

## **Simon Morrow-Amended Proof of Evidence and Rebuttal Statement**

### **Introduction**

- 1 My name is Simon Morrow. I am a chartered quantity surveyor with 29 years' experience.
- 2 I have been engaged by the objectors to the CPO to review cost information in regard to the following:
  1. The 27<sup>th</sup> September 2005 decision by the London Borough of Southwark (LBS) to demolish the Aylesbury estate.
  2. Notting Hill Housing Trust's (NHHT) March 2015 Viability Note (SM1).
- 3 I have also been asked to review the costs of refurbishing 120-149 Chartridge and Chiltern Houses in order to see if the costs of refurbishing them (with the possibility of adding some new housing) would be a viable alternative to demolition.
- 4 Having reviewed the information provided so far by LBS I am concerned that they have not carried out the necessary due diligence at critical stages of the decision making process. The information I have been provided with by LBS to date falls far short of the level of due diligence that I would expect of a public body or a developer (Refer to Paragraphs 6 & 7 below for examples of this).
- 5 LBS have stated that they either do not hold the detailed cost information I have requested or are withholding it on the basis of commercial confidentiality (SM2-SM8). If LBS are not willing to provide detailed cost information or have their figures scrutinised, I do not see how it is possible for them to demonstrate the economic benefits of the proposed scheme. It is of extreme concern that financial information is not being made available by LBS. The non-disclosure of information, in my opinion, considerably undermines the validity of LBS' figures, particularly given that a large proportion of the information requested is historic and therefore could not be considered commercially confidential.

## **27<sup>th</sup> September 2005 Decision to Demolish**

- 6 In September 2005 LBS made the decision to demolish the Aylesbury estate rather than refurbish. I requested to see details of what cost comparison exercises Southwark had carried out in order to inform this decision. I would have expected to see a cost comparison between the demolition option and the refurbishment option at the very least. Such costings would be underpinned by further detailed analysis, including the following:
- Demolition, construction and refurbishment costs, design fees and management costs.
  - Decanting, land acquisition and compensation costs.
  - 30 year cash flow projections with detailed back up to income and expenditure and net present value calculations.
  - Sensitivity analysis.
  - Risk register.
  - Assumptions upon which the costings were based.
- 7 Despite requesting the above information, LBS have not been able to provide me with any cost comparisons or any of the detailed back up noted above (SM2-SM8). Such information is crucial in order for LBS to demonstrate that taxpayers' money is being wisely invested.
- 8 The only information LBS has provided me with is the BPTW April 2005 report, (SM9) the May 2005 Frost Associates report (SM10) and the 27<sup>th</sup> September 2005 LBS Executive report (SM11) which contains some generic information but no detailed back up.
- 9 Whilst LBS may have considered that refurbishment was not the preferred option it could well be that complete demolition and rebuild would put LBS in a worse financial position than if they were to refurbish, hence the importance of carrying out the cost comparison noted above.
- 10 I have reviewed the 27<sup>th</sup> September 2005 cabinet paper and its annexes. We were informed by Southwark (SM3) that the costings underpinning this

are based on the Levitt Bernstein 2005 Report (SM12) and the Frost 2005 Report (SM10).

LBS have not been able to provide me with any detailed cost back up to demonstrate how the costs in the cabinet paper are derived.

- 11 It is clearly of concern that LBS should make a decision to sell a public asset based on such limited information.

### **Review of Notting Hill Housing Trust Financial Viability Note dated 4<sup>th</sup> March 2015**

- 12 I have examined the NHHT Viability Note (SM1). I was initially informed that LBS did not have the cost information which backs up the viability note (SM3). I was then subsequently told that the information would not be released as it was subject to commercial confidentiality (SM5). I am of the opinion that LBS will need to release this information in order to demonstrate the economic benefit of the scheme, particularly given some of my initial concerns noted below.
- 13 I would like to view the cost detail behind the NHHT Viability Note (SM1) before commenting further as on first viewing the figures do not appear to conform to norms that I would expect. Notwithstanding this, two issues immediately appear to me irregular:
  - The price paid for the land on the First Development Site is £17.5M (SM1 table column 3), which equates to £21,472 per plot (£17.5M divided by 815 properties – SM1 table, column 2) which appears extremely low given sales prices for properties in the area. As a rough rule of thumb, land price is approximately 1/3<sup>rd</sup> the value of the sale price of the property (SM10)
  - I have been informed by LBS that the total amount that they have expended to date on acquisition and compensation is £53.6M. (SM3) Whilst some of this may have been in relation to Site 1a (which would be a relatively small cost-I believe approximately 10 leaseholders were compensated), the total price that NHHT state they will be paying for the whole of the Aylesbury estate is only £51M (SM1, table column 5) which suggest that LBS may well be losing money from the sale of the land.

