



# Review of the Viability Report on the Development of Arlington Works Arlington Road TW1 2BB – Supplementary Report

**On behalf of The London Borough of Richmond upon Thames**

Date February 2019

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## 1.0 Instructions

- 1.1 Bespoke Property Consultants (BPC) has been instructed by the London Borough of Richmond upon Thames to review the comments provided by Grimshaw Consulting Limited (GCL) pursuant to the Viability Report produced by BPC in November 2018
- 1.2 The GCL submission dated December 2018 includes commentary by Stace on behalf of the applicant on the Cost Plan analysis undertaken by K2 Rider Hunt on behalf of the Council that comprised an appendix to our November 2018 report.
- 1.3 This supplementary report should be read in conjunction with our original report of November 2018.
- 1.4 Neither the whole nor any part of the report nor any reference thereto may be included in any published document, circular, or statement, or published in any way, without the prior written approval of Bespoke Properties Ltd of the form and context in which it may appear and should remain confidential in accordance with the terms of the Freedom of Information Act, with the exception of the Executive Summary as noted above.

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## 2.0 Executive Summary

- 2.1 We have reviewed the report by dated December 2018 and concluded that the main issues relating to the viability of the scheme remain the build cost and the benchmark land value of the site as set out in our original report
- 2.2 The applicant needs to provide details of the Network Rail costs and the carbon off-set costs to justify the values included in their appraisal.
- 2.3 We do not agree that the premium applied by the applicant to the benchmark land value at 30% is either appropriate or justified. We appreciate this is a judgement issue but with no comparable evidence provided to justify their position we have used 20% which has been agreed on other schemes in the borough.
- 2.4 Taking account of the above issues and those set out in section 3 of this report, we believe the scheme is viable and can deliver affordable housing on site.
- 2.5 The applicant needs to engage with the Council's housing department to identify the availability of grant, the mix and tenure of affordable units and to identify a Registered Provider to deliver them.

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## 3.0 Assessment Inputs and Assumptions

### 3.1 GCL Report

3.1.1 The GCL report is set out with a section headed agreed as Common Ground. This is an approach relevant specifically to the preparation of submission for Planning Appeal. In the event that there is a subsequent application or there is an appeal relating to the current application a further review will need to be undertaken having regard to the circumstances that pertain at that time. In essence the 'valuation date' has to move forward to the relevant decision date of the Council or an Inspector. While we confirm values below where there is currently agreement, this relates to the current application which we understand will be determined shortly. For the avoidance of doubt we reserve the right to revisit inputs in the future in the event of changing circumstances.

3.1.2 We note the following are currently agreed:

- Private Sale Unit Values
- Ground Rent Income
- Development Timetable
- Professional fees
- Contingency Level (addressed in the cost plan)
- S106 contributions
- CIL – subject area and indexation checking at the date of determination
- Sales and Marketing Allowance
- Finance Rate
- Developer Profit

3.1.3 Affordable Housing Values – The BPC report does not account for affordable housing values as we wished to establish the level of surplus (or deficit) as stated in our original report. The Council's policy requires applicants to work with Registered Providers with regard to the provision of on-site affordable housing which, inter alia, enables a specific rather than theoretical value to be put on affordable housing units. In addition there is the expectation that the Council's Housing Department should be consulted with regard to housing tenure, unit sizes / mix and the availability of grant in order maximize onsite housing. These requirements need to be fulfilled before affordable housing values are finalized.

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- 3.1.4 Site Acquisition Costs - GCL - challenge the site acquisition costs used in the BPC report. The acquisition costs are based on the Benchmark Land Value and not the residual value which accounts for the difference between GCL's proposed figure and the figure in the BPC appraisal.
- 3.1.5. Construction Costs – K2 Rider Hunt have considered the comments provided by Stace. The K2 Rider Hunt supplementary report is included as Appendix 2 to this report. They advise a total build cost of £7,246,729 inclusive of contingency is appropriate. The BPC appraisal has been amended to reflect this revised figure.
- 3.1.6 Network Rail - GCL have allowed for £60,000 for cost required by Network Rail. This is not allowed for in the Stace cost plan or in GCL's original report. While the costs can be considered in principle, the breakdown and more detailed justification is required based on Network Rail's estimate which we assume has been provided to the applicant. This has been omitted from the BPC appraisal until the detailed justification is provided.
- 3.1.7 Carbon Offset – While this cost is acceptable in principle a detailed breakdown is required in order that this can be checked. This has been omitted from the BPC appraisal until the detailed justification is provided.
- 3.1.8 Benchmark Land Value - GCL have used a calculation of Benchmark Land Value which is based upon an Existing Use Value plus a premium of 30%. BPC accept the rents that underpin the Existing Use Value. However, as set out in our original report we do not believe that the a premium at the top end of the norm range of 10%-40% is a necessary incentive to ensure the site is brought forward for development. We maintain that 20% premium is an appropriate figure in this instance and has commonly agreed with applicants on other schemes in the local area.
- 3.1.9. Commercial Values – GCL have made allowance for a rent free period in their appraisal. The capitalization rate is at 6.5% in both the GCL and BPC appraisals and at that figure we would regard this as an “all-in” rate and therefore we have not allowed a separate rent free period in our appraisal

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## 4.0 BPC Assessment and Conclusions

- 4.1 We have re-run the appraisal, taking account of all the comments on the applicant's comments upon our report of November 2018 assumptions as noted above. The results of this analysis are shown at Appendix A to this report. The main change between our assessment and the applicant's submission are as follows:

We have increased the Build Cost in line with K2 Rider Hunt's supplementary report of February 2019

- 4.2 We would consider the cost of the works required by Network Rail and the allowance for carbon offset when detailed justification is provided. For the time being they have been omitted from our appraisal until this is provided.
- 4.3 Our own assessment of the scheme shows a residual site value of £3,165,000 which is above the benchmark land value of £1,665,000 without any allowance for affordable housing or S.106 contributions. This suggests that the scheme is viable and could support additional affordable housing or S.106 contributions
- 4.4 The applicant has not complied with the Council's Affordable Housing policy. They have not involved a Registered Provider nor entered into discussions with the Council's Housing Department with regard to the availability of grant funding as a means of maximizing on-site affordable housing provision. The proposal for four shared ownership does not meet the Council's policy requirement for a mix of rented and intermediate accommodation when providing on-site affordable housing.

