

# Monitoring Surveyor – Initial Report

## Contents and Format

- i. The Consultant is to complete a report under the headings 1 to 10 detailed below (**Initial Report**) and each of the subheadings paying particular attention to each Minimum Requirement and each Mandatory Requirement (these will be matters included in any report issued to Homes England) as defined below. The Initial Report will be delivered on a date agreed with the Homes England transaction manager.
- ii. The Consultant is to decide on the makeup of the final reports issued to Homes England using the Consultant's professional judgement.
- iii. It is the duty of the Consultant to request information from Homes England and the Borrower as the Consultant considers necessary in order to prepare the Initial Report. The Consultant must notify Homes England if the lack of information is causing difficulties in preparation of the Initial Report.
- iv. Homes England takes no responsibility for the accuracy of the Consultants reports or correspondence.
- v. The reports will be issued to Homes England in hard copy, with a sufficient number of copies reasonably requested by Homes England, and an electronic or PDF scanned copy.
- vi. The Consultant will send a sample or specimen report to Homes England in order to agree the final format which is to be used.
- vii. The Consultant may subcontract to specialist service providers (relating to **civil and structural engineering, fire safety and health and safety**) where the Consultant does not possess those specialist skills and qualifications as set out in Schedule 2.  
  
The specialist service provider must be identified at the beginning of the instruction and the cost be clearly set out separate to the Consultants fee quote.
- viii. **Overarching duties** - This is the scope for an Independent Monitoring Surveyor and central to that role is monitoring the progression of a construction development and the compliance of the borrower with the Loan Facility Agreement.
- ix. **Confirming Draw-down amounts** - The Consultant will be responsible for reviewing Project expenditure and confirming to the Agency that periodic spending is in line with the

Development Appraisal, the Initial Cash-flow Statement (as revised from time to time in accordance with the provisions of the Loan Facility Agreement) and Agreed Plans.

The Consultant will issue a certificate confirming that spending is in accordance with Project plans and this will be a condition precedent to each draw-down.

- x. **Meeting Attendance** - As part of the preparation of the Initial Report the Consultant may be required to attend meetings with Homes England, the Borrower and its advisors, contractors, prospective contractors and the other advisors to the Borrower and Homes England.

## CONTENTS OF THE INITIAL REPORT

### 1. INTRODUCTION

**Minimum Requirement:** Provide a brief introduction of the development, the parties, the budgets, the procurement methods, the loan facility [amount and duration] and future timescales of drawdown, sources of information and liaison with Homes England team.

### 2. EXECUTIVE SUMMARY

**Minimum Requirement:** Provide a table with concise comments, identifying headline issues for each main heading of the Contents below.

**Minimum Requirement:** Provide a High, Medium, Low risk indicator for each heading, coloured Green, Amber or Red - Detailed comments will be incorporated in the main body of the report.

### 3. DEVELOPMENT DETAILS

#### 3.1 Summary, Description of Development

**Minimum Requirement:** The Consultant will review the plans for the proposed Project making specific comment on the development risk that may impact on the likely success of the Project and the delivery of the Works and the measures that are available to mitigate these.

“Works” means those construction activities (including where relevant their design and/or the selection of materials and goods therefore) described in and to be executed under the Building Contract or any other construction, civil or structural engineering and services required to complete the project.

“Project” means the completion of the residential units and all associated and ancillary works as required under the Facility Loan Agreement.

**Minimum Requirement: Development Appraisal** - The Consultant will review the appropriateness of the scope of the Works and the development plans as set out in the Development Appraisal for the Project.

The Consultant will confirm the development plans reviewed for the report (**Development Appraisal**) which will include as a minimum the following items:

- a) the Agreed Plans;
- b) the Initial Build Programme;
- c) the Initial Cash Flow Statement;
- d) the amount of any costs of the Project incurred and paid to the date of such appraisal (if any);
- e) the amount of the Development Costs required to complete the Project estimated as at the date of such appraisal;
- f) the contingency;
- g) Permitted Revenues.

“Agreed Plans” means the detailed architect’s drawings and buildings specifications for the Project in form and content acceptable to Homes England.

“Development Costs” means the total of all development costs and expenses incurred by the Borrower and/or any party working with respect to the Project, and/or which the Borrower or any of the Professional Team (as defined in the Facility Loan Agreement) should have reasonably estimated will be incurred in relation to the Project.

