

Our ref: 33518/01

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Dear Karen,

### **RE: Examination Response – BCIS Small Sites Research**

Further to your email on Thursday 24 September 2015 which contained the examiners question in relation to the BCIS August 2015 report<sup>1</sup> for The Federation of Small Businesses, we provide our response as follows.

#### **Background**

The BCIS August 2015 report found that build cost for all residential schemes of 10 units or less is on average 6% higher than on large developments. The report recommended that this higher build costs should be reflected in development appraisals for CIL studies.

In a letter to you from the examiner dated 23 September 2015, the examiner wished to know what implications the evidence in the BCIS report may have for the ability of small sites in Chichester district to support the proposed residential CIL charges?

#### **PBA response**

The BCIS report does not change our findings in our CIL and does not have any implications on the ability of small sites in Chichester district to support the proposed CIL charges this is because:

1. **BCIS Study only deals with one of the appraisal inputs** - the study does not provide any analysis on how other appraisal inputs e.g. sale values, profit margin, external works, fees etc are effected on the smaller sites tested. Smaller sites are likely to achieve higher sales values per sq ft then compared to larger developments as they are likely to be more bespoke and not suffer from internal competition for sales. Larger developments are more likely to have duplication of unit types and units will need to be priced accordingly to maintain sale volume the throughout development. Our CIL analysis has sought to average out these differences through using a single build cost figure and sale value in the generic housing scenarios and a single build cost figure and sale value in the flat scenarios.
2. **BCIS data is broad average of costs** – as we set out in our recent letter to you dated 08 September 2015 there is a level of uncertainty with BCIS costs with the quality of data which sits behind it diminishing.

The BCIS August 2015 report uses cost data, adjusted regionally. BCIS states that this adjustment also has limitations.

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<sup>1</sup> BCIS (2015) *Housing development: the economics of small sites – the effect of project size on the cost of housing construction*

*“Derived Regional Tender Price Indices chart regional movements in tender prices and are based upon the results of a statistical analysis of projects included in BCIS tender price indices. BCIS tender price indices measure the trend of contractors' pricing levels in accepted tenders, i.e. cost to client, for schemes let on a lump sum basis on Bills of Quantities or quantified schedules.*

*The BCIS Regional Tender Price Indices are based on trends in regional prices where there is insufficient data to calculate actual regional indices, and should therefore be used with caution and only taken as an indication of general trends. They are not suitable for contractual index linking.”<sup>2</sup>*

Page 11 of the BCIS August 2015 report states that the majority of projects analysed for the cost data is social housing projects. As we set out in our letter to you, dated 08 September 2015, that since October 2014 Registered Providers have not been required by Government to provide tender price responses. Therefore the pool of data which sits behind the BCIS cost data is becoming less extensive, and provides greater uncertainty in the accuracy to make the assessment in the BCIS August 2015 report. Due to the uncertain nature of the BCIS costs data we have taken a robust approach through acknowledging this data is a cost average. We have done likewise with our other development appraisal assumptions. This averaging out approach has ensured that no outliers are distorting the findings.

I hope the above and enclosed is satisfactory to support the CIL Charging Schedule progressing. Please feel free to contact me if you have any questions.

Yours sincerely,

**Author: Stuart Cook, Associate**

**Reviewed and approved: Cristina Howick, Partner**

For and on behalf of  
**PETER BRETT ASSOCIATES LLP**

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<sup>2</sup> BCIS (21 March 2014) *BCIS Regional Tender Prices Indices*