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## Appendix A



----- **Site Details** -----

Use these arrows to navigate Toolkit pages. You should ensure there are no warning messages on a page before continuing.

Site Address	Arlington Works Arlington Road TW1 2BB Feb 2019 revisions
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Site Reference	
Application Number	
NLUD Reference	
UPRN or Grid Reference	

Scheme Description	24 residential units plus office space
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**Development Control Model - Greater London Authority - 2014**

**For queries on viability, development schemes and the Toolkit generally, please contact Dr Andrew Golland - Tel: 01162 701 772 and E-Mail: [drajg@btopenworld.com](mailto:drajg@btopenworld.com)**

**For queries on spreadsheets and technical aspects of the Toolkit (including bug reports and feature requests), please contact Dr Adam Watkins - Tel: 07746 809 748, and E-Mail: [Toolkits@Dread-IT.co.uk](mailto:Toolkits@Dread-IT.co.uk)**

----- **Basic Site Information** -----

You must complete this page

Site Area	
Total Size of Site In Hectares	0.3

Dwellings	
<input type="checkbox"/> Number of Dwellings (Density is then calculated)	24
<input type="checkbox"/> Density (Enter a value, or choose from the listbox)	80.00 users own value

You can test a percentage increase or decrease on the resulting density by either entering a value in the box below, or by using the buttons.

Percentage increase/decrease	%	Reset
Resulting Number of Dwellings	24	
Resulting Density	80 dph	

## ----- Toolkit Application -----

There are two ways to use the Toolkit;

Choose from either:-



Option 1 - Forward Planning

Select this option for policy testing and development control using benchmark unit types and data

or



Option 2 - Scheme Specific Appraisal

Select this option for assessing a scheme using specific unit types and data. Some benchmark data is available



**Tenure Mix**

Enter the total number of units for each unit type.  
 You can distribute units across the tenures in two ways:

Input by Percentages  
 Input by Quantity

Ref.	Description	Units	Affordable Units						Units allocated	
			Sale	Low Cost Sale	Equity Share	Shared Ownership	Intermediate Rent	Affordable Rent		Social Rent
			100%							100%
			24.0							24.0
1	1 bed	5	5.0							5.0
2	2 bed	12	12.0							12.0
3	3 bed	7	7.0							7.0
4										
5										
6										
7										
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9										
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Ref.	Description	Units	Total units to enter:
		24	24

**Market Values**

Ensure you enter market values for all unit types in the scheme under the Sale Tenure.

Ref.	Description of Unit Type	Sale		Low Cost Sale		Equity Share		Shared Ownership	
		Total Units	User Market Value	Adjusted Market Value	Total Units	Adjusted Market Value	Total Units	Adjusted Market Value	Total Units
1	1 bed	5	£ 439,200	£ 439,200	28%	£ -	£ -	68%	£ -
2	2 bed	12	£ 600,000	£ 600,000		£ -	£ -		£ -
3	3 bed	7	£ 716,000	£ 716,000		£ -	£ -		£ -
4				£ -		£ -	£ -		£ -
5				£ -		£ -	£ -		£ -
6				£ -		£ -	£ -		£ -
7				£ -		£ -	£ -		£ -
8				£ -		£ -	£ -		£ -
9				£ -		£ -	£ -		£ -
10				£ -		£ -	£ -		£ -
11				£ -		£ -	£ -		£ -
12				£ -		£ -	£ -		£ -
13				£ -		£ -	£ -		£ -
14				£ -		£ -	£ -		£ -
15				£ -		£ -	£ -		£ -
16				£ -		£ -	£ -		£ -
17				£ -		£ -	£ -		£ -
18				£ -		£ -	£ -		£ -
19				£ -		£ -	£ -		£ -
20				£ -		£ -	£ -		£ -
21				£ -		£ -	£ -		£ -
22				£ -		£ -	£ -		£ -
23				£ -		£ -	£ -		£ -
24				£ -		£ -	£ -		£ -
25				£ -		£ -	£ -		£ -
26				£ -		£ -	£ -		£ -
27				£ -		£ -	£ -		£ -
28				£ -		£ -	£ -		£ -
29				£ -		£ -	£ -		£ -
30				£ -		£ -	£ -		£ -
31				£ -		£ -	£ -		£ -
32				£ -		£ -	£ -		£ -
33				£ -		£ -	£ -		£ -
34				£ -		£ -	£ -		£ -
35				£ -		£ -	£ -		£ -
36				£ -		£ -	£ -		£ -
37				£ -		£ -	£ -		£ -
38				£ -		£ -	£ -		£ -
39				£ -		£ -	£ -		£ -
40				£ -		£ -	£ -		£ -

## Rents

Enter the full market and social rents for any units under that tenure. There are benchmarks to act as a guide.

Bedrooms	Market Rent	Social Rent
1	£ 161.69	£ 88.14
2	£ 203.87	£ 107.40
3	£ 239.01	£ 123.48
4	£ 267.13	£ 145.66
5	n/av	£ 153.66
6	n/av	£ -

Ref.	Description of Unit Type	No. IR/AR units	Market Rent per week	Affordable Rent		Social Rent	
				Total Units	Adjusted Market Rent	Total Units	User Rent/week
1	1 bed						
2	2 bed						
3	3 bed						
4							
5							
6							
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Ref.	Description of Unit Type	No. IR/AR units	Market Rent per week	Intermediate Rent		Social Rent	
				Total Units	Adjusted Market Rent	Total Units	User Rent/week
1	1 bed						
2	2 bed						
3	3 bed						
4							
5							
6							
7							
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9							
10							
11							
12							
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Ref.	Description of Unit Type	No. IR/AR units	Market Rent per week	Affordable Rent		Social Rent	
				Total Units	Adjusted Market Rent	Total Units	User Rent/week
1	1 bed						
2	2 bed						
3	3 bed						
4							
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Ref.	Description of Unit Type	No. IR/AR units	Market Rent per week	Intermediate Rent		Social Rent	
				Total Units	Adjusted Market Rent	Total Units	User Rent/week
1	1 bed						
2	2 bed						
3	3 bed						
4							
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## ← --- Mix of Units and Tenures --- →

There are two ways to determine how the total number of units in the scheme is distributed between the different dwelling types and tenures.

