

FORMER B&Q SITE, GREAT STONE ROAD, STRETFORD M32 0YP

Rebuttal Proof of Evidence

KEN LATHAM, MRICS

29th December 2021

On Behalf of: Accrue (Forum) 1 LLP

PINS Reference: APP/Q4245/W/20/3258552

LPA Ref: 100400/OUT/20

1. Introduction

- 1.1. This document comprises a rebuttal in respect of the position adopted by Trafford Council in relation to the construction costs of the appeal scheme, as set out in the proof of evidence prepared by Mr Lloyd. This rebuttal addresses certain areas where, in my view, Mr Lloyd's approach to and calculation of comparative costs and calculations are incorrect. This rebuttal does not, however, respond to every point raised in the proof of evidence of Mr Lloyd. The absence of a response to a particular point in Mr Lloyd's evidence should not be construed as acceptance of it.

2. Accuracy of Figures

- 2.1. At paragraph 6.1.6 of his proof of evidence, Mr Lloyd states that preliminaries have increased by 45% (£8,460,719) between Rev D and Rev G of the cost estimate.

In my view this is incorrect. The actual increase is £2,113,700 as follows:

Cost Plan G Preliminaries	6,781,400
Less Cost Plan D Preliminaries	<u>-4,667,700</u>
	<u>2,113,700</u>

- 2.2. Similarly, at paragraph 6.1.7, Mr Lloyd states that the overall difference between Rev D and Rev G is £8,460,719.

Again, in my view this is incorrect. The actual increase is £8,428,000 as follows:

Cost Plan G Total 1Q2020	51,993,000
Less Cost Plan D Total 1Q2020	<u>-43,565,000</u>
	<u>8,428,000</u>

- 2.3. At paragraph 6.3.4, Mr Lloyd states that Cost Plan Rev A is in excess of Cost Plan Rev D by £8,460,719.

Once again, in my view this is incorrect. The actual increase is £8,303,000 as follows:

Cost Plan A Total 1Q2020	51,868,000
Less Cost Plan D Total 1Q2020	<u>-43,565,000</u>
	<u>8,303,000</u>

- 2.4. At paragraph 6.3.9 Mr Lloyd confirms the revised cost of Rev G would equate to £43,396,900.

Once again, I consider this is incorrect. I calculate the figure as £47,641,000 as shown in Figure 1 below:

