regeneration, London Borough of Tower Hamlets):** I was also just going to mention the fact that we have recently set up a company, which is a pan-London collaborative vehicle, to deliver modular temporary accommodation through a number of boroughs working together, it is funded through the Mayor's Innovation Fund. It has only just been established and it is called Place Limited, which stands for Pan-London Accommodation Collaborative Enterprise. It is a bit of a mouthful, but it will be delivering as a not-for-profit company, so it is a company limited by guarantee. It is still a local housing company; it is very similar to all of these other companies, it is going to have a board made up of members from different boroughs.

**Nicky Gavron AM:** Interesting, just a last couple of questions, how do you make sure that they are going to be secure tenancies and how do you make sure that the rents are going to be affordable from the point of view of councils in these companies?

**Pat Hayes (Chief Executive, BeFirst):** In our case we do not set the rental levels, the Council does, so the Council takes the decision what rental levels they want to set on the stock that we build for them. In terms of affordability, and again this is an interesting one, our Council's drive is very much about percentage of salaries rather than percentage of a market rent figure, which clearly varies substantially across the Borough and varies substantially across London. The market rent in one part of the Borough is significantly different from market rent in the other. It is less about talking about percentage of market; it is talking about a rent level, which is

affordable at various salary points, starting in our case at about £18,000 in terms of the market offer effectively, so substantially higher for people on higher salaries. That is very much dealt with by the Council in terms of their housing strategy and they may flex that over time thinking we need more accommodation for people at particular salary levels, we may need less at other points.

**Nicky Gavron AM:** Take Waltham Forest, is that true there?

**Councillor Louise Mitchell (Cabinet Member for Housing, London Borough of Waltham Forest):** One of the things that we do, and almost explicitly, is to ensure that 50% of our accommodation provided is affordable housing and within that that the majority of it is at social rent levels, which allow us to obviously keep that at Council level rent and so it is incredibly affordable for our residents and that is our main tactic.

**Nicky Gavron AM:** So, you have a lot of control over the rent levels?

**Councillor Louise Mitchell (Cabinet Member for Housing, London Borough of Waltham Forest):** Yes.

**Nicky Gavron AM:** Because one of the things we are hearing is that families, particularly when there is new housing, families cannot afford the new housing because the rents are too high.

**Pat Hayes (Chief Executive, BeFirst):** This is the sole purposes, or one of the main purposes, of having housing companies, it is to deliver stock for those people at affordable prices, because we can drive construction costs down, because we can increase supply, so it is coming through into the market, in inverted commas, is why councils are doing this as an intervention. A lot of the stock that we are building is family housing at affordable rent levels.

**Nicky Gavron AM:** So, wait a minute, let me just understand something, because the welfare reforms, there is this horrible mix of welfare, planning and housing reforms, but the welfare reforms have made it very difficult for families in some cases to afford the higher rents that are charged for new build and they are saying housing companies avoid that.

**Pat Hayes (Chief Executive, BeFirst):** Housing companies are a mechanism for councils to be able to intervene in the market and provide housing at much more affordable prices at a choice, you can provide it at Council comparative rent or standard Council rent up to discounts from market rent, depending on price policy, vastly different across London obviously; 80% of market rent in Ealing is a lot higher than 80% of market rent in Barking and Dagenham for example, which is very close to Council rent in some places.

**Nicky Gavron AM:** Does anyone else want to comment on that? So, you are all in there to provide family housing, which families on welfare can afford?

**Mark Baigent (Interim Director of Housing and Regeneration, London Borough of Tower Hamlets):** I think the answer is yes, but as part of a mix, and I do not think anyone is saying that their company can deliver 100% social rented housing at basically the same price as Council rents because the only way to do that is for a huge amount of grant to go in. For most of these companies the way they effectively grant fund that is by delivering other products as well, which cross-subsidise.

**Nicky Gavron AM:** Well, fine, it is a governance question in a way because it is how councils are dealing with affordability through their companies. The final question is about how you manage, how the councils, I suppose, oversee and how the housing companies manage the involvement of tenants. Who wants to say something?

**Paul Mawson (Managing Director, Sixty Bricks):** So, every scheme will go through a normal consultation process, so we will involve residents in the early part of the planning stage in terms of the scheme --

**Sian Berry AM (Chair):** I think we are talking about when you are living there, how do you hold your landlord to account, as opposed to the development process.

