

**CD9.10**

**Executive Summary**  
**Proof of Evidence**

**2-4 Ringers Road and  
5 Ethelbert Road, Bromley, BR1 1HT**

[APPEAL REF: APP/G5180/W/24/3340223]

By

**Ramsay Evans BA (Hons) MRICS**  
**Turner Morum LLP**

**17<sup>th</sup> June 2024**

**1. QUALIFICATIONS & RELEVANT EXPERIENCE**

1.1. My name is Ramsay Evans of Turner Morum LLP Chartered Surveyors ('TM'). My qualifications and experience are set out within my main Proof of Evidence.

**2. BACKGROUND INFORMATION & AGREEMENT ON VIABILITY**

2.1. The planning application [ref: 21/05585/FULL1] submitted in November 2021 proposed **35%** affordable housing (33 units), comprising 13 shared ownership flats (39%) and 20 social rent flats (61%).

2.2. The planning application was refused in November 2023 and one of the reasons for refusal stated in the Decision Letter [CD3.6] was [my underlining]:

***"The application does not comply with all the criteria listed in London Plan Policy H5C. The application therefore fails to meet the criteria necessary to qualify for the Fast Track Route and in the absence of a Financial Viability Assessment the application fails to demonstrate that the proposal would maximise the delivery of affordable housing, thereby contrary to Policy H4 and H5 of the London Plan and Local Policy 2."***

2.3. The Applicant appealed the refusal and TM were appointed by the Appellant in January 2024 to undertake a viability assessment, so as to enable viability and affordable housing to be agreed ahead of the inquiry.

2.4. I produced and provided a viability assessment [CD9.2] dated 7<sup>th</sup> March 2024 which concluded that "The scheme is not...able to viably provide any affordable housing, or equivalent contribution." The conclusions of my assessment are summarised below, for ease of reference:

Tab	Affordable % (Hab Rms)	Affordable % (Units)	Surplus / Deficit	Actual Developer Return as % GDV
1A	50.7%	50.0%	-£6.952m	-10.0%
1B	35.4%	35.1%	-£5.231m	-1.2%
1C	11.4%	10.6%	-£2.267m	10.7%
1D	0.0%	0.0%	-£0.974m	14.9%

2.5. As summarised above, the scheme shows a **-£0.974m** deficit even if delivered at 100% market/private accommodation. This deficit increases/worsens to **-£2.267m** if **11.4%** affordable (by habitable room) is included.

2.6. BPS Chartered Surveyors ('BPS') were appointed by Bromley London Borough Council ('the Council') to review my March 2024 viability assessment. BPS reached the same conclusion in their April 2024 report [CD10.7] that the scheme could not viably provide any affordable housing.

**2.7.** BPS concluded that the scheme showed a deficit of **-£2.262m** at **11.4%** affordable housing (by habitable room); within £5,000 of my figure.

**2.8.** Accordingly, the Statement of Common Ground ('SoCG') [**CD11.1**] states/records that:

*"The appellant's viability assessment by Turner Morum has been independently assessed on behalf of the Council by BPS Surveyors and it is agreed that the scheme cannot provide any additional affordable housing beyond the 10 units now proposed the provision would comprise 6 social rent and 4 shared ownership amounting to a 12% (by habitable room) provision / 11% (by unit) provision.*

*It is agreed that substantial weight should be given to the proposed affordable housing provision."*

**2.9.** For completeness, at the time of writing this proof it appears from exchanges regarding the draft s106 agreement that some contributions are not agreed. However, I do not believe the overall viability conclusions would be affected by what is agreed/determined in relation to these non-agreed contributions. The sums involved are small, relative to the circa £2.26m+ deficit shown at the proposed and agreed 11.4% affordable housing level.

### **3. MAIN ISSUES**

**3.1.** The pre-conference note issued by the Inspector on 13<sup>th</sup> May 2024 [**CD12.1**] states that (paragraph 6):

*"The Council has advised that it no longer wishes to contest its reason for refusal relating to affordable housing provision (RFR1), although it will argue that it has an effect on the overall planning balance."*

**3.2.** Within the Case Management Conference ('CMC') held 17<sup>th</sup> May the Appellant's advocate confirmed I would be called to give evidence. The Council's advocate confirmed I would not be cross-examined as viability was agreed.

**3.3.** The Case Management Conference ('CMC') Summary Note issued 20<sup>th</sup> May [**CD12.3**] included:

*"14. At the conference, the local housing land supply position and affordable housing were discussed, with the parties at varying stages of (dis)agreement on these matters. On reflection, the Inspector considers it appropriate to deal with these (together with evidence on the housing mix) through formal presentation of evidence in chief and cross-examination, in a conjoined 'housing matters' session. It will be for the parties to continue to collaborate to minimise the amount of evidence needing to be tested at the Inquiry. Due to witness availability, this session will take place in the first week of the Inquiry."*

**3.4.** My Proof of Evidence is provided to assist with the conjoined housing matters session.

#### 4. PROPOSED ON-SITE AFFORDABLE HOUSING PROVISION

4.1. As summarised within the below extract from the accommodation schedule underpinning the viability assessment [CD9.2], the proposed 10 no. affordable dwellings (equating to 11.4% by habitable room) are proposed to be provided as 6 no. (60%) Social Rent and 4 no. (40%) Shared Ownership across the 2<sup>nd</sup> and 3<sup>rd</sup> floors of Block B:

Unit	Ref	Beds	Unit ft2	Hab Room	Tenure
49	B.02.01	2	667	3	SR
50	B.02.02	2	786	3	SR
51	B.02.03	2	764	3	SR
52	B.02.04	1	538	2	SR
53	B.02.05	1	678	2	SR
54	B.03.01	2	667	3	SR
55	B.03.02	2	786	3	SO
56	B.03.03	2	764	3	SO
57	B.03.04	1	538	2	SO
58	B.03.05	1	678	2	SO

- 4.2. Of the 6 no. Social Rent dwellings, 4 no. are proposed to be 2-bedroom and 2 no. are proposed to be 1-bedroom.
- 4.3. Of the 4 no. Shared Ownership dwellings, 2 no. are proposed to be 2-bedroom and 2 no. are proposed to be 1-bedroom.
- 4.4. Plans identifying the proposed affordable dwellings can be seen at CD8.15 & CD8.16.