## Refurbishment of 120-149 Chartridge and Chiltern

14 I have reviewed the April 2005 BPTW report (SM9) and the May 2005 Frost Associates Report (SM10).

The cost per dwelling within these reports (refer to SM14 for audit trail) for carrying out improvements and refurbishment of the blocks in question to Decent Homes + standard can be summarised as follows:

Block	BPTW Cost	Frost-allowance for professional fees & management	Sub-Total	Frost 10% Contingency	Total	Total per dwelling	Comments
120-149 Chartridge	£1,796,196	£243,946	£2,040,142	£204,014	£2,244,156	£74,805	30 Nr Dwellings
Chiltern	£11,380,283	£1,491,853	£12,872,136	£1,287,214	£14,159,350	£82,322	172 Nr Dwellings

15 I requested to see the detailed data underpinning these figures as the totals appeared much higher than I would have anticipated in 2005. In recent tribunal cases in relation to the Aylesbury estate, LBS's estimate of the cost of refurbishing a property on the estate in 2014 was between £30,000 and £40,000 per dwelling (SM15 para 22 (iv); SM16 para 33 (iv)).

16 On an initial view I had reservations about the cost of refurbishment per dwelling included within the BPTW and Frost reports due to the disparity between these costs, the costs noted in Paragraph 15 above and two other council estate refurbishment schemes I have reviewed in the last 3 years. A high level review of the BPTW figures has revealed the following:

- The figures include areas of remodelling over and above Decent Homes + (eg new stair and lift cores and combined heat and power (CHP) works). There may well be further enhancement works over and above this.
- For those items where it is possible to carry out a direct cost comparison it is apparent that some of the costs in the BPTW estimate are overstated. For example, the replacement kitchen cost of £4,500 per kitchen is some 30-50% more expensive than the cost that LBS is currently paying for kitchen replacements.

- 17 As LBS have not provided me with the information requested and given my concerns noted above, I have produced my own estimate to refurbish 120-149 Chartridge and Chiltern to Decent Homes + standard. My intention was to use LBS' framework contract rates for its "Warm, Dry, Safe" contracts, thereby giving an updated cost for the works, based on current market prices. Whilst working for another client in July 2017 LBS provided me with access to this contract and provided me with soft copies of a pricing document which contained several (but not all) of the framework rates. However, on this occasion LBS have denied me access to the contract. I have therefore priced the works on the basis of the London Borough of Lambeth's Decent Homes contracts in order to provide an up to date estimate.
- 18 My estimate demonstrates that the cost per dwelling of refurbishment is between £45,090 and £65,670 according to the size of the property (SM17). This compares with a new build cost per dwelling of £296,680 based on the NHHT viability costs for the FDS site (SM1 Table):

Item	Total Cost	Cost per Unit (815 Units)	Comments
Constructon	£ 145,694,204	£ 178,766	
Professional Fees & Section 106 Marketing & Letting Fees	£ 26,401,120	£ 32,394	
	£ 5,128,565	£ 6,293	
Finance		£ -	Finance fees not included as these may be required for refurbishment option, so omitted to give like for like comparison
Profit	£ 26,828,808	£ 32,919	
Inflation: 2015-2017	£ 37,741,454	£ 46,309	Allowance for inflation from March 2015 to December 2017; based on Spons tender price indices-18.5%
	£ 241,794,151	£ 296,680	

- 19 Based on the figures above it is evident that the cost of refurbishment is considerably cheaper than demolition. If LBS had provided the information I requested, a fully costed 30 year model could have been provided which would validate the above. This exercise should have been carried out prior to the 27<sup>th</sup> September 2005 decision. I would be happy to review LBS' figures of the comparison between refurbishment and demolition if they wish to provide them by way of rebuttal.
- 20 An exercise has also been carried out to demonstrate that elements of the existing estate could be retained within the new development. Details of this are included within document (SM18)
- 21 Since submission of my initial proof of evidence dated 12<sup>th</sup> December 2017, I have carried out further work with regard to looking at an alternative scheme which would retain Chiltern block within the proposed LBS scheme. Further details are described below.