**Paul Mawson (Managing Director, Sixty Bricks):** OK, so all of our affordable homes are managed by our Council in-house team, so it is exactly the same standards, exactly the same processes, exactly the same monitoring. We have not reinvented the wheels; we are just using the existing Council infrastructure and mechanisms to do that. In terms of our PRS product that is run by separate private companies that we control through set agreements and standards, again no different to any other company.

**Nicky Gavron AM:** Anyone else want to come in on this?

**Deborah Heenan (Major Projects Director, London Borough of Newham):** That is part of Newham's wider policy that we are explicitly moving away from a perception of institutional indifference, sometimes is the perception from some of the tenants, and we are working through a housing delivery plan and explicitly getting much more in tune with residents, what they are looking for, and having a much more open dialogue with them as the tenants.

**Councillor Ravi Govindia (Leader of the London Borough of Wandsworth):** I am about to leave, so as this discussion was going on, and I suppose one is speaking on this as just a politician rather than giving evidence to you, the question always will be that when the sensible commercial decision that a company must make comes into conflict with a sensible political decision that a local authority must make, what is the mechanism for resolving that conflict? That is a big issue and I suppose it is one that will depend on the nature of the conflict, but it would be quite interesting to know if there is a mechanism for conflict resolution of those two very different priorities. But on that very unanswerable question, sorry, I have to leave.

**Sian Berry AM (Chair):** Yes, thank you. I think some of the answers we got said this is written into the shareholder agreements. Would you agree that is the case? Can you cover that conflict?

**Pat Hayes (Chief Executive, BeFirst):** One has to, I think, resort to the shareholder agreement to resolve a dispute and I think part of the reason for setting these companies up is to create a mechanism, as Rick said, we have an extremely expert board who provide advice to the company, but are ultimately also there for the Council to think, well, if they are saying that, then possibly we ought to do this, and there is that process in terms of having that range of expertise in two organisations effectively addressing the same problem rather than it just being confined to the very narrow prism of the Council. You now have a company there giving you advice and expertise and it enables you to knock a decision around and come to the best possible conclusion.

**Sian Berry AM (Chair):** Assembly Member Devenish has supplementary questions on transparency and governance.

**Tony Devenish AM:** For Mark, you mentioned not-for-profit companies, I wonder, the advantages and disadvantages of doing profit versus non-profit model.

**Mark Baigent (Interim Director of Housing and Regeneration, London Borough of Tower Hamlets):** It really depends on the purpose of the company in the first place, so, as I said, if what you are doing is fundamentally about delivering affordable housing, you are probably not doing it to make a profit. If you are

doing a mixed-tenure approach then you probably are doing it to deliver a profit, partly to cross-subsidise the affordable housing you are delivering and partly to make money for the local authority to spend on other public services. That is the basic distinction.

**Tony Devenish AM:** I am not sure if the panel has Appendix 3 [of the Members' briefing], Local Housing Companies by Borough, they do not have that. The question I was particularly going to ask to perhaps Mark, is there a document that you can point us to that does reference the discussion we had five minutes ago to say exactly every local authority that is doing this, how many houses and what year phased they are going to build and, for my colleagues to the right who are very obsessed with the tenures, the tenure split?

**Mark Baigent (Interim Director of Housing and Regeneration, London Borough of Tower Hamlets):**

This is a rapidly changing environment and there is not one central monitoring. The Government is not monitoring this centrally. Obviously, the GLA team are monitoring it through their regular liaison with boroughs and there have been a number of publications in the last year or so, there was one quite recently called Borough Builders, which was done by the Centre for London, which captures some of that data. I think it is pretty comprehensive. There were a couple of national ones last year; there was one that Janice Morphet [Professor, Bartlett School of Planning] produced, which is a more academic piece of work, but it captures quite a lot of detail from across the country, and there was one that the Smith Institute did also last year. There are some publications out there but there is not a London registry of all the housing companies and what they are doing, so it is certainly a gap if you like in terms of--

**Tony Devenish AM:** So, do you think the Deputy Mayor and London Councils together should come up with a document that is the bible on this so we do not say that X Council is going to do X by 2024 when they themselves think they are going to do it by about 2037?

**Mark Baigent (Interim Director of Housing and Regeneration, London Borough of Tower Hamlets):**

Sure, I mean the question is to what extent this is capturable at a moment in time because the plans of each authority change on a regular basis, so it is something that has to keep being updated. It is something that boroughs working with the GLA could definitely improve on.