#### 5. VIABILITY CONTEXT

- 5.1. I have been asked to include a section which explains the reasons behind why the November 2021 planning application proposed 35% affordable housing but the viability has recently been agreed at 11.4% affordable housing.
- 5.2. I have outlined below the various changes since November 2021 relative to the Appeal scheme:

1. **Build Costs:** The BCIS All-In Tender Price Index (TPI) has increased by 13.95%, from 344 in 4Q'21 (when the planning application was made) to 392 in Q2'24. This alone suggests a circa £3m+ increase to costs (£22.05m build costs x 13.95%).

[Whereas]...

2. **Private GDV:** The Land Registry House Price Index (HPI) for Flats & Maisonettes in Bromley has increased by 2.06%, from 121.6 in Nov'21 to 124.1 in March'24 (the latest available

period). This suggests a circa **£0.5m** increase to GDV – based on the original 35% affordable position (£24.34m private GDV x 2.06%).

Pausing there for a moment, build costs have increased by over £3m, but private unit values have only increased by circa £0.5m. A number of additional factors then need to be considered...

3. **Affordable values:** The offers which Registered Providers (RP's) are making on s106 affordable units are generally lower now than they were in Q4'21 (at the time of the planning application). The change is for a variety of reasons but includes the following:
  - RP's are directing more funds towards retrofitting/improving existing stock (especially to rectify issues such as cladding, fire regs, mould, etc).
  - Government-set rent caps are being outstripped by cost growth
  - Interest on their loans has increased due to higher interest rates
  - Loan to value difficulties – due to OMV of units levelling off, etc.
4. **CIL:** Bromley CIL increased by **14.4%** from £100/m<sup>2</sup> to £114.41/m<sup>2</sup>. Mayoral CIL increased by 14.4% from £60.55/m<sup>2</sup> to £69.27/m<sup>2</sup>. This results in an additional circa £165,000 at 10% affordable housing.
5. **Finance Rates:** The Bank of England ('BoE') Base Rate has increased from 0.1% in November 2021 to 5.25% - in part due to former Prime Minister Liz Truss' September 2022 'mini budget'], which has had significant knock-on effects to the commercial cost of borrowing.
6. **Commercial values/yields:** Linked to above comments regarding finance rates, elevated commercial lending rates result in higher borrowing costs, necessitating higher yields to justify investments. Higher commercial yields result in lower capital values – hence the GDV of the commercial scheme elements is negatively affected. For example, the below table summarises the change in retail yields according to the Knight Frank Prime Yield Guide (see **Appendix 2 & 3** to my main Proof of Evidence):

High Street Retail	Nov'21	May'24	Inc/dec
Prime Towns	6.50%	7.00%	<b>+0.50%</b>
Regional Cities	6.50%+	7.25%	<b>+0.75%</b>
Good Secondary	8.25%-8.50%	10.00%	<b>+1.75%-2.00%</b>

7. **Sales Rate:** High mortgage interest rates has resulted in fewer transactions and therefore a lower sales rate being achieved across new build developments now,

compared to Q4'21. This impacts the profile of income which negatively impacts finance costs


- 5.3. In addition, there have been changes to the scheme which have impacted the figures, such as the inclusion of the additional staircase resulting in a loss of net/valuable space, etc.

## 6. CONCLUSIONS

- 6.1. The viability of the proposed development is agreed in that the parties agree that the scheme is non-viable when delivering the proposed **11.4%** affordable housing. On this basis it is agreed that the proposed level of affordable housing is the maximum that can be viably provided.
- 6.2. Any improvement in viability will be captured via the agreed early and late-stage review mechanisms set out within the S106 Agreement.
- 6.3. The affordable housing is proposed to be delivered as 60% Social Rent and 40% Shared Ownership which aligns with policy, with the dwellings comprising both 1-bedroom and 2-bedroom apartments.
- 6.4. I understand that Penge Churches Housing Association (PCHA) have recently expressed interest in taking the 10 no. affordable dwellings.

## 7. STATEMENT OF TRUTH & DECLARATION

- 7.1. My statement of Truth and Declaration are set out in my main Proof of Evidence.



Ramsay Evans BA (Hons) MRICS  
Partner  
Turner Morum LLP

## Cited Core Documents

- CD3.6 – Decision Letter
- CD8.15 – 210.08 R1 Block B Proposed 2nd Floor (May 2024)
- CD8.16 – 210.09 R1 Block B Proposed 3rd Floor (May 2024)
- CD9.2 – Turner Morum Viability Assessment – 7<sup>th</sup> March 2024
- CD10.1 – Council Statement of Case
- CD10.7 – BPS Viability Assessment – 19<sup>th</sup> April 2024
- CD11.1 – Statement of Common Ground