## **Description of Alternative Scheme**

22 Initial massing studies have been carried out by an architect colleague for two possible alternative schemes. Refer to (SM19), which show the Aylesbury estate as existing, the LBS proposed scheme and two alternative options, which retain the Chiltern block within the LBS scheme. The massing studies have been produced from the following documents:

- Existing Aylesbury estate layout (Volume 1 Document 5.2 of Levitt Bernstein 2005 report) (SM12-Refer to JB CD1)
- Southwark Masterplan layout (Drawing reference D01-100 Revision A) (SM20)

23 Accommodation schedules and floor areas have been abstracted from (JF28).

24 The alternative schemes can be summarised as follows:

### **Option 1 (Refer to SM19)**

- Chiltern block (highlighted in yellow) is retained, with the ground and 1<sup>st</sup> floor former council offices being converted into housing.
- Removal of Block 3A & 3B, with the exception of 8 houses (4 on each side) retained.
- Complete removal of Block 4A & 4B
- Reduction in size of Block 4E to allow a gap of 20m between it and Chiltern.

25 The refurbished Chiltern would provide the following accommodation:

<b>Refurbishment of Chiltern-Schedule of Accommodation</b>	
<b>Refurbishment of existing Chiltern Flats</b>	<b>Nr of Units</b>
1 Bed	110
2 Bed	45
3 Bed	17
<b>Refurbishment of Ground &amp; 1st Floor Offices</b>	
<b>Replacement for Block 3</b>	
1 Bed	11
2 Bed 3 Person	2
2 Bed 4 Person	3
3 Bed 5 Person	4
4 Bed 6 Person	8
5 Bed 7 Person	4
<b>Part replacement for Block 4E</b>	
2 Bed 3 Person	2
<b>Total</b>	<b>206</b>

- 26 NB The accommodation noted above for the refurbishment of the Ground and 1<sup>st</sup> Floor offices replaces the accommodation omitted from Block 3 and Block 4E (in part). The mix of accommodation for this element of the refurbishment could be varied if necessary.
- 27 The following accommodation would be omitted from LBS' proposed scheme:



<b>Option 1-Accommodation omitted from Southwark scheme</b>	
<b>Block 3</b>	
1 Bed Shared Ownership	11
2 Bed 3 person Shared Ownership	2
2 Bed 4 person Shared Ownership	3
3 Bed 5 Person Private Sale	4
4 Bed 6 Person Private Sale	5
4 Bed 6 Person Social rent	3
5 Bed 7 Person Private Sale	2
5 Bed 7 Person Social Rent	2
<b>Block 4</b>	
<b>4A</b>	
1 Bed Private Sale	55
2 Bed Private Sale	37
<b>4B</b>	
2 Bed Market Rent	42
3 Bed Market Rent	6
<b>4E (Reduced size)</b>	
1 Bed Shared Ownership	5
2 Bed Shared Ownership	5
<b>Total</b>	<b>182</b>

28 The alternative Option 1 scheme therefore provides 24 additional accommodation units (206-182).

### **Option 2 (Refer to SM19)**

- Chiltern block (highlighted in yellow) is retained, with the ground and 1<sup>st</sup> floor former council offices being converted into housing.
- Removal of Block 3A & 3B, with the exception of 8 houses (4 on each side) retained.
- Blocks 4A & 4B moved to location of 4C & 4D.

- Blocks 4C-4E, 5B, 5C and part of 5E omitted.

29 The following accommodation would be omitted from LBS' proposed scheme:

Option 2-Accommodation omitted from Southwark scheme	
<b>Block 3</b>	
1 Bed Shared Ownership	11
2 Bed 3 person Shared Ownership	2
2 Bed 4 person Shared Ownership	3
3 Bed 5 Person Private Sale	4
4 Bed 6 Person Private Sale	5
4 Bed 6 Person Social rent	3
5 Bed 7 Person Private Sale	2
5 Bed 7 Person Social Rent	2
<b>Block 4</b>	
<b>4C</b>	
1 Bed Shared Ownership	12
2 Bed Shared Ownership	12
3 Bed Private Sale	2
<b>4D</b>	
2 Bed Social Rent	20
2 Bed Private Sale	2
3 Bed Social Rent	14
<b>4E</b>	
1 Bed Shared Ownership	9
2 Bed Shared Ownership	8
3 Bed Private Sale	2
<b>5B</b>	
1 Bed Private Sale	4
2 Bed Shared Ownership	8
3 Bed Shared Ownership	2
<b>5C</b>	
1 Bed Shared Ownership	18
2 Bed-4 Shared Ownership, 12 Private Sale	16
3 Bed Private Sale	10
4 Bed Private Sale	1
<b>5E (Part)</b>	
3 Bed Shared Ownership	12
Total	184

- 30 The alternative Option 2 scheme therefore provides 22 additional accommodation units (206-184).