**Sian Berry AM (Chair):** I want to ask one more question before we move on to asking questions to the Deputy Mayor for Housing, it is about freedom of information (FOI) and it touches on what Tony was just asking, if somebody wanted to know from each housing company how much money they are making, how many homes they are building, how many complaints they have had, how quickly they deal with repairs, the kinds of questions people ask the councils, they are not subject to FOI in the same way because it is a separate structure. Is that right? Are any of you going to be offering that level of responsive transparency to residents in your area so they can be holding them to account?

**Pat Hayes (Chief Executive, BeFirst):** We have taken the view that FOI applies, and we would answer an FOI request.

**Sian Berry AM (Chair):** So you can be FOI'ed at BeFirst?

**Pat Hayes (Chief Executive, BeFirst):** We would not argue about it and I think that is quite important. I also think, to the other point, a lot of this stuff rests with the Council, so the Council, on our stock, we transfer the stock over to them so they are responsible for repairs, so repairs enquiries will go to the Council or the Council's management company in that instance, so complaints and stuff like that are the same from a tenant point of view.

**Sian Berry AM (Chair):** Are any of the other companies being set up in a way that they effectively are FOI'able?

**Deborah Heenan (Major Projects Director, London Borough of Newham):** Most companies publish their accounts, so you can easily find out the answers to most of those questions about Barratt, Persimmon, Berkeley Group, and you would expect the wholly-owned to go --

**Sian Berry AM (Chair):** You will be well aware of the exception that gets called a lot in FOIs that that is commercially confidential information and you cannot ask that because it is the company doing it and we get that sometimes when we ask councils what their contractors are doing, because there is a contract. It is not that strange a question, you are not going to be subject to FOI in the same way that housing associations are not.

**Deborah Heenan (Major Projects Director, London Borough of Newham):** I would not see a wholly-owned company as a different outfit to the Council.

**Pat Hayes (Chief Executive, BeFirst):** Because we are wholly owned then the general advice is that FOI, most of this legislation applies to us. Yes, within FOI there are very clearly exemptions around commercially confidential information; we will use those exemptions and have to in terms of not giving away commercially sensitive information about third parties, and it is there but generally I think we all take the view that, as we are wholly owned, FOI applies.

**Sian Berry AM (Chair):** Do you have the same approach?

**Richard Blakeway (Chair, BexleyCo):** Yes.

**Sian Berry AM (Chair):** OK, and Waltham Forest, you are still quite close, you have short arms in Waltham Forest, is that right?

**Councillor Louise Mitchell (Cabinet Member for Housing, London Borough of Waltham Forest):** I would not like to say.

**Sian Berry AM (Chair):** But you are quite close to being part of the Council in any case.

**Councillor Louise Mitchell (Cabinet Member for Housing, London Borough of Waltham Forest):** Yes.

**Sian Berry AM (Chair):** Hackney?

**Simon Theobald (Head of Finance, Neighbourhoods and Housing, London Borough of Hackney):** Yes, we would respond to FOIs in the same way. There is the commercial side where you would not, but whether you were in the Council or part of the company you would not respond to any commercially sensitive information, but the information is there.

**Sian Berry AM (Chair):** We will be looking forward to testing that out, thank you. Moving on, Assembly Member Copley has some questions that put a lot of issues that we have been talking through to the Deputy Mayor and to James Clark.

**Tom Copley AM (Deputy Chair):** James and James, yes. First of all, a very broad question, what can and should the Mayor do in terms of supporting local housing companies and what is your approach to them in terms of awarding funding for building social housing?

**James Murray (Deputy Mayor for Housing and Residential Development):** The Mayor wants to support councils to build more housing through a variety of different routes and, as we have heard today, different councils are taking different approaches in terms of their direct delivery, wholly-owned companies and so on. In terms of the Mayor's Building Council Homes for Londoners programme, that is quite open in terms of funding through different routes as long as ultimately it ends up as Council housing where the Council is the landlord and I think it is important that we --

**Tom Copley AM (Deputy Chair):** Would that mean that in the end it is transferred into the HRA or is it just that the Council can be the landlord via the company?

**James Murray (Deputy Mayor for Housing and Residential Development):** So, it would be ultimately that the Council is the landlord in terms of the tenancy, so the tenancy would be with the Council.

**Tom Copley AM (Deputy Chair):** Authority, not with the company.

**James Murray (Deputy Mayor for Housing and Residential Development):** That would be correct.

**James Clark (Head of Housing Strategy, Housing and Land, Mayor of London):** Unless the company is a registered provider.

