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President of the Royal Institution of Chartered Surveyors (RICS)
RICS Head Office London
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Dear Mr Hughes,

High Court Decision on Parkhurst Road Affordable Housing and RICS Viability in Planning Guidance (2012)

You will no doubt be aware of the recent High Court judgment in relation to the Former Territorial Army Site on Parkhurst Road in the London Borough of Islington. In this landmark decision, the Judge Justice Mr David Holgate made the highly unusual move of including a very important postscript with his reasoning. The postscript strongly recommended that RICS revisits its Viability in Planning (2012) Guidance in conjunction with the Government and the planning profession. The Judge stated that this would avoid further protracted disputes caused by the misapplication of the guidance and would achieve more efficient decision-making.

Islington Council and the Greater London Authority have, alongside other planning authorities, highlighted serious concerns with the RICS guidance. In particular, we have highlighted the issue of 'circularity'. It has been the case that some RICS members have misapplied the guidance to inflate benchmark land values in planning viability in order to reduce the levels of affordable housing.

Recent research commissioned by the London boroughs and prepared by a group of leading universities and a consultancy firm (*Viability and the Planning System: The Relationship between Economic Viability Testing, Land Values and Affordable Housing in London, January 2017*) highlights the substantial decline in affordable housing levels in London, despite the significant increases in house prices. This was, in part, attributed to the misapplication of the RICS guidance.

Furthermore, protracted arguments about viability delay housing delivery. The Parkhurst Road site in Islington has been vacant for five years when it could have provided around 100 new homes.

London urgently need to increase its levels of affordable housing. In Islington, recent assessments indicate the borough's affordable housing need for the period 2015-35 is 12,300 dwellings. Housing affordability is the greatest challenge faced by the borough. The average price of a property in Islington increased by 58 per cent between October 2007 (the peak in the market preceding the financial crisis of 2008) and the most recently published figure by the Land Registry (July 2018), now being £662,017. This is a trend that is repeated across London boroughs and many parts of the UK.

In line with national, regional and local planning guidance, there is a need to facilitate the delivery of housing and affordable housing. The recent High Court judgment dismisses the approach in the RICS guidance as

it has been often misapplied in practice. It is therefore clear that the approach of the RICS guidance has not been fit for purpose in this regard.

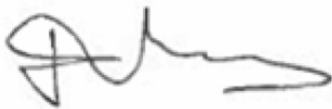
The judgment was also cited in the recent House of Commons Housing, Communities and Local Government Select Committee report on Land Value Capture as important in avoiding developers overpaying for land and later claiming that the price they had paid would make a development unviable. The report repeated long running concerns regarding the use of viability assessments to 'game' the system to avoid affordable housing requirements.

The RICS is incorporated by the Royal Charter and has a duty to act in the public interest. Academic research 'Financial Viability Appraisals in Planning Decisions' published by the RICS in April 2015 highlighted all the issues that were raised in the judgment. However, the inaction of the RICS professional body in the last few years to address this has led to the continued erosion of the trust of communities in the profession and the development industry.

Given the importance of the judgment, the council and the Mayor of London urge the RICS to engage with us and the planning profession to address any conflicts of interest and restore confidence that it will act in a way that does not undermine the delivery of housing, particularly affordable housing, in the future. In the context of the need to significantly to increase the housing growth in London and across the country, it is critical that communities' trust in the development process is improved.

I would be grateful if you could meet with us to agree a way forward on this vitally important issue.

Yours sincerely,



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