## **Lighting**

- 31 An initial review of the alternative scheme has been carried out by the Objectors' lighting expert, Peter Raynham. This is included in an addendum to his proof of evidence. The addendum indicates that the daylight situation for the proposed alternative scheme will generally be an improvement on the scheme proposed by LBS.

## **Technical issues regarding refurbishment**

- 32 I note that LBS' Ms Bates has expressed concern in her proof of evidence with regard to the technical challenges presented by refurbishment, namely:
- Paragraph 4.3 of Ms Bates' proof of evidence states "This has the consequence of severely limiting modifications to the buildings and hampering access to services for repair and replacement." It should be noted that the proposed alternative scheme does not require any major structural alterations. It should also be borne in mind that the characteristics of the LPS system to which Ms Bates refers also means that demolition of these systems are expensive. This is evidenced by the fact that the cost of demolition of £16.8M (GT6-Item 12), which equates to over £29,000 per property, compared to the costs of refurbishment (average cost of £49,500-refer to (SM21)). Whilst some of this cost may be for enabling works and below ground demolition, it is clear that the cost of demolishing LPS systems is significant. As a guide, demolition of reinforced concrete is typically 80-200% more expensive than a typical masonry building according to Spons Architects and Builders Price Book (SM22), which is the industry standard price book. This percentage could quite easily be higher, given that the Spons prices only relate to concrete framed buildings rather than a concrete panelled building, as is the case with the Aylesbury estate.

- With regard to services, the outline proposal for the alternative scheme would be to abandon the district heating system and provide individual boilers or electric heating.
- Thermal performance (Paragraph 4.4 of Ms Bates' proof of evidence). I have not found any reference to poor thermal performance within the Levitt Bernstein 2005 Report (SM12-Refer to JB CD1) or any other submitted evidence. However, if this is considered to be an issue, I would state that the proposed alternative scheme would increase thermal performance due to the provision of new double glazed windows. If necessary, further thermal improvement measures could be installed relatively cheaply, either by installation of insulation in the cavity below the windows (budget cost £85,000) or by installation of insulated render (budget cost £260,000).

33 It is clear that the alleged technical challenges to refurbishment of a LPS building are not insurmountable. I have visited the 6 Acres Estate in the London Borough of Islington, which incorporates existing refurbished LPS blocks (4 and 12 storey) within a new build scheme. Please refer to photos (ORS 13 & ORS 14).

## **Costs**

34 My initial estimate for refurbishment (SM17) allowed for refurbishment of both Chiltern and 120-149 Chartridge. The proposed alternative scheme assumes refurbishment of Chiltern only. I have therefore updated the estimate to reflect this. A summary of the revised costs is included within (SM21).

35 From the evidence I have already provided it is clear that refurbishment is cheaper than demolition and re-build. I have not been provided the financial details I requested from LBS so I have not included a detailed comparison between the proposed alternative scheme (retaining Chiltern within the proposed LBS scheme) and the complete demolition and rebuild of the Order Land.

## **Funding**

- 36 I note that concerns have been expressed by LBS that funding is not available to carry out refurbishment (refer to Mr Platt's proof of evidence paragraph 9.2). LBS will not release the 30 year HRA business plan on the grounds of commercial confidentiality (SM5) so I am unable to verify whether or not monies would be available from the HRA to fund refurbishment. I understand from a public question to LBS (SM23) that there is £184M headroom within the HRA but would need to see further details to verify if this could be used.
- 37 I also note that LBS have made available £16.8M (GT6-Item 12) to forward fund the demolition of the Order Land. This would suggest that monies could be made available for refurbishment.
- 38 An alternative funding source would be to allow a suitable developer to undertake the refurbishment as he would not have constraints on ability to borrow. This approach has been adopted on the redevelopment of Balfron Tower (also a brutalist structure) in Tower Hamlets, where a developer has partnered with a housing association and a contractor.
- 39 My statement of truth and declaration in relation to this rebuttal statement and amended proof of evidence is appended at (SM24)

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