You can either enter units:-

By Percentage

Enter the percentage of units to assign to each dwelling type and the percentage to assign to each tenure.

or

By Quantity

Enter the number of dwellings to assign to each dwelling type and tenure combination



← Unit Types by Percentage →

Select a previously saved percentage mix from the list below or select "Scheme Specific Values" from the list and enter your own values in the white cells

Scheme Specific Values

		Warning: Total Percentage must equal 100%	
	Percentage of total	Number of units of this type	
Studio flat			0.0
Flats	1 bed		0.0
	2 bed		0.0
	3 bed		0.0
	4 bed		0.0
Terrace / town house	2 bed		0.0
	3 bed		0.0
	4 bed		0.0
			0.0
Semi / detached	2 bed		0.0
	3 bed		0.0
	4 bed		0.0
Total	0.0%		0.0

----- Tenure Mix by Quantity -----

Enter the number of units in the white cells of the table below.

Warning: Total units does not match that previously given	Sale	Affordable					Overall Total (Affordable plus Sale Units)
		Low Cost Sale	Equity Share	Shared Ownership	Intermediate Rent	Affordable rent	
Studio flat							
Flats							
1 bed							
2 bed							
3 bed							
4 bed							
Terrace/ town house							
2 bed							
3 bed							
4 bed							
Semi/ detached							
2 bed							
3 bed							
4 bed							
Total units							
% of Total							

----- Expected Total Number of Units ----- 24

Percentage purchased by purchaser for Shared Ownership	<input type="text"/>
Percentage purchased by purchaser for Low Cost Sale	<input type="text"/>
Percentage purchased by purchaser for Equity Share	<input type="text"/>

**← --- Tenure Mix by Percentage --- →**

Enter the percentage of the total number of dwellings to assign to each tenure in the white cells below. The percentage is applied evenly across all dwelling types, this may lead to values which are not whole numbers.

Percentages must all add to 100%

	Sale	Affordable					Total Affordable	Overall Total (Affordable plus Sale Units)
		Low Cost Sale	Equity Share	Shared Ownership	Intermediate Rent	Affordable rent		
Studio flat								
Flats	1 bed							
	2 bed							
	3 bed							
	4 bed							
Terrace/town house	2 bed							
	3 bed							
	4 bed							
Semi/detached	2 bed							
	3 bed							
	4 bed							
Total Units								
% of Total								

Percentage purchased by purchaser for Shared Ownership	
Percentage purchased by purchaser for Low Cost Sale	
Percentage purchased by purchaser for Equity Share	



The Toolkit needs to have additional information about flats.  
Enter the number of storeys in the box below

Total number of floors in the scheme:

←
→
**Market Values**

Select a previously saved set of market values from the list below or Select "Scheme Specific Values" from the list and enter your own values in the white cells

Scheme Specific Values ▼

You can adjust all market values by entering a percentage in the box to the right.
 100%

Description of Unit Type	Total Units	Market Value	Adjusted Market Value
Studio flat			
Flats	1 bed		
	2 bed		
	3 bed		
	4 bed		
Terrace / town house	2 bed		
	3 bed		
	4 bed		
Semi / detached	2 bed		
	3 bed		
	4 bed		

**Rents**

For the Affordable and Intermediate tenures you can either apply a percentage reduction to the benchmark rental value or enter your own value. For Social Rent you can enter your own rental value per week. If you leave any blank then the benchmark value for that row will be used.

	Benchmark MARKET values £ per week	Affordable Rent		Intermediate Rent		Social Rent				
		Total Units	Benchmark Reduction	User values £ per week	Total Units	Benchmark Reduction	User values £ per week	Total Units	Benchmark values £ per week	User values £ per week
Studio flat	£161.69	-			-			-		
Flats	1 bed	-			-			-		
	2 bed	-			-			-		
	3 bed	-			-			-		
	4 bed	-			-			-		
Terrace / town house	2 bed	-			-			-		
	3 bed	-			-			-		
	4 bed	-			-			-		
		-			-			-		
Semi / detached	2 bed	-			-			-		
	3 bed	-			-			-		
	4 bed	-			-			-		
		-			-			-		



## -- Rental Costs & Capitalisation --

These values are used to calculate capitalised value when no grant is available. If you wish to use your own values then you can enter them in the white cells below. If you leave any blank then the Toolkit Value for that row will be used

Social Rent	Benchmark	User Values
Management	£555.00	per dwelling (+30% for flats)
Maintenance	£550.00	per dwelling (+10% for flats)
Voids/bad debts	4.38%	of gross rent
Repairs reserve	0.38%	of development costs
Capitalisation	7.00%	of net rent

Shared Ownership	Benchmark	User Values
Rent	2.75%	of gross rent
Capitalisation	7.00%	of net rent

Affordable Rent	Benchmark	User Values
Management costs	6.00%	of gross rent
Maintenance	£1,260.00	per dwelling
Voids/bad debts	6.00%	of gross rent
Capitalisation	7.00%	of gross rent

Intermediate Rent	Benchmark	User Values
Management costs	6.00%	of gross rent
Maintenance	£1,260.00	per dwelling
Voids/bad debts	6.00%	of gross rent
Capitalisation	7.00%	of gross rent



## Development Costs

Toolkit values will be used unless you enter your own value in the white cells. The CSH level is for reference purposes only.