Project: Great Stone Road ES Ref: MR60886							Cost Plan Date: 1Q2020		
ELEMENTAL ORDER OF COST ESTIMATE							GIFA: 29,629 m ²		
REF	ELEMENT	EUQ	UNIT	RATE	COST	£/m ²	£/ft ²	MEASUREMENT	UNIT RATE SOURCE
FACILITATING WORKS AND BUILDING WORKS									
0	Facilitating Works				150,000	£5/m ²			
0.02	Major demolition works		Item		150,000	£5/m ²		Quotations received	
1	Substructure	5,318	m ²		2,942,000	£99/m ²	£9/ft ²		
1.01	Substructure	5,318	m ²	453.00	2,409,100	£81/m ²		Area of lowest floor	BCIS Element Unit Rate Study - Mean
1.01a	Basement	3,890	m ²	137.00	532,900	£18/m ²		Basement construction	Element Unit Rate - Estimate
2	Superstructure				18,500,000	£624/m ²	£58/ft ²		
2.01	Frame	29,629	m ²	124.00	3,674,000	£124/m ²		GIFA	BCIS Element Cost per m ² - Mean
2.02	Upper Floors	25,480	m ²	124.00	3,159,500	£107/m ²		Area of upper floors + balcony area	Element Unit Rate - Estimate
2.03	Roof	5,318	m ²	208.00	1,108,100	£37/m ²		Area of Roof on plan	BCIS Element Unit Rate Study - Mean
2.03a	Extra over for green roof covering	800	m ²	80.00	64,000	£2/m ²		Approximate measure	Cost - Target
2.03b	Rooftop hard landscaping	800	m ²	100.00	80,000	£3/m ²		Approximate measure	Cost - Target
2.03c	Rooftop hard landscaping	600	m ²	50.00	30,000	£1/m ²		Approximate measure	Cost - Target
2.03d	Rooftop perimeter shrub/hedge planting	300	m	300.00	90,000	£3/m ²		Approximate measure	Cost - Target
2.04	Stairs & Ramps	51	m ²	7,786.00	397,100	£13/m ²		Approximate measure	Element Unit Rate - Estimate
2.05	External Walls	9,821	m ²	451.00	4,429,300	£149/m ²		Approximate measure	Element Unit Rate - Estimate
2.06	Windows & External Doors	5,920	m ²	384.00	2,273,300	£77/m ²		Approximate measure	Element Unit Rate - Estimate
2.07	Internal Walls & Partitions	39,770	m ²	67.00	2,664,800	£90/m ²		Approximate measure	Element Unit Rate - Estimate
2.08	Internal Doors	1,978	Nr	269.00	532,100	£18/m ²		Approximate measure	Element Unit Rate - Estimate
3	Internal Finishes				3,599,800	£121/m ²	£11/ft ²		
3.01	Wall Finishes	78,720	m ²	15.00	1,180,800	£40/m ²		Approximate measure	BCIS Element Unit Rate Study - Median
3.02	Floor Finishes	23,539	m ²	60.00	1,412,300	£48/m ²		Resi NIA + Circ/Ancillary + balconies	BCIS Element Unit Rate Study - Mean
3.03	Ceiling Finishes	22,370	m ²	45.00	1,006,700	£34/m ²		Resi NIA + Circulation/Ancillary	BCIS Element Unit Rate Study - Median
4	Fittings, Furnishings & Equipment	29,305	m ²	70.00	2,051,400	£69/m ²	£6/ft ²	GIFA less Retail & Basement Parking	BCIS Element Unit Rate Study - Mean
5	Services		m ²		9,938,200	£335/m ²	£31/ft ²		
5.01	Sanitary Installations	1,962	Nr	350.00	581,700	£20/m ²		Approximate measure	Element Unit Rate - Estimate
5.02	Service Equipment	26,510	m ²	14.00	371,100	£13/m ²		GIFA less Retail & Basement Parking	BCIS Element Cost per m ² - Median
5.03	Disposal Installations	26,510	m ²	12.00	318,100	£11/m ²		GIFA less Retail & Basement Parking	BCIS Element Cost per m ² - Median
5.04	Water Installations	26,510	m ²	22.00	583,200	£20/m ²		GIFA less Retail & Basement Parking	BCIS Element Cost per m ² - Median
5.05	Heat Source	26,510	m ²	23.00	609,700	£21/m ²		GIFA less Retail & Basement Parking	BCIS Element Cost per m ² - Median
5.06	Space Heating & Air Conditioning	26,510	m ²	100.00	2,651,000	£99/m ²		GIFA less Retail & Basement Parking	BCIS Element Cost per m ² - Median
5.07	Ventilation	29,305	m ²	13.00	381,000	£13/m ²		GIFA less Retail	BCIS Element Cost per m ² - Median
5.08	Electrical Installations	29,305	m ²	78.00	2,285,800	£77/m ²		GIFA less Retail	BCIS Element Cost per m ² - Median
5.09	Fuel Installations	26,510	m ²	5.00	132,600	£4/m ²		GIFA less Retail & Basement Parking	BCIS Element Cost per m ² - Median
5.10	Lift & Conveyor Installations	6	Nr	107,333.00	644,000	£22/m ²		Approximate measure	Element Unit Rate - Estimate
5.11	Fire & Lightning Protection	26,510	m ²	8.00	212,100	£7/m ²		GIFA less Retail & Basement Parking	BCIS Element Cost per m ² - Median
5.12	Communication, Security & Control Systems	26,510	m ²	12.00	318,100	£11/m ²		GIFA less Retail & Basement Parking	BCIS Element Cost per m ² - Median
5.13	Special Installations	26,510	m ²	21.00	558,700	£19/m ²		GIFA less Retail & Basement Parking	BCIS Element Cost per m ² - Median
5.14	Builder's Work in Connection with Services	29,305	m ²	10.00	293,100	£10/m ²		GIFA less Retail	BCIS Element Cost per m ² - Median
6	Complete buildings and building units								
7	Work to existing buildings								
8	External Works	6,360	m ²	265.00	1,687,000	£57/m ²	£5/ft ²		
8.01	Site Preparation Works				174,000	£8/m ²		Estimated allowance	
8.02	Roads, Paths, Pavings and Surfacing				341,000	£12/m ²		Estimated allowance	
8.03	Soft Landscaping, Planting and Irrigation Systems				164,000	£8/m ²		Estimated allowance	
8.04	Fencing, Railings and Walls				283,000	£10/m ²		Estimated allowance	
8.05	External Fixtures & Fittings				75,000	£3/m ²		Estimated allowance	
8.06	External Drainage				350,000	£12/m ²		Estimated allowance	
8.07	External Services				300,000	£10/m ²		Estimated allowance	
	SUB-TOTAL: FACILITATING AND BUILDING WORKS				38,868,400	£1,312/m²	£122/ft²		
9	Main Contractor's Preliminaries	15.0%			5,830,600			% of Construction Works	BCIS prelims study - mean, projects over £6.4M
	SUB-TOTAL: FACILITATING AND BUILDING WORKS (Including Main Contractor's Preliminaries)				44,699,000				
10	Main Contractor's Overheads and Profit				Included				
	TOTAL FACILITATING AND BUILDING WORKS ESTIMATE				44,699,000	£1,509/m²	£140/ft²		
11	Project/Design Team Fees				Excluded				
12	Other Development/Project Costs				Excluded				
	BASE COST ESTIMATE (Building Works + Fees + Other Costs)				44,699,000	£1,509/m²	£140/ft²		
13	Risks				Excluded				
	COST LIMIT (Excluding Inflation)				44,699,000	£1,509/m²	£140/ft²		
14	Inflation	6.6%			2,942,000	£99/m ²	£9/ft ²		
14.01A	Estimate uplift 1Q2020 to 4Q2021	4.5%			2,003,000				
14.01B	Estimate location index uplift 97 to 99	2.1%			939,000				
	COST LIMIT (Excluding VAT)				47,641,000	£1,608/m²	£149/ft²		

