

Proof of Evidence

AC/10/B

PINS REF: APP/Q4245/W/20/3258552
Application ref: 100400/OUT/20

for

Great Stone Road

Former B&Q, Stretford, Trafford

prepared for:
Accrue (Forum) 1 LLP

prepared by:
**Ken Latham, Cost Consultant,
Edmond Shipway**

a business based on
people, personalities and performance

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1. INTRODUCTION – AC/10/B

- 1.1 This Proof of Evidence is prepared by Ken Latham MRICS, Director of Edmond Shipway LLP, construction cost expert witness engaged on behalf of Accrue (Forum) 1 LLP (hereinafter referred to as 'the Appellant').
- 1.2 I am a Chartered Quantity Surveyor and a Director of Edmond Shipway LLP of Middle Warehouse, Castle Quay, Manchester, M15 4NJ.
- 1.3 I am qualified by examination and experience and I work exclusively in the field of quantity surveying, specialising in construction costs and quantum for large development sites such as the Site.
- 1.4 I became a member of the Royal Institution of Chartered Surveyors (MRICS) in 1999.
- 1.5 I have been employed in the Construction Industry for over 30 years and have widespread experience in all sectors involving various types of construction, procurement and construction contracts working for private developers, private sector clients and a number of public sector departments.
- 1.6 In preparing this report I fully understand my duty to assist the court on matters within my expertise, the report is based upon my opinions only unless specifically stated otherwise.

2. INSTRUCTIONS – AC/10/B

- 2.1 I am instructed by the Appellant to act as an expert witness to provide my opinion on the level of development construction costs that should be used as inputs for the financial viability assessment prepared by the Appellant's valuation expert, Mr Stephen Miles (hereinafter referred to as 'Mr Miles') of Cushman & Wakefield to accompany the planning application for 332 dwellings submitted to the Council previously.
- 2.2 Specifically, my instructions are to give expert opinion on the development construction costs, namely:
 - 2.2.1 The build cost for the Development, including the cost of the preliminaries for the Development.
 - 2.2.2 The cost of the external works and estate infrastructure such as roads/sewers, including preliminaries.
 - 2.2.3 The cost of phasing the Development and the likely inflation impact.
- 2.3 An Elemental Order of Cost Estimate (exclusive of professional fees, contingencies and inflation) dated 14th January 2020 (1Q2020) was prepared and has subsequently been revised through various iterations to revision G, dated 18th November 2021(4Q2021), in the sum of £51,993,000.
- 2.4 Inflation, totaling £10,345,000 and calculated from the estimate base date (1Q2020) to the estimated mid-point of the second phase construction period (3Q2025) is added to give a total build cost of £62,338,000 (excluding contingencies and professional fees).

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3. ELEMENTAL ORDER OF COST ESTIMATE METHODOLOGY – AC/10/B

- 3.1. The RICS New Rules of Measurement 1 (NRM1), Order of Cost Estimating and Cost Planning for Capital Works, sets out three methods to prepare an order of cost estimate, for all of which BCIS provides data: floor area method (£/m²); functional unit method, such as per bed space; and the elemental method.
- 3.2. The application of each method is dependent on the level of design information available at the time of the estimate. In this case the level of information available facilitated an elemental method of estimate.
- 3.3. For cost purposes, an “element” is defined as a major physical part of a building that fulfils a particular function or functions, irrespective of its design, specification or construction. The different elements are defined in the BCIS Elemental Standard Form of Cost Analysis (SFCA).
- 3.4. An elemental estimate can be generated from either elemental costs per square metre of gross internal floor area or from element unit quantities. The Elemental Order of Cost Estimate being the sum of individual elemental estimates.

4. ORIGINAL ELEMENTAL ORDER OF COST ESTIMATE – AC/10/B

- 4.1. An Elemental Order of Cost Estimate, excluding professional fees, contingencies and inflation was produced on 14th January 2020 based on 333 Nr units and 28,365 m² Gross Internal Floor Area (GIFA) in the sum of £50,774,000. (Appendix B).
- 4.2. The base cost/m² of this estimate (ie excluding external works and associated preliminaries) is £1,709/m² and lies between the BCIS mean and median rates at 1Q2020

5. CURRENT ELEMENTAL ORDER OF COST ESTIMATE – AC/10/B

- 5.1. The current Elemental Order of Cost Estimate (excluding professional fees and contingencies) was produced on 18th November 2021 and is based on 332 units and 29,929 m² Gross Internal Floor Area (GIFA) in the sum of £62,338,000. (Appendix A)
- 5.2. The base cost/m² of this estimate (ie excluding external works and associated preliminaries) at 4Q2021 is £1,787/m² and lies between the BCIS mean and median rates at 4Q2021.
- 5.3. Inflation from 1Q2020 to the mid-point of the second phase construction period (3Q2025) was calculated in accordance with section 7 below.

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6. CHANGES BETWEEN JANUARY 2020 AND NOVEMBER 2021 – AC/10/B

6.1 Tabled below are the amendments between January 2020 and November 2021. All amendments are due to revisions to the schedule of accommodation and because the 1Q2020 totals exclude inflation.