Build Costs per sq m		
Building Type	Toolkit Values	User Values
Flats (40+ storeys)	£3,494	
Flats (16-40 storeys)	£2,623	
Flats (6-15 storeys)	£2,037	
Flats (5 & less storeys)	£1,497	£3,371.00
Houses <= 75m2	£1,113	
Houses > 75m2	£976	
Code for Sustainable Homes level (3-6)		

Other Development Costs		
Additional Cost	Toolkit Values	User Values
Professional Fees %	12.0%	of build costs
Interest rate (Market)	6.75%	7.0% of build costs (Sale, Equity Share and Low Cost Sale units)
Interest Rate (Affordable Housing)	6.75%	of build costs Rental tenures and Shared Ownership)
Marketing Fees	3.0%	of market value
Developers Return	20.0%	of market value applies to market housing
Contractors Return	6.0%	of development costs (excl finance) (affordable housing)
Construction Period (1+ Years)		2.50

You may also enter SCHEME totals for other exceptional costs. Enter the name of the cost in the left hand cells and the SCHEME value in the right hand cell

Exceptional Development Costs	
Total For Scheme	
Cost per dwelling	
Cost per hectare	
Cost per habitable room	No Info

Costs incurred for Sustainable homes level of 3, 4, 5 or 6	£	-
acquisition costs	£	97,546
<Enter cost description>	£	-
<Enter cost description>	£	-

**----- Planning Obligations -----**

For each type of contribution you may either enter a total figure (for that row) or you may enter values per unit (for each tenure). If you choose the second option, the Toolkit will calculate the total obligation 'cost' for the scheme.

	Input by Total		Input by Unit						Calculated Total (Affordable and Sale)	
	Enter Total?	User Total	Sale	Affordable				Social Rent		
				Low Cost Sale	Equity Share	Shared Ownership	Intermediate Rent			Affordable Rent
Education Contribution	<input type="checkbox"/>									£0
Highway works	<input type="checkbox"/>									£0
Contribution to public transport	<input type="checkbox"/>									£0
Contribution to community facilities	<input type="checkbox"/>									£0
Provision for open space	<input type="checkbox"/>									£0
Contribution to public art	<input type="checkbox"/>									£0
Environmental improvements	<input type="checkbox"/>									£0
Town centre improvements	<input type="checkbox"/>									£0
Waterfront improvements	<input type="checkbox"/>									£0
Support for employment development	<input type="checkbox"/>									£0
Employment related training	<input type="checkbox"/>									£0
Other	<input checked="" type="checkbox"/>									£0

Does CIL apply on this scheme?  Yes  No Please select Yes or No

Total for Scheme	£0
Total for Scheme per hectare	£0
Total for Scheme divided by total number of units	£0
Total for Scheme divided by number of sale units	£0

## ← - Community Infrastructure Levy - →

You must enter CIL in one of two ways. Either as a calculated figure or by entering a pre-calculated figure.

CIL is a calculated figure

CIL is a pre-calculated figure

Overall Borough CIL	£	510,000
Overall Mayoral CIL	£	115,000

Total pre-calculated CIL	£	625,000
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For each type of contribution you may either enter a total figure (for that row) or you may enter values per unit (for each tenure). If you choose the second option, the Toolkit will calculate the total obligation 'cost' for the scheme.

To enter one total value for a row, tick the corresponding box in the "Enter Total?" column and enter a value in the "User Total" column : To enter the values by tenure leave the box un-ticked

	Input by Total		Input by Unit						Calculated Total (Affordable and Sale)	
	Enter Total?	User Total	Sale	Affordable				Social Rent		
				Low Cost Sale	Equity Share	Shared Ownership	Intermediate Rent			Affordable rent
European Union funding										£0
Local Authority capital grant	<input type="checkbox"/>									£0
Other regeneration funding										£0
English Heritage grant										£0
Lottery grant										£0
Contribution from Payment in Lieu fund										£0
Employer contribution										£0
Capitalised ground rent figure	<input type="checkbox"/>	£143,000								£143,000
Other (1)	<input type="checkbox"/>									£0
Other (2)										£0
Other (3)										£0

Total for Scheme	£143,000
Total for Scheme per hectare	£476,667
Total for Scheme divided by total number of units	£5,958
Total for Scheme divided by number of sale units	£5,958

**← - Revenue from Affordable Housing - →**

Please choose the method by which the payment is made by the affordable housing provider to the developer

Payment by affordable housing provider to developer based on fixed assumption on social housing grant ( including no grant)

Payment by affordable housing provider to developer fixed. No information available on grant availability or affordable housing provider's revenue income.

**Known Payments for Affordable Housing**

Enter the fixed payments for each tenure below.

Affordable Housing Tenures							Total
Low Cost Sale	Equity Share	Shared Ownership	Intermediate Rent	Affordable Rent	Social Rent	No. Of Affordable Units	
0.0	0.0	0.0	0.0	0.0	0.0	0	
Number of units							
Payment By Unit							
Or Payment By Tenure							
Enter a lump sum payment for all Affordable Housing Tenures							
£	£	£	£	£	£		
Tenure Total							
Method by which Affordable Housing Revenue is calculated							
N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Total Known Payment for Affordable Housing							
						£	

Please select one of the below options;

- There is no grant, or it is included in the above values (in which case grant will not be shown separately on the results page)
- Grant is included in the above value and I would like to show it separately on the Results page for information (Total revenue for the tenure will use figures in table above, grant shown on the next page will not be added)

----- Grant -----  

Please choose whether a grant is available for the scheme

No - Grant is not available

Yes - Grant is available and is a known value

Specify grant by unit or tenure

Specify total grant

Affordable Housing Tenure	Number of units	Grant	Per Unit or by Tenure
Social Rent	0.0		per unit
Shared Ownership	0.0		per unit
Intermediate Rent	0.0		per unit
Affordable Rent	0.0		per unit

Total known Affordable Housing Grant	£ -
--------------------------------------	-----

## -- Oncosts for Affordable Tenures --

If applicable, the user can provide information about on-costs. You have one of 3 options: i) use the Toolkit benchmark percentages ii) enter your own % iii) enter your own on-cost value (in £s) per unit. If there are no on-costs, either clear the tick box called 'Apply on-costs' or enter '0' in the User rate per unit for that tenure (shown as '£ -', press delete to clear the box and allow oncosts).