Figure 1

2.5 Finally, at paragraph 6.3.11 Mr Lloyd records the total abnormal costs as £643,655.

Once again, I consider this is incorrect. I calculate the amount to be £397,069 as follows:

Break up existing hardstanding & remove from site 1Q2020		173,900
Demolitions 1Q2020		<u>150,000</u>
		323,900
Preliminaries	15%	<u>48,585</u>
		372,485
Uplift to 4Q2021	6.6%	<u>24,584</u>
		<u><u>397,069</u></u>

In summary I find Mr Lloyd's calculations to be inaccurate in several areas, as set out above.

3. Delivery Model

3.1. At paragraphs 6.3.2, 6.3.7 and 6.3.8 Mr Lloyd questions the changes from Rev D to Rev G and the change in delivery model. I provide a clarification of the position as follows:

The Appellant purchased the appeal site in 2016. Since acquisition, and on the back of Brexit and more recently the Global Pandemic, markets and investment appetite has evolved – strategies, opportunities, investments are not fixed nor are procurement routes.

At the time of Revs B,C & D the Appellant was exploring self-delivery opportunities. Cost Plans B,C & D reflected that approach, layers of Main Contractor and Sub-Contractor profit were removed and Preliminaries were reduced to reflect the in-house capability that would need to exist for this approach to be viable. However, since this route was considered investor appetite (and, I understand, the ownership structure of the Appellant) has changed. For example, I am aware that PGIM (one of the world's largest asset managers with USD 1.5 trillion of assets under management) are no longer a JV Partner of the Appellant. It is on this basis that the Appellant has reverted back to a more traditional delivery approach.

