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Boris Johnson  
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2<sup>nd</sup> October 2014

Dear Mr Johnson

### **Royal Mail Group - Mount Pleasant Sorting Office Planning Applications**

You will consider planning applications for the Mount Pleasant site at a Hearing on 3<sup>rd</sup> October 2014.

You will of course be aware that as yet there is no developer for this site. By the Royal Mail's own admission, construction work on the Islington part of the site is unlikely to start for at least another five years. This planning application is therefore simply a valuation exercise that will determine the price that the Royal Mail will receive for the sale of the site.

You are being advised to accept the Royal Mail's offer of 24% 'affordable' housing. Independent advice to Islington and Camden Councils indicates that 42% affordable housing could be delivered with 60% of these homes being let at social rent levels.

We are also extremely concerned that, even at this very late stage, there is a distinct lack of clarity about how genuinely affordable some or all of these homes will be and question whether the proposed rent levels will meet your own policies on housing affordability. With such little detail provided by the applicant, and a failure on their part to engage with Registered Providers to test the deliverability of the units, there can be no certainty that the 'affordable' housing offer forms a realistic basis for a future agreement between a developer and a Registered Provider to deliver these homes.

If you approve this application and accept this 'affordable' housing offer, the Royal Mail will receive at least £30 million more for the sale of the site than they could reasonably expect to receive and probably significantly more. This windfall payment will be at the expense of genuinely affordable homes for hundreds of ordinary Londoners.

This is the simple choice that you must make. However, you should be aware that if you favour the Royal Mail's windfall land receipt over the adopted affordable housing policies your decision will be in direct conflict with National Planning Policy Guidance. This states that in all cases policy requirements, planning obligations and Community

Infrastructure Levy charges should be reflected in land value. Your own viability consultants have openly acknowledged that they have disregarded this guidance.

We therefore urge you to refuse this application on the grounds that the affordable housing offer is wholly unacceptable for the following reasons:

1. It fails to comply with national planning guidance, the adopted planning policies of Islington and Camden Councils and indeed your own planning policies as set out in the London Plan.
2. It is based on incomplete, misleading and deeply flawed viability evidence which is inconsistent with Government and industry guidance and does not demonstrate that it is delivering the maximum reasonable amount of affordable housing.
3. We cannot understand how your officers can reach a view on the affordable housing offer because it is completely lacking in detail and substance. We think that you simply do not have enough information before you to make a decision on a matter that is central to your decision making on this planning application. Based on the information that we have received we believe it to be highly questionable that this housing will be genuinely affordable and we consider that it is likely that the proposed rent levels will fail to meet your own affordable housing policies.
4. Independent property advisors appointed by the GLA (GVA) initially appeared to agree with the Council's advisors that significantly more than 24% affordable housing could be delivered, although they subsequently, suddenly and inexplicably changed their position.
5. We are also deeply concerned that your officers' recommendations do not properly secure essential linkages between the Camden and Islington parts of the site to ensure that it is developed as a single development. These linkages are absolutely essential for the proper planning of the area, and will ensure that the proposal complies with both councils' planning policies. We consider that your officer's report is misleading regarding the actual prospect of achieving agreement on those matters. If your officers have been unable to secure an agreement on this critical matter in the nine months since call-in, what prospect is there of anything meaningful being delivered after a Hearing that has deprived you of an opportunity to make a properly informed decision?
6. Your officers have also failed to secure proper and necessary terms for the financial viability review mechanisms. These mechanisms are critical in meeting planning policy that aims to 'secure the maximum reasonable amount of affordable housing that the scheme can afford to deliver'. The essential principles of this review are absent and in not setting out the minimum expectations at this stage your officers are inhibiting the GLA's own ability to secure a meaningful final form of viability review. This approach does not support the policy goal of securing the *maximum reasonable level* of affordable housing.

Turning to other matters, the GLA Officers confirm that there is harm caused to neighbouring residential amenity (through loss of daylight), harm to the setting of statutorily listed terraced properties and the Bloomsbury Conservation Area as a result of these proposals.