Affordable Housing Tenures							Total
	Low Cost Sale	Equity Share	Shared Ownership	Intermediate Rent	Affordable Rent	Social Rent	Affordable Units
Number of units	0.0	0.0	0.0	0.0	0.0	0.0	0
Toolkit benchmark on-costs rate			9.00%	9.00%	9.00%	9.00%	
User on-cost rate (%)							
User rate per unit (£)							
On-cost per unit	£ -	£ -	£ -	£ -	£ -	£ -	-
Intermediate calculation	£ -	£ -	£ -	£ -	£ -	£ -	-
Total on-cost per tenure	£ -	£ -	£ -	£ -	£ -	£ -	-
Total on-costs for affordable housing	£ -						



----- Contribution from -----  
**-- Commercial Elements --**

This page allows the user to input data relating to a commercial property element of a scheme. The user will need to complete the white boxes relating to size of scheme, rent, yield and capital value. In addition cost related data will need to be inputted

Revenues	Office	Industrial	Retail	Hotel	Leisure/Community Services	Other
Net area in Sq. m	608					
Rent (£ per sq.m per annum)	£ 282.00					
Yield (%)	6.5%					
Capital value	£ 2,637,785	£ -	£ -	£ -	£ -	£ -

##

**Costs**

Gross Internal Area in Sq. m	624
Build costs (£ per GIA sq m)	£ 2,515
Professional fees (% of Build Costs)	12.00%
Interest Rate (% of Build Costs)	7%
Marketing fees (% of Capital Value)	15%
Return (% of Capital Value)	15%

Total build costs	£ 1,569,360	£ -	£ -	£ -	£ -	£ -
Professional, other fees and finance costs	£ 693,846	£ -	£ -	£ -	£ -	£ -
Return	£ 395,668	£ -	£ -	£ -	£ -	£ -

#

Total development costs	£ 2,658,874	£ -	£ -	£ -	£ -	£ -
Site value for commercial element	-£ 21,089	£ -	£ -	£ -	£ -	£ -

Total site value for all commercial Elements	-£ 21,089
--	-----------

Land Finance & Site Value Comparisons

Land Finance

Reduction of Residual (%)

13%

Guide Values

Values entered below will be shown on the results page compared to the scheme residual. These values cannot be calculated by the toolkit.

Existing use value	£	1,665,000
Acquisition cost	£	-
Value for offices	£	-
Value for industrial	£	-
Value as hotel site	£	-
Value as other alternative use	£	-

\*\*\*\*\* Results \*\*\*\*\*

Site Address	Arlington Works Arlington Road TW1 2BB Feb 2019
Scheme Description	24 residential units plus office space

Site Reference Number	
Application Number	
NLUD Ref. Number	
UPRN or Grid Ref.	

[View Results](#)

<b>RESIDUAL</b> before land finance	<b>£3,638,000</b>
<b>RESIDUAL</b> after land finance	<b>£3,165,000</b>
Per hectare	£10,550,000
Per dwelling	£132,000
Per market dwelling	£132,000
Per habitable room	£43,000
Per bedspace	£63,000

SCHEME UNITS		per ha.
No. of Dwellings	24	80
No. of Habitable rooms	74	247
No. of Bedrooms	50	167
Total floorspace (m <sup>2</sup> )	1,684	5614
% Wheelchair Units		

<b>SCHEME REVENUE</b>	<b>£17,189,000</b>
Contribution to revenue from:	
Market housing	£14,408,000
Affordable Housing	
- Low Cost Sale	
- Equity Share	
- Shared Ownership (inc. grant)	
- Intermediate Rent (inc. grant)	
- Affordable Rent (inc. grant)	
- Social Rent (inc. grant)	
Grant	
Capital Contribution	£143,000
Commercial Elements	£2,638,000

<b>LAND FINANCE</b>	
Total land finance	£473,000

	AFFORDABLE UNITS				Total
	Low Cost	Equity Share	Shared	Intermediate	
Units					
Units %					
Hab rooms					
Bedrooms					
Persons					
Floorspace					

<b>SCHEME COSTS</b>	<b>£13,551,000</b>
Contribution to costs from:	
Market housing	£10,169,000
Affordable Housing	
- Low Cost Sale	
- Equity Share	
- Shared Ownership	
- Intermediate Rent	
- Affordable Rent	
- Social Rent	
Planning Obligations	
Community Infrastructure Levy	£625,000
Exceptional Development Costs	£98,000
Commercial Elements	£2,659,000

<b>PUBLIC SUBSIDY (GRANT)</b>	
<b>Whole scheme</b>	<b>£ -</b>
Per Social Rent dwelling	
Per Shared Ownership dwelling	
Per Intermediate Rent dwellings	
Per Affordable Rent dwelling	

Alternative Site Values		Against residual
Existing Use Value	£ 1,665,000	£1,500,000
Acquisition Cost	£ -	
Value for offices	£ -	
Value for industrial	£ -	
Value as hotel site	£ -	
Value as other alternative	£ -	

[Discounting Function](#)

[Floor Space Analysis](#)

[Costs Analysis](#)

[Child Occupancy & Bedrooms](#)

**Costs Analysis**

	Sale	Low Cost Sale	Equity Share	Shared Ownership	Intermediate Rent	Affordable Rent	Social Rent	Commercial Elements
Number of units	24							
Base build costs	£5,677,371							£1,569,000
Prof fees	£681,284							£694,000
Finance	£496,770							-
Marketing	£432,240							-
Developer's Return	£2,881,600							-
Contractor's Return	-							£396,000
<b>Total Costs</b>	<b>£10,169,000</b>							<b>£2,659,000</b>
<b>Exceptional Development Costs</b>	<b>£98,000</b>							

NB: Exceptional Development Costs are apportioned across tenures and all values rounded to nearest thousand



Site Reference Details	
Site Reference Number	
Application Number	
NLUD Reference Number	
UPRN or Grid Reference	

Site Details	
Site Address	Arlington Works Arlington Road TW1 2BB Feb 2019 revisions
Scheme Description	24 residential units plus office space

Result set:
<b>Basic Site Information</b>
Size of site in Hectares (Gross)
Total Number of Dwellings
Total Number of Habitable rooms
Total Number of Bedrooms

Site Notes
Use these boxes to record any notes on the scheme variation (eg. % change in houseprices or additional CIL values)

Tenure Division
Sale
Low Cost Sale
Equity share
Shared Ownership
Intermediate Rent
Affordable rent
Social Rent
Total affordable