3.2 In this regard, I emphasise that self-delivery is not the norm in terms of development delivery. Rather, it requires significant investment and a wider platform to be established (so as to ensure a development pipeline) – the Appellant does not have this platform and self-delivery is not a realistic option.

3.3 Mr Lloyd confirms that RICS guidelines are clear in that all developments should be assessed on the "*most effective and efficient way to deliver the optimum development*". I fully understand that guidance. However, and to be clear, the guidelines do not state that all developers should adopt a self-delivery model, nor indeed is BCIS data split or structured to suit the self-delivery model. I disagree with Mr Lloyd's statement that the Appellant (and indeed myself, in the evidence I provide on its behalf) have adopted a 'less efficient delivery model'. If I had, the construction costs would be outside of BCIS approved ranges for this type of development, which they very clearly are not.

4. Abnormals

- 4.1. At paragraph 6.3.10 Mr Lloyd attempts to re-classify certain elements as abnormals.
- 4.2. I disagree with Mr Lloyd's calculations and consider the only external works costs that can be considered as abnormal is the breaking up of the hardstanding and removing from site totalling £173,900.
- 4.3. The other costs are associated with providing a ramped access road to the level 1 car park and are a consequence of the adopted design.

5. Cost Sensitivity Analysis

- 5.1. At section 6.4 of his proof generally, Mr Lloyd attempts to calculate his own cost comparison data using sensitivity analysis. Unfortunately I cannot reconcile any calculation made by Mr Lloyd that is based upon BCIS data with BCIS data. I suspect The Argus Developer software (using the Sensitivity Analysis mode) has been used to generate the necessary cost per sq ft to meet the required outcomes. I believe the Argus software is capable of carrying out this function but confirmation of this ability should be confirmed by an experienced user of the software. In this regard please see Appendix A which comprises an Argus Screenshot to this effect
- 5.2. Generally standard practice in respect of costs assessment involves drawing on costs from a 15 year period. It is on that basis that the '15 year position' is referred to generally (and indeed by Mr Lloyd as the 'default approach'). At paragraph 6.4.2 Mr Lloyd has opted for the 5 year position whereas I have relied on the default 15 year position. I disagree with Mr Lloyd's statement that the 5-year position "*...is considered more reflective of the current market, recent projects and specifications when compared with the default 15-year position*". This is for the following reasons.
- (i) Firstly all BCIS costs are based on analysis of projects that have been updated to a common price level for date and locations thus taking into account the current market.
 - (ii) Secondly, whilst I agree that current construction techniques and specifications would be better represented in the 5-year position than the 50-year position. I certainly do not consider that specifications and techniques have varied significantly over the past 15 years so as to warrant the exclusion of the default period. Especially when compared with the major downside of using the 5-year position in terms of its sample size.
 - (iii) Thirdly, the low sample size in the 5-year position either for £/m² of gross internal floor area or element cost per m² produces a statistically less accurate mean and median cost.
- 5.3. At paragraph 6.4.4 Mr Lloyd purports to outline the BCIS elemental cost index median figures for each cost where there is a variation between Rev D and Rev G cost estimates. I disagree with the rates in the second column of the table for external walls (£149), windows (£70), wall finishes (£58), floor finishes (£52). These rates should read £152, £71, £59, £53 respectively.
- 5.4. At paragraph 6.4.5 Mr Lloyd refers to appendix 7 to his proof of evidence as a BCIS Elemental Cost Plan. However, this is not a cost plan but a list of average prices. Further, the BCIS element cost per m² and element rate studies show rates that are exclusive of
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preliminaries, therefore the average prices shown for equivalent elements in the Group element prices and element cost per m2 studies will be different.

Group elements are 1.0 substructure, 2.0 superstructure, 3.0 finishes, 4.0 fittings and 5.0 services (See Appendix A for example of group elements and elemental costs). Consequently I have real concern in applying these prices (see Appendix A for differences in totals and BCIS advice on use).