Your officers accept that the scheme delivers car parking in a highly accessible location that already suffers from poor air quality. They accept that the scheme fails to meet the boroughs' local policies on Sustainable Urban Drainage in this Critical Drainage Area, as well as failing to provide comfort cooling for the private flats, despite being contrary to local policy, and increasing the CO2 emissions of the scheme. Additionally, the scheme no longer provides a pedestrian refuge on Farringdon Road where 'The Garden' public open space, meets Farringdon Road, thereby reducing the connectivity of the site to the wider local area and reducing the 'Green Chain' benefits of the scheme.

Your officers are balancing the 'public benefits' that they consider that the scheme provides against the harm created by the development to the local area and where the development fails to comply with adopted policies as set out above.

In this regard, you must be absolutely satisfied that the affordable housing levels are acceptable as you are otherwise accepting a range of negative environmental and social impacts with a wholly inadequate provision of affordable homes for local people.

Further details of our concerns are set out below and are set out in full in a number of detailed representations that both Councils have made on the application.

### **Incomplete, Misleading and Deeply Flawed Viability Evidence**

Contrary to policy and without a convincing explanation, you are being advised that 24% affordable housing represents the maximum reasonable amount of affordable housing that could be delivered by this scheme. The dearth of information provided about the affordable housing offer, and the inconsistency in the evidence that has been provided, clearly does not constitute a sufficient basis on which to come to an informed view about the acceptability of the offer.

The basis for the Royal Mail's offer is a viability assessment undertaken by their advisors Gerald Eve. This assessment has been found to be fundamentally flawed by the councils' independent advisors BPS and initially by your own advisors GVA. Our concerns have been expressed to your officers in great detail throughout the negotiation process and I hope that you will consider our detailed representations on this matter particularly carefully.

In summary, our key concerns on this matter are:

- a) your officers and viability advisors have not been given access to the financial viability model that underpins this assessment, and we therefore fail to understand how they can claim that it has been properly assessed;
- b) your officers have accepted your advisor's position that the site value is entirely related to market sentiment and have disregarded National Planning Policy Guidance that that site value should take proper account of planning policy;
- c) from day one the Royal Mail has contended that the site value is [REDACTED] despite changes to the many other variables that would affect site value – this position is really not credible;
- d) your officers have accepted that the cost of the Royal Mail enabling works should be met from a reduced affordable housing offer rather than a reduced site value;
- e) your officers have not properly examined independent advice that suggests that the value of the enabling works has been significantly overstated perhaps by as much as £6.7 million;

- f) your officers have accepted Gerald Eve's assumption that a developer would pay the Royal Mail for the site upfront and then patiently wait for five years for the Royal Mail to complete their enabling works. This assumption has a significant impact on the outcome of the viability appraisal and directly contradicts information provided by Royal Mail's project managers M3. Your advisors also initially raised this as an issue but this aspect of their report was deleted in the later version without explanation.
- g) your officers have directed your consultants to apply a 20% IRR profit level based on their experience without being able to convincingly explain what this experience has been; and
- h) Gerald Eve's approach to CIL, which is that the costs associated with this are borne entirely by a reduced level of affordable housing, blatantly disregards National Planning Policy Guidance yet has been accepted without question by GLA officers.

Each of these assumptions is highly questionable and has the effect of artificially suppressing the level of affordable housing that can be delivered.

We acknowledge that the assessment of viability is a complex and often opaque issue. However, the conclusion from this exercise defies common sense. This is that the value of this operational car park is significantly higher than that of the City Forum site which has a higher existing use value and achieves a higher density of development.

### **Sudden Change of Approach of GVA**

Your viability advisors GVA issued a report in May 2014 that appeared to agree with many of the points that BPS has made. BPS modelled GVA's findings and concluded that an offer of 30-39% could be supported even assuming the high levels of profit accepted by the GLA.

However, Royal Mail did not amend their offer to fit these initial conclusions as might reasonably be expected.

GVA subsequently issued a revised report dated 5<sup>th</sup> August 2014 taking a completely different approach and agreed that the Royal Mail should receive a much higher payment for the site. Important parts of GVA's report, such as the timing of land payments, were deleted without any explanation being provided. GVA reached a conclusion that directly corresponds with the Royal Mail's affordable housing offer of 24%.