Key Economics
<b>Revenue</b>
<b>Costs</b>
<b>Land Finance</b>
Residual
Per hectare
Per dwelling
Per market dwelling
Per habitable room
Per bedspace

Cost Contributions
Planning Obligations
Community Infrastructure Levy
Exceptional Development Costs
Commercial Elements

Residual Contributions
Subsidy
Total for scheme
per SF unit
per SO unit
per IR unit
per AR unit
Capital Contributions
Commercial Elements

Market Tenures' Revenue		Time span (years)				
		1	2	3	4	5
Inflation	- Expected house price inflation rate (%) (All market tenures)					
	- Compound house price inflation rate	100.00%	100.00%	100.00%	100.00%	100.00%
Annual Build Rate and Revenue						
	- Annual sale completion	Total Entered 140 of:	Total Expected 24.00	40.00	60.00	40.00
	- Annual sale percentage		100%	166.67%	250.00%	166.67%
	- Revenue for that year		£14,408,000	£24,013,333.33	£36,020,000.00	£24,013,333.33
	- Revenue with inflation		£ -	£ 24,013,333	£ 36,020,000	£ 24,013,333
Low Cost Sale	- Annual sale completion	42 of:	0.00	20.00		12.00
	- Annual sale percentage		100%	0.00%	0.00%	0.00%
	- Revenue for that year		£0	£0.00	£0.00	£0.00
	- Revenue with inflation		£ -	£ -	£ -	£ -
Equity Share	- Annual sale completion	52.5 of:	0.00		50.00	2.50
	- Annual sale percentage		100%	0.00%	0.00%	0.00%
	- Revenue for that year		£0	£0.00	£0.00	£0.00
	- Revenue with inflation		£ -	£ -	£ -	£ -
<b>Total Revenue with Inflation for these Market Tenures</b>			£ -	£ 24,013,333	£ 36,020,000	£ 24,013,333
			£ -	£ -	£ -	£ -

-----  
 Child Occupancy -----  
 & Bedroom Count

BEDROOM MIX								
	Sale	Low Cost Sale	Equity Share	Shared Ownership	Intermediate Rent	Affordable Rent	Social Rent	Total units by bedroom
Total Studio Flats								
Total 1 bed units	5							5
Total 2 bed units	12							12
Total 3 bed units	7							7
Total 4+ bed units								
Total units by tenure	24							

ANTICIPATED CHILD OCCUPANCY									
	No. Of Units	Sale	Low Cost Sale	Equity Share	Shared Ownership	Intermediate Rent	Affordable Rent	Social Rent	Total Child Occupancy by Unit Type
Flats	Studio	24							
	1 bed	5							
	2 bed	12							1
	3 bed	7							3
	4 bed								
Houses	1 bed								
	2 bed								
	3 bed								
	4 bed								
	5 bed								
	6+ bed								
Total Child Occupancy by Tenure									4

Total Child Occupancy for this Scheme 4



## Benchmark Data - January 2014

This page shows the benchmark data compiled for each of the London Boroughs. Some of this data is unique to the borough whilst the rest is applicable across all the boroughs. All of these values can be overridden in the Toolkit by your own values.

Data Source	AG1213	Date	27.12.2013
Borough	Redbridge		

band specific data
borough specific data
fixed data

	Market Rents	Size in m2	Market Value	Social Rent
Studio flat	£162	37	£136,000	£88.14
Flats	1 bed	50	£227,000	£88.14
	2 bed	66	£284,000	£107.40
	3 bed	86	£341,000	£123.48
	4 bed	95	£409,000	£145.66
Terrace / town house	2 bed	83	£327,000	£107.40
	3 bed	96	£424,000	£123.48
	4 bed	103	£510,000	£145.66
	2 bed	83	£354,000	£107.40
Semi / detached	3 bed	96	£460,000	£123.48
	4 bed	103	£552,000	£145.66

Area Type	Outer
Band	B1

Oncosts	
Social Rent	9%
Shared Ownership	9%
Intermediate/Affordable Rent	9%

Shared Ownership Costs	
Rent	2.75%
Capitalisation	7.00%

Development Costs	
Professional Fees %	12%
Finance (Market)	7%
Finance (Affordable Housing)	7%
Marketing Fees	3%
Developers Return	20%
Contractors Return	6%

Social Rent (by Bedrooms)	
1	£88.14
2	£107.40
3	£123.48
4	£145.66
5	£153.66
6	£0.00

Social Rent Costs	
Location	Outer
Management	£555.00
Maintenance	£550.00
Voids/bad debts	£0.04
Repairs Res	0.384%
Capitalisation	7.00% of mantment & maintenance

Build Costs per sq m	
Flats (Over 40 storeys)	£3,494
Flats (16-40 storeys)	£2,623
Flats (6-15 storeys)	£2,037
Flats (5 stories)	£1,497
Houses <= 75m2	£1,113
Houses > 75m2	£976

Affordable/Intermediate Rent Costs	
Managemt costs	6.00%
Maintenance	£1,260
Voids/bad debts	6.00%
Capitalisation	7.00%

Maintenance	£550.00	30% extra for flats
Voids/bad debts	£0.04	10% extra for flats

 Saved Densities

You can use this page to store a series of default densities. These can be recalled on the Basic Site Information page.

	Name of benchmark	DENSITY
user benchmark 1	My Benchmark 30	30
user benchmark 2	User density benchmark 2	
user benchmark 3	User density benchmark 3	
user benchmark 4	User density benchmark 4	
user benchmark 5	User density benchmark 5	
user benchmark 6	User density benchmark 6	

**← --- Saved Dwelling Type Mixes ---**

You can use this page to store a series of default mixes. These can be recalled on the Mixes page when using the Toolkit as a Forward Planning tool.

