

Appendix 17 – G&T Budget Savings Letter

CONFIDENTIAL



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Dear Bret

Elephant & Castle

You have asked us to provide some commentary on the potential for overall savings to the current budgets going forwards. The following areas are identified in relation to the scheme reflected in our Initial High Level Cost Plan (Rev H):-

Professional Fees:

- As the market remains extremely competitive for consultants from all disciplines, there would be opportunities to secure competitive fee proposals within the current allowances.

Design:

- Through standardisation of design for structural elements (in particular the superstructure frame), there should be opportunities for savings against the professional fees allowances for structural engineering design.
- Similarly, once M&E services strategies have been set and tested through construction, commissioning and delivery of the first plots, the same principles and solutions could be applied to future plots which would simplify the extent of detailed design required in advance of construction.
- Standardisation of architectural components, such as the external cladding, would be more difficult, as it would be anticipated the philosophy for the overall site will include some visual differentiation between the various buildings. There may, however, still be opportunities for savings associated with commonality of certain components, such as windows and roofing details.
- Where possible within market-led constraints, standardisation of design of kitchen units and bathrooms could yield useful savings.
- Standardisation of design generally will offer more opportunities for pre-fabrication of components, which would improve the programme and help to reduce contractor preliminaries costs.

Procurement.

- Given the quantum of similar substructure works required, there will be opportunities to enter into framework agreements with groundworks and piling contractors, who would be very keen to secure long-term workload.
- Similarly, if the design for the superstructure concrete frames is standardised as suggested above, there will be a very significant workload which would be very well suited to a framework agreement.
- Other framework arrangements could be agreed, primarily on a volume-related basis (i.e. discounts could be agreed on a sliding scale basis related to the amount of work completed or ordered within a given timeframe).

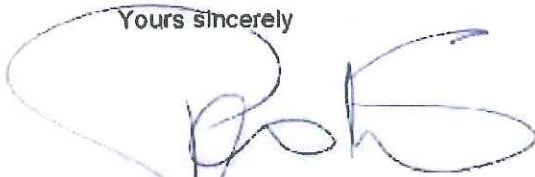
Logistics.

- Dependent on phasing and marketing requirements for release of units for sale, there would be opportunities to combine site establishment and temporary works arrangements between several plots simultaneously, thus affording savings to the associated preliminaries costs.
- There will also be opportunities for re-use of preliminaries-related materials (such as site fencing) on a sequential basis.

In conclusion, taking account of the issues raised above, provided concerted efforts are made going forwards to identify savings opportunities and a "cost-led" approach is adopted, we believe it would be reasonable to anticipate savings in the broad order of 2% to 3% could be achieved against the current projected costs.

I trust this is useful and will be pleased to discuss further with you as appropriate.

Yours sincerely



Peter A Houston
Partner
for Gardiner & Theobald LLP