5.5 With regard to paragraphs 6.4.6 and 6.4.8, I am unable to reconcile the total figure provided by Mr Lloyd for external works. Mr Lloyd has purported to have used the mid-point of Rev D and G. In my view this is incorrect as follows:

Cost Plan D External Works Total 1Q2020	1,687,000	Cost Plan G External Works Total 1Q2020	1,848,000
Less Abnormals in External Works		Less Abnormals in External Works	
Break up hadstanding etc	-173,900	Break up hadstanding etc	-173,900
Extra reduced level dig etc	-13,750	Extra reduced level dig etc	-13,750
Retaining wall foundations	-65,000	Retaining wall foundations	-97,500
Retaining walls	-63,000	Retaining walls	-90,000
	<u>-315,650</u>		<u>-375,150</u>
	<u>1,371,350</u>		<u>1,472,850</u>
Mid-point (excl prelims)	1,371,350		
	<u>1,472,850</u>		
	<u>2,844,200</u>	x 0.5 =	<u>1,422,100</u>
Mid-point (excl prelims)	1,422,100	Mid-point (excl prelims)	1,422,100
Preliminaries 12%	<u>170,652</u>	Preliminaries 15%	<u>213,315</u>
	<u>1,592,752</u>		<u>1,635,415</u>
6.6%	<u>105,122</u>	6.6%	<u>107,937</u>
	<u>1,697,874</u>		<u>1,743,352</u>

5.6 At paragraph 6.4.7 Mr Lloyd analyses the cost estimate in respect of preliminaries. I disagree with his findings; the preliminaries rate of 15% is wholly appropriate. Appendix A to this rebuttal contains the supporting BCIS data.

5.7 At paragraph 6.4.8 Mr Lloyd produces a base build cost of £47,740,312, I cannot reconcile this rate with the BCIS element cost per m2 rate totals plus 12% for prelims for the 5-year position. Nor can I reconcile this rate plus 12% prelims with any other yearly positions. Nor can I reconcile the externals total £1,697,432 and “abnormals” (demolition) total £591,356 with my cost plan. On this basis I do not have any confidence in Mr Lloyd’s assessment.

5.8 The wording in 6.4.8 “*The sensitivity analysis.....generates an outturn of £48,029,100 which is broken down as follows:*” confirms my views outlined in 5.1 above in that the outturn is not BCIS generated.

This therefore does not take into account the designed building layout and form as would an estimate based on element unit quantities. I therefore disagree with this methodology for calculation of comparable cost data. I also suspect the “externals” and “abnormals” (demolition) totals have been generated as a percentage of the total cost in line with the cost plan. Again I disagree with the use of % generated figures in lieu of approximate quantities and rates

5.9 At paragraph 6.4.9 I again find Mr Lloyd’s calculations to be inaccurate. The £/m2 amounts supplied in the table, namely £1,366, £1,608 and £1,788, do not accord with the BCIS data which should read £1,338, £1,576 and £1,753 respectively.

- 5.10 At paragraph 6.4.13 Mr Lloyd refers to the opinion of Mr Steve Wright, who is a qualified cost consultant. Mr Wright's opinion is contained in Appendix 8 to his Proof of Evidence. That Appendix states that the expert is unable to comment on the Edmond Shipway Cost Plans. Irrespective of whether it was considered that I had provided sufficient narrative to support the changes from cost plan Rev D to Rev G, it is my view that the cost consultant could and should have provided an opinion on the reasonableness of the estimate with regards to methodology and rates utilised and the comparison with BCIS cost data. The reasonableness of the final submitted Cost Plan Rev G is very definitely the key matter at issue, however this issue has been ignored by Mr Wright.

6. Conclusion

- 6.1. In conclusion I hereby confirm the following:
- 6.2. I am unable to rationalise many of Mr Lloyd's figures and find a number of the calculations to be incorrect.
- 6.3. I disagree with the use of Development Software that backfills approximate rates to suit a predetermined end value in order to generate comparative data.
- 6.4. I disagree with the use of the 5-year position – Mr Lloyd states it has been used in "2 recent appeal decisions" he provides no context nor confirms how this compares with the overwhelming number of viability reviews that have been and indeed continue to be based on the default position.
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