Date	Rev	GIA	Units	£ (1Q2020)	Base cost/m ²
Jan 2020	-	28,365 m ²	333	50,774,000	£1,709
Feb 2020	A	29,470 m ²	333	51,868,000	£1,682
Nov 2021	F	29,629 m ²	333	52,012,000	£1,678
Nov 2021	G	29,629 m ²	332	51,993,000	£1,677
				£ (4Q2021)	
Nov 2021	G	29,629 m ²	333	54,342,000	£1,788
Nov 2021	G	29,629 m ²	332	54,322,000	£1,787

7. INFLATION CALCULATION METHODOLOGY – AC/10/B

7.1 The Elemental Order of Cost Estimate (Appendix A), was originally created 1Q 2020 and following various iterations was finalised as revision G. The rates used for the pricing of this cost plan were based on the BCIS average prices/ m² available at 1Q 2020 (Appendix C), which is an industry standard methodology for benchmarking project costs.

7.2 I have updated the Cost Limit (Excluding inflation) total of £51,993,000 to the current quarter and updated the location factor using the BCIS All-in TPI & BCIS Location indices (Appendices D, E) as set out below.

TPI 1Q20 = 335
TPI 4Q21 = 350
Location 1Q20 = 97
Location 4Q21 = 99

7.3 The Cost Limit (Excluding tender & constriction inflation at 4Q21) became £55,414,000, on the basis of the following calculation:

Cost Limit at 1Q2020 (Excl Inflation)	£51,993,000	
Uplift 1Q2020 to 4Q2021	£2,329,000	
Location Uplift 97 to 99	<u>£1,092,000</u>	
Cost Limit at 4Q2021 (Excl Inflation)	<u>£55,414,000</u>	(build cost £1,871/m ² , £174/ft ²)

7.4 The overall cost build rates per unit area (£1,871/m², £174/ft²) include facilitating works costs and external works costs which are site specific.

7.5 The BCIS build rates are for buildings costs only and exclude site specific costs such as facilitating and external works costs. When facilitating works and external works costs are omitted from the total cost, the build rate reduces to £1,787/m² (£166/ft²), which is between the BCIS mean & median rates (see Appendix A, notes section 5)

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7.6 I have assumed a start date on site of January 2023 and have uplifted the 4Q21 estimate to this date using the BCIS all-in TPI index 369.

Cost Limit at 4Q2021 (Excl Inflation)	£55,414,000
Inflation 4Q2021 to 1Q2023	<u>£3,009,000</u>
Cost Limit at 1Q2023	<u>£58,423,000</u>

I have calculated the Phase 1 and Phase 2 costs at this date to be £18,340,000 and £40,083,000 respectively.

7.7 I then input these costs into the BCIS duration calculator which resulted in a duration of 20 months for Phase 1 and a duration of 23 months for Phase 2. (Appendices F, G)

7.8 I have assumed that these phases would run consecutively and calculated a mid-point of Phase 1 to be November 2023 and a mid-point of Phase 2 to be August 2025.

7.9 Post tender inflation to these points from the tender/start on site date was calculated using the following BCIS Cost indices (Appendix H):

Jan 2023 = 407.6
 Nov 2023 = 417.9
 Aug 2025 = 442.7

Phase 1 Inflation 2.5% = £464,000
 Phase 2 inflation 8.6% = £3,451,000

Cost Limit (Excluding VAT):

Cost Limit at 1Q2023	£58,423,000
Phase 1 Inflation	£464,000
Phase 2 inflation	<u>£3,451,000</u>
Cost Limit (Excluding VAT)	<u>£62,338,000</u>

8. INFLATION OVERVIEW

8.1 The construction industry has seen exponential inflation and issues over the last 18 months. This has resulted from factors such as Brexit and the Covid-19 pandemic. This has had a significant impact in the north west region. Very high demand in the Manchester area has put extreme pressure on local supply chains forcing prices up. This has led to a number of contractors defaulting, including, amongst others, Pochin, Cruden, CPUK, Harry Fairclough. All of these firms were tier 2 contractors in the sub £150m turnover bracket. This has left a void in this area and the appetite for low margin Design & Build Contracts has diminished, with contractors being very selective and avoiding competitive tender.

8.2 For the purpose of the review costs are based upon BCIS. My overriding view is that it would be challenging to secure a contractor at the current price levels.

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9. CONFLICT OF INTEREST STATEMENT– AC/10/B

- 9.1 I can confirm that having reviewed my database and undertaken the necessary checks I am not aware of any current or any direct previous conflicts of interest in this regard with any instructing parties, parties to the dispute or the subject property itself.
- 9.2 To conclude, I therefore consider I am able to act with impartiality and that a conflict of interest does not exist.

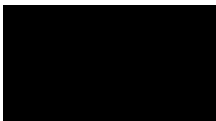
10. DECLARATION – AC/10/B

- 10.1 I believe that the facts I have stated in this report are true and the opinions I have expressed are my true and complete professional opinion.

11. STATEMENT OF TRUTH – AC/10/B

- 11.1 I confirm that I have made clear which facts and matters referred to in this report are within my own knowledge and which are not. Those that are within my own knowledge I confirm to be true. The opinions I have expressed represent my true and complete professional opinions on the matters to which they refer.
- 11.2 I understand that proceedings for contempt of court may be brought against anyone who makes, or causes to be made, a false statement in a document verified by a statement of truth without an honest belief in its truth.

Signed:



Dated: 25th November 2021

Position: Director