

For the attention [REDACTED]
Transaction Manager (Technical)
Homes & Communities Agency
Lateral House
Leeds LS11 9AT



By email and post

18 September 2015

Dear [REDACTED]

Whitfield Urban Expansion, Dover (LSIF) (the "Project"): Engagement Letter between (1) EC Harris LLP (Company number: OC368843); and (2) Homes and Communities Agency (Company number: TBC)

Further to receipt of the HCA-I Invitation to Tender on 10th September, we are pleased to confirm our proposed fee for undertaking the Monitoring Surveyor services for the loan investment at Whitfield Urban Expansion, Dover under the Large Site Infrastructure Fund.

Our proactive forward looking approach to project monitoring is based on project knowledge, market insight, and robust control processes and will provide you with greater certainty of project outcomes and financial returns that the current market demands. In delivering the service we are able to combine local market knowledge and resource backed by extensive experience in the residential development sector.



We understand that the scope of works to be carried out during the infrastructure spend period comprises the spine road and round-a-bout onto the A256, plus utility supplies. The Section 106 contributions are planned to be made on a phased basis with some costs falling in the later stages of the development programme and include contributions towards delivery of a new school (by others).

We note that the infrastructure spend occurs over a relatively short period at the outset of the commission duration, but also understand that beyond that timescale there will be on-going

An ARCADIS company.

EC Harris LLP is a limited liability partnership, registered in England, registered number OC368843. Registered office, ECHQ, 34 York Way, London, N1 9AB. A list of the members' names is available for inspection at the above office. Part of the ARCADIS Group of Companies, along with other entities in the UK, including EC Harris (UK)Limited. Regulated by RICS.

deductions covering overheads, Section 106 contributions, legal, sales and professional fees and tax. In addition, annual receipts are due to be credited through the repayment phase.

While deductions are initially made against the loan principal, you have explained that the loan structure requires that once the land is traded, HCA receives 50% of each (annual) receipt, with the remainder being deposited in a charged account where corporation tax can be deducted, and then recycled to meet future costs (principally Section 106 and overheads by this stage), and then interest.

Both the longer term deductions and receipts require verification and monitoring.

We note that this scheme is funded under the Large Sites Infrastructure Fund that is designed to assist housing developments of over 1,500 units to overcome the often complex barriers that can prevent the start of actual house building works. Resolution of commencement issues such as planning, clearance of contamination, site ecological matters and implementation of infrastructure requirements are frequently high cost activities that would otherwise cause locally led and supported housing schemes to be delayed or stopped. Resolving these issues aids in delivering the HCA's objectives in meeting housing needs, and affords the benefits, such as sustainable places that improve local communities, that are linked to significant projects to flow.

2. Team & Experience

We have attached our Monitoring Surveying Proposition at Appendix A for further information. This includes examples of our residential sector experience. We propose that I will be the Partner responsible for the overall commission with the Service Delivery being provided by experienced members from our specialist monitoring team in London. Copies of CVs for the project team are included in Appendix B.

We try hard to avoid changing the personnel delivering the Services, but if this cannot be avoided (for example, because of their absence on holiday or for some other reason) then in the interests of efficiency and avoiding delay, delivery of the Services will on those occasions be handled by someone else and you will be notified accordingly.

Equally, if for any reason there is a need to change permanently the person handling your matter you will be notified promptly and given the reason for such change in accordance with the attached terms of business.

Our approach to consistency of delivery staff will be of considerable benefit to HCA, in particular by supporting the transition from Transaction Management to Portfolio Management, and thereby working with your colleagues to brief the Portfolio Manager on the key issues and risks relating to the Whitfield Urban Expansion project. This method of resourcing is designed to build a longer term relationship with our clients, both at project delivery level, and at organisational level, borne out by our philosophy of securing repeat business from clients. We are also familiar with the requirement to support our clients through changing circumstances, and consider that delivering the key outputs such as reports and verification of expenditure claims to the timescales agreed to facilitate the smooth running of the Public Sector payments will enable an efficient and 'business as usual' approach.

3. Confirmation of Scope of Services

We are familiar with undertaking Monitoring Surveyor work for a range of Lender and Investor clients. We can therefore confirm that we have read and fully understand the scope of service required under this commission.

In addition to the above and for the purposes of ensuring transparency with our fees we would also confirm the following;

- We do not normally issue a certificate of completion and therefore we have assumed we will only be required to verify the Borrower's project team processes have been followed and confirm agreement with the Employer's Agent PC Certificate.
- Any detailed analysis of claims will be subject to an additional fee
- Lifecycle advice under a refurbishment project will be subject to additional fees

- Quarterly HCA-I meetings are excluded from the above costs and will be subject to an additional fee. Our Service Lead will attend these sessions and co-ordinate these meetings to minimise attendees required and our time and fees.

We have set out below our fixed fees supporting this proposal.