“Initial Build Programme” means the programme of development activities as approved by Homes England for that purpose at the commencement of the Project.

“Initial Cash Flow Statement” means the Cash Flow Statement at the time of signing the Facility Agreement that provides the starting point for the cash expenditure analysis of the Project. The Consultant will ensure that analysis of the cost and programme will use the same base date and the Initial Cash Flow Statement will be appropriate and correspond to the construction outputs in the Initial Build Programme.

“Permitted Revenues” means income received by the Borrower, including but not limited to housing association monies, grant monies and sale completion monies, and approved by Homes England for use in meeting Development Costs.

### **3.2 Property types, Property features, Property areas, Property sale/rental/disposal**

**Minimum Requirement: The Project** - The Consultant will provide a short introductory description of the development, including the types of property being built, the **Building Technology** proposed to be used, the tenure (noting whether there is commercial development as part of the scheme, whether there is any refurbishment within the Project and Works. This description may be brief but should be comprehensive and mention material characteristics of the scheme.

“Building Technology” means design, structure (including foundations, cladding, structural frame and support), structural design as a genus, method of construction and materials used.

### **3.3 Building materials, Building Technology, Design life, Lifecycle, Infrastructure**

**Minimum Requirement: Building Technology** - The Consultant will be expected to offer an opinion on the Building Technology used where there are known failings, cost implications or lifecycle and renewal problems with elements of the proposed building structure, internal fittings or apparatus that are to be included within the Project.

The Consultant will provide commentary on the Building Technology used and any implications it might have in terms of timescales, cost of completion of the Project, regulations and permissions or any other matter relating to the completion of the Project to budget.

**Minimum Requirement: Design life** - The Consultant will provide commentary on the expected life-span of the Units (individually and as a collective whole where appropriate) within the Project as presented by the Borrower and the likely lifecycle costs implications

or on-going maintenance issues that could be consequent to the selected Building Technology, parts or components.

Where the units Project units are to be held for rental and the rental income contributes to the repayment of Homes England (for example Private rental developments) Homes England will require a programmed maintenance plan from the borrower. The Consultant will prepare a **full lifecycle review** confirming the assumptions relating to cost and timing of the lifecycle plan are reasonable and appropriate for the Project, noting that in such instances the assumptions relating to Lifecycle costs and timing (irrespective of any guarantees) are of critical importance to the recovery of Homes England's investment.

**Minimum Requirement: Infrastructure** - The Consultant will comment upon the structural works including any site enabling, demolition, foundations (including works to buttress and shore up, reinforce or anchor the Project site as a whole), retaining walls, sidings or reinforced embankments, drainage conduits, road or other transportation connections and where applicable, sewage, water, telecoms or other utilities required in order for the Works and Project to progress and how they will be programmed into the initial build programme.

Where this requires a review by a civil engineer or other appropriately qualified professional that cost must be set out in the fee proposal.

Where it is not possible to agree this in advance of the instruction under this Scope any consequent instruction of additional professional support will be by agreement with Homes England.

**Minimum Requirement: Refurbishment** - To the extent the Project includes refurbishment, replacement and renewal of part of, or a substantial proportion of, an existing structure or its fittings and internal decoration (the "Refurbishment Works") the Consultant **will review and comment on the proposals** to undertake the Refurbishment Works that are part of the Project, including reviewing the appropriateness of the plans and methodologies proposed to achieve the desired structural standard and environmental output given the existing condition of the buildings to be refurbished (the "Refurbishment Estate").

Where the Refurbishment Estate has been the subject of a preliminary stock condition survey (the "Stock Condition Survey") the **methodology of that Stock Condition Survey will be reviewed and commented upon by the Consultant**, with particular regard to the appropriateness of the Stock Condition Survey for the purposes of scoping the proposed Refurbishment Works. This is in addition to reviewing and commenting on the scope of the Refurbishment Works against the findings of the Stock Condition Survey, where it has

been determined that the Stock Condition Survey and any other surveys including any environmental surveys are adequate for the purpose of scoping the Refurbishment Works.

The Consultant will offer commentary on the life-span and likely lifecycle costs or on-going maintenance issues that could be consequent to the Refurbishment Works. Including, but not limited to, the relationship between the methodology of the Refurbishment Works and the design life of the refurbished elements in conjunction with Homes England's Valuers.