It subsequently transpired that additional information had been exchanged between Royal Mail, the GLA and GVA from which the councils were at the time excluded, contrary to agreed arrangements and transparent decision making.

We await an adequate explanation as to why key parts of the GVA report were amended and who made the decision to amend the report. I would ask you to question your advisors carefully on this matter so that you can be sure that the advice that you have been given is genuinely expert and independent.

## **Affordability**

Because Royal Mail has indicated only an average rent level of 44% market rent (and maximum rent level of 60% of market rent) across the affordable rent units, we have carried out our own testing to determine how this approach could result in a range of rents across the proposed unit sizes.

Based on the market rent levels determined by Royal Mail, the proposed average affordable rent level of 44% market rent would lead to rents well in excess of the maximum Local Housing Allowance rate - your own cap on the maximum affordable rent level - for family-sized units of £350/£413 a week, and come very close to the maximum rate for 2-bed properties. With 55% of the affordable rent units 3-bed and larger, it simply isn't clear how these units could be passed on to a Registered Provider to achieve the average 44% rent level stipulated in the offer. Similarly, total housing costs on a 2-bed intermediate unit have been estimated at over £2000 per month for purchase of a 30% share of equity with a £50,000 deposit.

Moreover, there can be no certainty that the offer actually bears any relation to the affordable housing values input to the viability appraisal. The Royal Mail has not provided sufficient justification or evidence for their valuation of the affordable housing units, nor responded to our requests to share their valuation so that the approach could be appropriately scrutinized. This total lack of transparency also brings into question GVA's ability to conclude that the values are reasonable, particularly in light of the flaws and inconsistencies we have previously identified in the minimal detail that is available. Quite simply, without such fundamental information you cannot be assured that the offer truly delivers the maximum possible number of desperately needed affordable homes.

We would again ask that you question your officers carefully on this matter to ensure that both they and you fully understand what is being proposed.

## **Separation of the two sites**

Royal Mail has also sought to separate delivery of the Islington and Camden sites. It is completely intransigent in its opposition to the imposition of adequate linkages between the two sites. This will cause unacceptable environmental impacts and is inconsistent with the viability approach adopted by the Royal Mail. The financial viability assessment is carried out across the scheme as a whole, and Camden has therefore accepted a lower affordable housing provision on their site as a result of the costly enabling works on the Islington site. In this regard, the two sites must be brought forward as a single, linked development to prevent the sites being severed and a lower level of affordable housing being provided in Camden than would otherwise have been possible.

Additionally, Camden has accepted no office floor space or affordable workspace on their site as it is provided for in the Islington site. Furthermore the open space necessary to serve the whole development is primarily located on the Islington site and Camden is being asked by the applicant to agree to a lower open space contribution (some £418,000 lower) than would otherwise be necessary, even though the applicant still refuses to be bound to bring that open space forward in a reasonable timeframe. Without these linkages in place it would be perfectly possible for a developer to come forward with a scheme for the Camden part of the site that is deficient in many respects whilst potentially waiting many years to rectify this through the development of the Islington part of the site. This would also leave the Islington part of the site as a concrete capped hole for years to come.

Whilst your officers acknowledge in their report that some form of linkages between the sites are required they do not detail how these will work in practice. In deferring a decision on fundamental requirements, your officers are preventing you from forming an opinion on an important matter and are ignoring the fact that the applicants are fundamentally opposed to the agreement of these linkages.

The Royal Mail has also proposed terms for viability review mechanisms which would render these linkages entirely ineffective. The Hearing Report suggests that many outstanding concerns raised by the Councils can in fact be fixed by a mid - stage viability review. Given that the applicant is wholly opposed to committing to what is likely to be the last two phases of development (whose commencement would trigger that review), the offer of a review is at present meaningless.