**Tom Copley AM (Deputy Chair):** Unless the company is a registered provider, right, OK.

**James Murray (Deputy Mayor for Housing and Residential Development):** So in terms of us supporting councils to build, we would support local housing companies if that is how the Council is delivering, or we would support councils directly, we are not saying we will only support one or the other, because we want to try to build as many Council homes as possible. What struck me as being important and has come out in my discussions with councils, because I have now met I think all but eight, so probably the majority of councils in London, and what struck me is firstly all the different ranges of approaches, which has come up here and would come up even more if we spoke to all of them, also the fact that, and I am not saying this to flatter the people to my left, but there is a fantastic ambition, people are really keen to gear up. If there is any difficulty or hurdle coming up it is probably in terms of capacity.

I am not saying it is insurmountable in any way, but I think everyone is very conscious of the fact that everyone is gearing up at the same time and everyone is very ambitious and although people have started on a different basis, the direction is what I would regard as positive. That means that people are going to need capacity to do it and we touched on it a bit in terms of people recruiting capacity to their housing companies or to their Council housing departments. But I think that is something that we want to work with councils through the future of London and through providing other resources where we can to help councils have the capacity to deliver.

**Tom Copley AM (Deputy Chair):** It is good we have already covered the Future of London in terms of collaboration things, is there anything that the Mayor can do to help councils work together to minimise duplication and things like that?



**James Murray (Deputy Mayor for Housing and Residential Development):** There are two or three ways in which we can do it. Firstly, there is what resource have we got at City Hall that we can loan out or we can go in there and help out at a council's request when they want our help and what kind of central resource can we hold in that regard. Over the last few months councils are putting together their bids for the Building Council Homes for Londoners programme and in some cases, and I hope you do not mind me saying, in Newham we had a GLA officer who has been in Newham a day or so a week just so that we can get it done as quickly as possible, so this is not Newham working it out, sending it over and taking a while to iterate it, one of our officers is there in Newham a day or two a week just doing it as quickly as possible because Newham are keen to get on as quickly as they can and us having capacity in there just helps to make it happen quicker.

There are then other ways about more kind of long-term help that we can offer and we will be looking to expand our Homes for Londoners team at City Hall further over the coming months and years so that we can get more expertise that we can loan out to councils or support councils in terms of land assembly or other specialist services. That is in the future of London, which we have addressed, but and on the side of that public practice, which is worth flagging up because that draws in expertise from some of the private sector basically so it is not necessarily competing in the same pool as you would be otherwise drawing talent from, it is getting other people in on a short or medium-term basis to help councils in terms of their capacity through that and then public practice is looking at how they can help councils more in that regard.

Then finally there is just a question of what extra resources we can provide and, as I said, the feedback, one of the strong kind of conclusions that we have come to in all the conversations with Council Leaders is that people want a bit more resource to gear up as quickly as possible, so we are looking at what we will be able to offer people in terms of just resources and money, investment, funding, to help them gear up, and we will be bringing forward more details on that in due course.

**Tom Copley AM (Deputy Chair):** On that front, on the investment, we have talked a bit about councils loaning money at a commercial rate, can the GLA do that? Can the GLA be lending to housing companies at commercial rates, borrowed from the Public Works Loan Board, is that something that you would do?

**James Murray (Deputy Mayor for Housing and Residential Development):** Yes, there are financial transactions that we can do to help councils or council companies. We also want to make sure that the way that we give a grant is as flexible as possible. We started with housing associations a year and a half or two years ago, we will now hopefully be applying to some councils in terms of giving money on a more flexible basis, so if there is a cash-flow issue, if councils need the money up front to do something, that we can help them in that regard so that they are not getting the money on a drip-drip basis, they will be getting it on a more flexible basis to help with those cash-flow issues.

**Tom Copley AM (Deputy Chair):** Yes, James?

**James Clark (Head of Housing Strategy, Housing and Land, Mayor of London):** Just on the specific question of loan finance, we can offer loans, as James said, but generally it is not very attractive to councils specifically because they have access to Public Works Loan Board rates, which are the lowest you can get. We do loan to housing associations and others, it is open to companies and councils directly but it is probably not that attractive.

**Tom Copley AM (Deputy Chair):** Sure, I get that. In terms of transparency on data and the figures, we have here a partial collation of what companies are aiming to build, I think what they have built, and some of the planned tenure, but it can be a bit difficult. Could something like GLA, the GLA intelligence and data that we have here, collate some of that data so it is easy to see? Because we get the broad figures for private sale,

affordable housing, low-cost rent and shared ownership, but do we get some sort of specific kind of collation of what we are getting out of housing companies in terms of the overall figures and, within that, private sale, low-cost rent and shared ownership, is that something the GLA could co-ordinate?

