

20 December 2021

FAO Neil Smith
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The Savills logo consists of the word "savills" in a lowercase, sans-serif font, colored red, set against a solid yellow rectangular background.

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Dear Neil,

Hayes Estates – FVA Redaction Justification

Further to your email of 20th December 2021, I set out below the justification for redacting certain information within the Financial Viability Assessments for public issue. As requested, these have been split out into categories.

- Sales values – risk that values reported could be lower than potential values to be used by Bidders in tender returns. Therefore there is a risk that disclosing sales values now could lead to the developers' view of the market being detrimentally impacted, and in turn impact the Council's economic position.
- Affordable rent values – these are still to be finalised in the context of the developer procurement, therefore disclosing this information through the FVA at this stage risks impacting the Council's economic position.
- Land assembly costs – the Council is still to enter into negotiations with a number of third party property owners at the estate, therefore disclosing this information now could significantly harm the Council's negotiating position.
- Construction costs – Bidders are working up their own cost estimates for the projects. Therefore there is a risk that disclosing construction costs now could lead to the developers' view of the market being detrimentally impacted, and in turn impact the Council's economic position.
- Finance costs – Bidders are working up financial appraisals which will include inputs and assumptions relating to Finance costs. Disclosing our assumption at this point could in turn impact that rates the Bidders utilise and in turn impact the Council's economic position.
- Developer return requirement – This is a key bid back item in the tender. Communicating any information on this now could impact the Bidder's thinking on the project and therefore significantly undermine the Council's economic position.
- Construction cost information in Indexation section – Amounts have been removed as Bidders could reverse engineer the figures to work out construction cost assumptions utilised.
- Viability appraisal summary tables – with Bidders currently working up their own financial appraisals as part of the tender, it is considered that sharing any financial information within the appraisals could risk undermining the Council's economic position.
- Sensitivity analysis – these tables include Residual Land Value and Scheme Profit information, therefore it must be removed to protect the Council's economic position in line with comments provided above.
- RLV positions in Conclusion and recommendations section – with Bidders currently working up their own financial appraisal models, it is considered that sharing any financial information in relation to the planning viability appraisals could detrimentally impact Bidder's thinking on the project and therefore harm the Council's economic position.
- Cost information appendix – same comments above in relation to construction costs
- Financial appraisal information appendices – same comments above in relation to financial appraisals

I trust the above meets your requirements.

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Yours sincerely,

A handwritten signature in dark ink, appearing to read "P. Rankin", with a small flourish at the end.

Phil Rankin
Associate Director