	User Mix set 1	User Mix set 2	User Mix set 3	User Mix set 4	User Mix set 5	User Mix set 6
	user mix set 1	user mix set 2	user mix set 3	user mix set 4	user mix set 5	user mix set 6
name						
Studio flat						
Flats						
	1 bed					
	2 bed					
	3 bed					
	4 bed					
Terrace / town house						
	2 bed					
	3 bed					
	4 bed					
Semi / detached						
	2 bed					
	3 bed					
	4 bed					
<b>Total</b>	0%	0%	0%	0%	0%	0%

← Saved Market Values -----

You can use this page to store a series of default market values for the given unit types. These can be recalled on the Market Values page when using the Toolkit as a Forward Planning tool.

name	Main Défaut				
	user MV set 1	user MV set 2	user MV set 3	user MV set 4	user MV set 5
Studio flat					
Flets					
1 bed	£136,000				
2 bed	£227,000				
3 bed	£284,000				
4 bed	£341,000				
Terrace / town house					
2 bed	£409,000				
3 bed	£327,000				
4 bed	£424,000				
Semi/detached					
2 bed	£510,000				
3 bed	£354,000				
4 bed	£460,000				
	£552,000				

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## Appendix B



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# **Commercial Review Response**

**Version 01**

**1 February 2019**

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**23-27 Arlington Road**

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Issued by:

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**K2 Rider Hunt.**

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## **DOCUMENT ISSUE SHEET**

<b>Version</b>	<b>Issue Date</b>	<b>Issued By</b>	<b>Approved By</b>	<b>Comments on Version</b>
1	1 February 2019	AB	AB	

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1.0 RESPONSE QUERIES .....	4
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## EXECUTIVE SUMMARY

K2 Rider Hunt were appointed to undertake a review of the Order of Cost Estimate, prepared by Stace LLP, included as Appendix 4 of the Financial Viability Assessment produced by Grimshaw Consulting dated August 2018. A report providing commentary on the appropriateness of the Order of Cost Estimate was issued on 25<sup>th</sup> October 2018.

Stace LLP have produced a response to our commercial review dated 3<sup>rd</sup> December 2018, and this report provides commentary on the responses received regarding the content of our commercial review. We have considered the comments made by Stace LLP and where appropriate we have adjusted our assessment, which has resulted in our revised recommendation that the following adjustments are made to the estimated construction costs to reduce the total to £7,246,729:

Description	Order of Cost Estimate	K2 Rider Hunt Assessment	
Order of Cost Estimate Total			£7,769,404
<b>Recommended adjustments</b>			
<u>Office units</u>			
Remove roof covering & structure	£25,700	£14,985	(£10,715)
Remove staircases	£3,000	£1,500	(£1,500)
Frame & upper floors to extension	£28,800	£19,200	(£9,600)
External walls – new external walls	£41,700	£31,970	(£9,730)
		Adjustment to prelims @ 18%	(£5,678)
		Adjustment to risk @ 7.5%	(£2,792)
<u>Residential buildings</u>			
Main building – FFE	£160,000	£145,000	(£15,000)
Small block – FFE	£32,000	£29,000	(£3,000)
Main building – M&E	£654,740	£559,975	(£94,765)
Small block – M&E	£144,780	£123,825	(£20,955)
Main building – BWIC	£37,737	£19,800	(£17,937)
Small block – BWIC	£7,239	£3,715	(£3,524)
		Adjustment to prelims @ 18%	(£27,933)
		Adjustment to risk @ 5%	(£9,156)
<u>External Works</u>			
Demolition of existing workshops	£100,000	£56,000	(£44,000)
		Adjustment to prelims @ 18%	(£7,920)
		Adjustment to risk @ 5%	(£2,596)
<u>Remediation</u>			
Extra over general site reduction	£180,375	nil	(£180,375)
Allowance for further investigation	£20,000	£10,000	(£10,000)
		Adjustment to prelims @ 18%	(£34,268)
		Adjustment to risk @ 5%	(£11,232)
<b>K2 Rider Hunt Assessment of Construction Cost</b>			<b>£7,246,729</b>

## 1.0 RESPONSE QUERIES

### Demolition and alterations

#### Removal of roof coverings

The response document challenges our assessment of this item, with reference to the requirement for this item to include costs for scaffolding/crash decking and preparation of the perimeter following removal of the existing structure.

A revised build up to this item has been provided that lists items including, removal of the existing structure, scaffold/crash desk and preparation of perimeters.

We accept the method of pricing for the removal of coverings and preparation of perimeters however, we do not accept the apportionment of scaffolding to this item. Under the RICS New Rules of Measurement scaffolding is something that is allowed for within the main contractor's preliminaries allowance. This is because it is an element of temporary work which supports multiple elements of work during construction.

We therefore recommend the following revised assessment of this item

Description	Stace Revised Estimate	K2 Rider Hunt Assessment	Adjustment
Remove roof covering & structure	£11,565	£11,565	
Scaffold/crash deck/protection	£10,000	Nil	(£10,000)
Preparation of perimeters	£3,420	£3,420	
<b>TOTAL</b>			<b>(£10,000)</b>

## Frame and Upper Floors to Extension

Our proposed adjustment to this item has been challenged based on the need for steel supports, connections, padstones, access and making good.

A softwood timber joisted floor, with plasterboard ceiling (skimmed & painted), tongue and groove boarding can be installed for approximately £80/m<sup>2</sup>. Based on our assessment of £200/m<sup>2</sup> this would allow £120/m<sup>2</sup> for the sundry items listed by Stace in the response document, we therefore stand by our assessment of £200/m<sup>2</sup> for this item.

The resulting adjustment to the Order of Cost Estimate is as follows:

Description	Order of Cost Estimate	K2 Rider Hunt Assessment	Adjustment
Frame & upper floors to extension	£28,800	£19,200	(£9,600)

## External Walls

In the response document Stace stand by their assessment of £300/m<sup>2</sup> for the new external walls stating that it includes tothing and bonding to the existing structure, drylining on the inside and brickwork to match the existing in appearance.

According to the RICS New Rules of Measurement drylining to the inside face of external walls is included in pricing provisions for wall finishes.

A cavity wall constructed in brickwork costing £700/1000 can be constructed for £180/m<sup>2</sup>. In the case of this construction, allowing for special bricks at a price of £1,000/1000 would effectively add £30/m<sup>2</sup> to the rate, arriving at our previous allowance of £210/m<sup>2</sup>.

We accept there may be some tothing in to make the appearance of the extension blend with the existing structure, however we don't see this adding any more than £20/m<sup>2</sup> to the construction cost of the entire wall.