**James Murray (Deputy Mayor for Housing and Residential Development):** I suppose you will effectively get at least some of that information through the bids for Building Council Homes for Londoners because councils will be putting in their bids about what homes they want to start as part of that programme over this Council term, so by 2022.

**Tom Copley AM (Deputy Chair):** But if it is not funded by you then we would not necessarily get that or would they be submitting their whole business plan?

**James Murray (Deputy Mayor for Housing and Residential Development):** It depends on individual councils in terms of what they submit. We can certainly look at what information we are able to gather together through this process but it would give a pretty good snapshot of bulk of Council's work in terms of what they are doing.

**Tom Copley AM (Deputy Chair):** Finally, should the Mayor be getting in on this game in setting up a GLA housing company or is Transport for London (TfL) the Mayor's housing company?

**James Murray (Deputy Mayor for Housing and Residential Development):** I suppose one of the things, which has come up today, is the conclusion that you work at what you want to do, which is build council housing or build social rented housing, build affordable housing, and then you work on how to do it, and in some cases a housing company, sometimes multiple housing companies, are the right answer, in other cases councils just want to do it directly without using a housing company. It depends on exactly what the council's plans are in terms of whether the advantages you can get in terms of borrowing and so on through a housing company are attractive to an individual council in their circumstance.

So, from our point of view, being something different, the kind of organisation of being a Council in that we are not a social landlord, so we have a slightly different role to play at the moment. What we need to work out is would a company help us to do what we want to do. So far what we have wanted to do has been done without setting up a company, so in terms of setting up the Building Council Homes for Londoners programme in terms of starting up the land fund to acquire land and get that into the hands of social landlords and to build out, in terms of all the other work we have been doing through funding and so on, so all of that has been achievable without setting up a separate company structure, or a local housing company, along those lines.

There is work being done of course with TfL and others around a build-to-rent development, which might be done on land, which the GLA group owns, and again there are a variety of ways you can deliver that, whether you do it through a JV on an individual site, whether you do it through a bigger corporate structure in terms of a company, I do not think we are going into anything with a kind of goal, as I suspect no one is, that I want to set up a company just because I want to set up a company. Everyone goes into it with a goal; I want to build these homes and how do I do it as quickly and as efficiently as possible.

So I suppose my answer is that we have not had to set up a company so far to achieve what we want to achieve, but if a certain goal that we want to achieve could be best achieved setting up a company then we would.

**Tom Copley AM (Deputy Chair):** The GLA is involved in a JV, Barking Riverside, we have had indications that the London Legacy Development Corporation (LLDC) might start going into JVs around the [Queen Elizabeth] Olympic Park. Is that the case?

**James Murray (Deputy Mayor for Housing and Residential Development):** So there are obviously discussions with the LLDC around them bringing forward their final key sites and to make sure that we get them built and get affordable housing and so on and they are looking at the details of exactly how to bring them forward and they will be making that public in due course.

**Tom Copley AM (Deputy Chair):** Thank you.

**Sian Berry AM (Chair):** Yes, thank you very much. There was quite a lot talked about the advantages of doing the wholly-owned company route versus a JV that it would be really interesting to maybe explore that further, the idea that we have tried some JVs, I know TfL have been looking at them as well. Could we get more out in terms of affordable housing by being more wholly-owned? I appreciate it is not something you are just going to jump into though, so just a follow-up question is, what about small sites, is that a place where you might set up a company to do that? I know that the planning side of the GLA has set very ambitious targets for small site developments on councils. Potentially they are going to not be the most attractive sites to work on from the company's point of view, or the easiest ones to start with. Is that something you could do to mitigate their risks, to take on their small sites, or something like that might be something you might start with?

**James Murray (Deputy Mayor for Housing and Residential Development):** We can certainly look at that. To be honest, our approach so far in terms of small sites has been to use the small sites to support community-led housing, small housing associations, councils are obviously aware they want to do them and to support small builders. I think the focus of small sites at the moment has been more on those other small builders in the system. The TfL sites have been pilot sites for the Small Sites Small Builders programme. In terms of asking councils about what sites they own, which are small that they want to put through, we have had some good conversations with councils.