The fact that your officers are not able to set out a position on the key issues of linkages and review mechanisms in the nine months after you called in the application demonstrates the impasse that has been reached between the parties. The GLA's recommendation to defer consideration of these issues that go to the heart of the planning applications gives us absolutely no reason to believe that these key matters will be adequately addressed. These matters should therefore be clearly set out before you, for your proper consideration at the Hearing, and the councils should be given the opportunity to present their case on the approach you intend to take.

## **Conclusion**

By law you must determine these planning applications in accordance with the Development Plan (the London Plan and Islington and Camden's Local Plans as appropriate) unless material considerations indicate otherwise. In order to properly determine the applications you must have sufficient information and evidence before you to adequately assess the extent to which the applications accord with the Development Plan and whether material considerations indicate otherwise. It is Islington's and Camden's view that this is clearly not the case.

You should also take steps to enable the two Councils to understand the details of what is being proposed and the evidential basis for it. As set out in this letter and previous representations Islington and Camden do not consider that they have had adequate information to be in a position to properly make its representations to you.

As stated above, this scheme fails to accord with the local policies adopted to reflect local circumstances in Islington and Camden in relation to policies on car parking provision, energy efficiency and CO2 emissions reduction targets, sustainable urban drainage. Worse still than this, it has been accepted to cause harm to the residential amenity of adjoining occupiers and harm to the setting of heritage assets located in Camden. In this regard, when considering this harm as a balancing act against the 'public benefits' of this scheme, you should ensure that the affordable housing targets for this scheme are afforded the appropriate weight. Moving on from this then, you must also be entirely satisfied that the affordable housing offer, as evidenced via the financial viability assessment, has been properly scrutinised, and planning policy requirements applied as required by the Act.

The approach taken by the applicant has inhibited the transparent assessment of the scheme as a whole, including actual benefits and costs and the Hearing Report is entirely wrong to suggest that the 'details' regarding viability reviews and site linkages can be satisfactorily resolved following the hearing. If this proposal is

approved in its present form it will not be possible to address the very significant deficiencies in the future. The Hearing Report fails to acknowledge that the applicant objects to the very principal of the majority of the matters that are attested to be resolvable after the Hearing, and thus misrepresents the actual development proposals that are being put before you.

In conclusion, with no developer on board, the application for the development of this prime site is purely a cynical exercise by Royal Mail Group to maximise the value of their land asset at the expense of delivering homes for ordinary Londoners.

The 24% 'offer' in no way represents the *maximum reasonable affordable housing* that can be provided taking into account the boroughs' 50% Local Plan targets as required by your London Plan. Should you accept this derisory offer you will be handing over a huge windfall payment to the Royal Mail at the expense of homes for hundreds of ordinary Londoners. From information in the public domain we believe this windfall to be at least £30 million and perhaps significantly more.

The Mount Pleasant Sorting Office site is one of three Royal Mail properties in Central London previously identified as being surplus to requirements in the Royal Mail Privatisation Prospectus. As you may know, the National Audit Office and Business, Innovation and Skills Parliamentary Committee have identified that an undervaluation of the three sites contributed to the overall undervaluation of the Royal Mail when privatised. It is estimated that the public purse has lost somewhere between £1.1 and £1.2 billion.

If you accept the Royal Mail's offer of affordable housing you will be allowing the Royal Mail to commit a second sleight of hand almost a year to the day after the company was floated.

We urge you again to refuse this application and ask the Royal Mail to work with the two Councils and the local community to rethink this scheme and stand true to your commitment, made only this week, to build the homes that ordinary Londoners desperately need.

Yours sincerely



**Councillor James Murray**  
**Executive Member for Housing and Development**  
**London Borough of Islington**



**Cllr Phil Jones**  
**Cabinet Member for Regeneration, Transport and Planning**  
**London Borough of Camden**

Redacted copies to:

Edward Denison Chair of the Mount Pleasant Forum Chair

Emily Thornberry MP

Frank Dobson MP

Adrian Bailey, MP, Business, Skills and Innovation House of Commons Select Committee (Chair)

The Rt Hon Margaret Hodge, MP, Public Affairs House of Commons Select Committee (Chair)

Clive Betts, MP, CLG House of Commons Select Committee (Chair)