We understand that while this is a land trading model and does not include specific monitoring of the house building works, we are able to offer potential additional value to HCA-I in that our monthly reporting can capture key delivery metrics abstracted from the Developer's monthly reports. For example, we would anticipate that summary tables identifying numbers of units starts and completions compared to plan would be readily available and can be incorporated into our advice to HCA-I. This will increase your knowledge of the progress of the scheme, and act as an early warning of potential delay scenarios, enabling HCA-I to take appropriate mitigating actions.

EC Harris has access to a vast wealth of expertise through the strength and scope of the ARCADIS group, with reach-back capability across all asset sectors and classes. We regularly bring this insight to bear in advising our Lender and Investor clients, by engaging with appropriate specialist colleagues in sectors such as Highways, Regeneration and Residential to challenge and offer opinion on facts as presented by delivery teams. Examples include our Residential Efficiency Database and Investable Master Planning modelling team. This approach underpins our pro-active monitoring service.

We would welcome the opportunity to discuss any additional specific needs that we can assist with once the structure of the delivery team and reporting information to be made available is confirmed.

4. Fee

Our competitive fee for the above services is inclusive of disbursements but exclusive of VAT:

- [REDACTED]
 - [REDACTED]
 - [REDACTED]
 - [REDACTED]
- [REDACTED]

Our fees will be fixed for the duration of the project based on the anticipated programme completion date above, subject to annual indexation in line with the provisions of the HCA Framework Panel Contract (Property).

We have included for attendance at one site meeting and for one draft and one final version of our initial report based on information being freely available to us in a timely manner.

Should further revisions of the initial report be required due to delayed or superseded information, we would seek to recover our fees on a time charge basis as follows:

- [REDACTED]
- [REDACTED]
- [REDACTED]

We have also assumed that we will co-ordinate Monthly Site Visits and Progress meetings with the borrower as well as the relevant members from the build contractor and design team on the same day. We have therefore made allowances for this within the monthly monitoring fee but would note that we would seek to recover our fees on a time charge basis for any additional site visits.

5. Terms of Business

We understand that we will be appointed by Hyder Consulting (UK) Limited as a sub-consultant under the HCA Framework Panel Contract (Property) dated 3rd August 2015.

6. Conflict of Interest Process & Check

We confirm that we have run an internal conflict check for our organisation and its subsidiaries for this deal and we are currently not aware of any conflict of interests.

We understand the importance of a thorough and diligent approach to managing potential Conflicts of Interests, and include a summary of the process that we employ:

To avoid any potential conflict of interest, research is carried out into our current relationships with potential or existing clients. There are two documents available to all employees, Conflict of Interest Checks Process and Conflict of Interest Policy via the intranet. Any potential issues that are raised are assessed at the appropriate level to determine whether there is in fact any actual or potential conflict and to agree what further action is required. As a professional firm regulated by RICS, we will follow RICS Rules of Conduct for Firms that "A Firm shall at all times act with integrity and avoid conflicts of interest and avoid any actions or situations that are inconsistent with its professional obligations.

The Conflict of Interest Checks Process must be followed to ensure that any potential conflict of interest is identified prior to agreeing to act on a particular commission for a new or existing client.

We will always act in an open and honest manner with all clients and in all dealings. If an actual or potential conflict of interest should arise between EC Harris or one of its partners or employees and a client or between two or more clients, we will follow one of two courses of action:

- (a) Disclose the actual or potential conflict to the client and obtain their agreement as to how the conflict will be handled (see below); or
- (b) Decline the instruction and explain why we have done so.

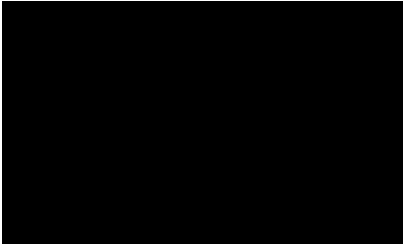
If we decide after due consideration that we wish to act or continue to act for the client, we shall in writing:

- (a) Disclose to the client the possibility and nature of the conflict, the circumstances surrounding it and any other relevant facts;
- (b) Advise the client that it should consider taking independent advice on the conflict; and
- (c) Inform the client that neither the individual concerned nor the firm can act or continue to act for it unless either:
 - (i) The client requests us to do so unconditionally; or
 - (ii) The client approves in writing the arrangements that we have put in place for handling the conflict.

The conflict of interest process is enabled via an online portal on our intranet and therefore checks can be completed promptly. We typically allow 72 hours for any issues to be notified.

Our proposal is subject to conclusion of internal sign off processes, but these are not expected to impact on the material content and will be concluded promptly. We trust that our proposal meets with your approval but if we can provide you with any further information, please do not hesitate to contact us.

Yours sincerely



Partner, Head of Transaction Advisory

Enc. Monitoring Surveying Proposition
Team CVs