I think what a few councils, I will not name them just because it is not necessarily public yet, but just to give you a flavour of the kind of conversations we have had, some councils have done an audit of all of those sites and they have worked out, OK, here are some small sites we are going to do as part of our main programme, here are other smaller sites where, for whatever reason, it is just not where we are going to focus our energy at the moment, but we do want them to be built out. They are talking to us about putting those sites through our Small Sites Small Builders portal, which would then mean it would go into a community-led housing group, small builder, small housing association, depending on what the local authority specified that they wanted to happen. But the idea there would be that, if it is Council-owned land, and being a Council-owned company, if the Council had one it could build it, but they might well decide for whatever reason that they did not want to do it themselves, they would rather give it to a community-led housing group or some other small body to do it themselves.

**Sian Berry AM (Chair):** There are lots of possibilities, thank you. Just finally, your grants scheme, I think it closes on 30 September [2018], so people are still finalising their applications I guess, and you will be announcing it towards the end of October?

**James Murray (Deputy Mayor for Housing and Residential Development):** We basically want to start announcing as soon as we can so we are currently finalising some of the bids, working closely with the boroughs, we will be getting them all in and making decisions as quickly as possible. There might well be some

boroughs where we know sooner than later that we can announce it, in which case we will make sure we can confirm the money and get them going as quickly as possible, but we are just keen to get on with it as fast as we can.

**Sian Berry AM (Chair):** So potentially we might see announcements in sort of dribs and drabs but there will be somewhere we will be able to see what has been announced so far in one place?

**James Murray (Deputy Mayor for Housing and Residential Development):** By the end of the coming months there will be the initial round of allocations for all the boroughs' bids, which have come in, and you will be able to see that and see the range of bids that have come in and the number of homes and so on.

**Sian Berry AM (Chair):** Great. We looked at the amount that went to councils in the last round of funding last summer and it was very low, it was of the order of I think about 8% of the homes and about 5% of the funding, or the other way around. Would you like to hazard a guess at the percentage of grants that you might be giving out to councils and council-owned companies in this round, will it be a significant improvement on that?

**James Murray (Deputy Mayor for Housing and Residential Development):** I can say almost certainly yes. I do not think we are going to have any hostages to fortune by saying yes to that. The first round of funding we did, I mean things moved quite quickly in the last two years, but if you wind back to where we were two years ago, I will not go through all the detail, but you know how the discussions started in terms of getting the money from Government, there was none for rent at all, we got a bit for rent, the grant rate was relatively low, housing associations did help out by agreeing to do some social rent level housing. It was not that attractive to a lot of councils.

So, although some councils put in the bids, the number of Council bids was not huge in the first round. In terms of the discussions, which went on and on and on in public, in private, in different forums, with Government and with others, we then got to a position whereby, in the money we got in March earlier this year, that we were able to say the majority of this is going to go for homes based on social rent levels, which then meant we were able to identify a higher grant rate for councils and to align that with the RTB ring-fenced offer, the HRA borrowing headroom, and with our offer of support and capacity, and that we developed very closely with people around this table and others to make sure it was the right package for councils because I, and the Mayor, we want to support councils to build.

There was very limited opportunity for us to do so in the first bidding round towards the beginning of the term. The extra money we got, the flexibility we got around tenure and so on, allowed us to do a more attractive package for councils this time around, which I am really pleased about, I think it has been a fantastic couple of months working with councils and seeing all their plans and seeing the alignment of the outcome of the political discussions that myself and the Mayor have been having to get the money, the share of the national pot for this aligning with the energy coming from councils who want to build and then hopefully doing great stuff.

**Sian Berry AM (Chair):** Great. We are certainly in a very different place than we were when we started. Hopefully we will see there is more maturity this year and in the year after that we will see even more. I know the extra flexibility that came in May, again that might have been a bit of a rush for councils to get there, but it sounds from what you are saying that a lot more applications are being made by councils, so we will see a much more --

**James Murray (Deputy Mayor for Housing and Residential Development):** Just as an indicator, I have met with, as I say, 25 or 26 Council Leaders and that was by the end of July, so that is not even counting the last month, so getting into Leaders' diaries straight after an election is always going to be a challenge, but I think it shows what priority boroughs right across London want to give to this programme and everyone was really keen to meet and make a time in their diaries, which were going to be pretty hectic after the elections, and they are all prioritising it and I think that sets us in a good position.

**Sian Berry AM (Chair):** OK, thank you. The Housing Committee will continue to scrutinise these numbers as they come out and thank you for coming along. That is the end of our discussion today and I want to thank all the guests for your contributions, for your patience where you have had to wait a while in between answers.