We are therefore prepared to adjust our previous assessment to add for tothing and bonding to the existing structure as follows:

Description	Order of Cost Estimate	K2 Rider Hunt Assessment	Adjustment
External walls – new external walls	£41,700	£29,190	(£12,510)
Allowance for tothing & bonding	Included	£2,780	£2,780
<b>Total</b>	<b>£41,700</b>	<b>£31,970</b>	<b>(£9,730)</b>

## Residential buildings

### Floor finishes

We note the response comments by Stace and we are happy to align with Stace's rate of £80/m<sup>2</sup> for floor finishes as the variance from our assessment is not significant and good quality engineered timber flooring can equate to this rate.

### Furniture, furnishings and equipment

The allowance of £8,000 per apartment has been justified as being £6,000 per kitchen, £1,000 per wardrobe and £1,000 for bathroom cupboards and vanity units.

The assessment of kitchen value at £6,000 is not, given the size of the kitchens, a significant variance from our assessment. Equally the wardrobes at £1,000 compared to our assessment of £750 is also similar. We are therefore happy to accept these figures.

The plans show no vanity units to bathrooms, with simple wash hand basins shown on the plans, which will be allowed for alongside other sanitaryware in the Mechanical and Electrical installations.

We accept that a bathroom cabinet would be provided but would only recommend allowing £250 per unit for supply and install on a commercial development.

We have therefore adjusted our assessment of the allowance for this element to £7,250 per apartments as follows:

Description	Order of Cost Estimate	K2 Rider Hunt Assessment	Adjustment
Main building – FFE	£160,000	£145,000	(£15,000)
Small block – FFE	£32,000	£29,000	(£3,000)

## Mechanical and electrical installations

The response document challenged our assessment of this element at £325/m<sup>2</sup>.

The apartments shown on the plans are simple, with no specialist equipment, such as air conditioning, or any abnormal provision of bathrooms, which might drive cost upwards.

Generally other elements of this project that have been priced on a m<sup>2</sup> rate align to a benchmark median rate, however this element is priced almost 20% higher than the median as shown in our initial review.

In context the total provision for mechanical and electrical in the apartments is £799,520, which equates to £33,313 per apartment for power, lighting, central heating, plumbing and sanitaryware.

A typical allowance for an apartment development would be:

Power and lighting	£10,000 per apartment
Plumbing	£10,000 per apartment
Entryphones and TV connections	£1,000 per apartment
Sanitaryware	£5,000 per apartment
<b>Total</b>	<b>£26,000 per apartment</b>

Across the 24 apartments this would equate to £624,000, which is less than the assessment of £683,800 in our original review of the costs. We consider that for small developments such as this, using a m<sup>2</sup> rate for elements such as mechanical and electrical can throw up significant discrepancies and it is our opinion that this has occurred in this case.

We therefore stand by our original assessment that the allowance for Mechanical and Electrical installations is excessive.

## Builders work in connection

In the response document Stace have challenged our assessment of this item at 3%, stating that 5% is an industry standard.

There is no published industry standard for this element. They are correct that this element can amount to as much as 5%, however this level is more common in the refurbishment and alteration of existing buildings, hence we have accepted this provision for the office unit element of this project. For new build residential development, the requirement for builders work in connection can be reduced as 1<sup>st</sup> fix works can take place during construction, alleviating the requirement for forming holes and openings, fire stopping etc that might arise in a refurbishment or alteration scenario. We therefore stand by our assessment of this element at 3%.

## External works

### Demolition of existing workshops

Whilst our rate for demolition has not been challenged, its use for breaking out the ground slabs, has not been accepted. Also the addition of the roof space in the volume of demolition being calculated has been suggested.

Whilst we accept the addition of the roof space, at approximately 200m<sup>3</sup>, we consider our rate of £40/m<sup>3</sup> for a simple structure enough for breaking out the ground slab.

There is a further comment stating that the existing buildings are likely to be contaminated, justifying additional cost, however we have not seen any documentation connected with this application that suggests this is the case. We therefore consider this a risk item, covered by the provisions made for risk elsewhere in the Order of Cost Estimate.

We therefore adjust our original assessment of this element as follows

Description	Budget Costing	K2 Rider Hunt Assessment	Adjustment
Demolition of existing workshops	£100,000	£48,000	(£52,000)
Add for roof space calculation		£8,000	£8,000
<b>Total</b>	<b>£100,000</b>	<b>£56,000</b>	<b>(£44,000)</b>

## Remediation

### Extra over general site reduction for disposal of hazardous waste

Our omission of this element has been challenged in the response stating that it allows for the hardstanding across the entire site to be disposed of as hazardous waste.

Our issue with this relates to the other provisions for remediation which equate to the entire site having any exposed land excavated and disposed of to depths of between 400mm and 800mm. The response to our review suggests that this depth should be increased with this item to include the hardstanding slab across the entire site. This could result in the entire site being excavated by between 1m and 1.5m, which we consider excessive.

We therefore stand by our recommendation that this item is omitted based on the other provisions for remediation made within the Order of Cost Estimate as follows:

Description	Area	Depth	Footprint
Stripping hydrocarbon ground	1052m <sup>3</sup>	800mm	1,315m <sup>2</sup>
Excavate and dispose asbestos ground	200m <sup>3</sup>	?	?
Excavate and backfill garden areas	480m <sup>3</sup>	400mm	1,200m <sup>2</sup>

### **Allowance for further investigation**

The response document outlines that the provision for further investigation has been allowed at £20,000 based on recommendations within The Leap report for

- Groundwater monitoring
- Site specific risk assessment
- Further investigation under the current sheds and tank farm area

There are however, within the Order of Cost Estimate, provisions for groundwater monitoring (5.06.6) and a risk assessment (5.06.7) at £5,000 each.

This item therefore can only be for the further investigation under the current sheds and tank farms. We therefore recommend that an allowance of £10,000 is made for this and recommend a revised adjustment as follows:

Description	Order of Cost Estimate	K2 Rider Hunt Assessment	Adjustment
Allowance for further investigation	£20,000	£10,000	(£10,000)