### **3.4 Timescales, Key dates, Programme, Design Process, Phasing, Contractual targets & Milestones, Completion/handover**

**Minimum Requirement: Initial Build Programme** - The Consultant will provide review the adequacy of the Initial Build Programme (noting any **Key Dates**) and the projected time period for completion of the Project including a review of the process for designing any parts of the Works that are programmed to happen after the Works have commenced (**Design Process**) and any programmed stages or phases (**Phasing**) noting how these could have implications for the Initial Build Programme.

The Consultant will comment on any key **contractual targets** relating to planning permissions or relevant statutory works, the loan agreement or any other relevant documents (for example a development agreement and building lease). Other **milestones** to be commented on include practical completion, sectional completions and pre-sale and/or pre-let longstop dates, delivery of marketing suites and show accommodation, or **relating to any subcontracts and contracts** which may have a cost or time implications.

**Minimum Requirement: Completion** - The Consultant will review and comment on the completion procedures, handover and snagging & defects processes agreed between the Borrower and its contractor(s) confirming to Homes England what the state of readiness for habitation the completed units will be in and what certificates and warranties will be in place (NHBC etc).

### **3.5 Designs, Agreed Plans, Investigations, Surveys & Specialist reports etc.**

**Minimum Requirement: Agreed Plans** - The Consultant will review the Agreed Plans, confirming their appropriateness for the aims of the Project including making comment on the suitability of the Agreed Plans, the quality of the anticipated end product and the practicality of the construction and fit-out proposed with particular reference to the cost allocation and the method statement and plans set out by the Borrower to develop in

accordance with the Agreed Plans, Development Appraisal and Homes England's Valuers Initial Valuation.

**Minimum Requirement: Design** - The Consultant will report on the allocation of design responsibility and the provision of warranties and other such support by the Professional Team.

**Minimum Requirement: M&E Risk** - where completion involves a large proportion of mechanical and electrical engineering works for example, but not limited to; lifts, car-ports, escalators, and similar elements procured directly by the contractors to the Borrower or through any third party contract to supply, the Consultant will comment on how these elements could affect Design Process and the Initial Build Programme and whether the Borrower, Contractor(s) and Professional Team have sufficiently advanced procedures, float or contingency in place to cope with delays in these elements. Homes England will be particularly interested in the reliability and track record of the apparatus to be procured and stated by the Borrower, Contractor(s) and Professional Team and how implementation will affect the Design Process and the Project timetable.

**Minimum Requirement: Ground Condition Surveys** – the consultant will review the ground condition reports undertaken by the borrower and confirm the **adequacy of the scope** (**ensuring** they have a **copy of the scope** on file) in addition to commenting on the findings of the reports.

The Consultant will confirm that the **surveys have been undertaken on the relevant part of the site** (checking and confirming the borrowers plans with the planning application footprint), the Consultant will provide commentary on the Ground Conditions Surveys scope, location and appropriateness for the physical structure that will be built over that part of the site and the enabling works that have been undertaken to address any ground conditions.

The Consultant **will review and comment on any ground investigation reports** relating to the Project, their adequacy for the Project and whether the implications of any such ground investigations have been satisfactorily incorporated into the Project proposals.

The Consultant will note and comment upon any reports on ground conditions that could potentially cause delay or increased cost to the Project including but not limited to flooding, land-slip, the historic impact of mineral extraction, land fill or tipping, previous industrial use, Cheshire brine, or reliance for future Units on artesian wells or other natural sources of water.

**Minimum Requirement: Contamination;** any ground, or other contamination, that is found in the ground surveys or other surveys undertaken by the Borrower, its sub-contractors or advisors will be explained in the Initial Report including a review of and comment upon the cost implications surrounding its containment and contractual treatment.

**Minimum Requirement: Asbestos, vapours other gases or emissions;** the Consultant will make specific reference to asbestos, asbestos mounds, former mining works or Radon or other gases or emissions as it is deems necessary having first considered the findings of the environmental and site reports and the geographic location of the Project site.

## 4. FINANCIAL

### 4.1 Development cost summary

**Minimum Requirement:** The Consultant will provide an assessment of the appropriateness against the Initial Cash Flow Statement assessing progress against elemental costs.

**Minimum Requirement: Sources & Uses** - The Consultant will present a sources and uses table, updated as the Project progresses and showing the planned sources and uses as confirmed by Homes England at the commencement of the Instruction.

### 4.2 Cost per Unit, Market Average comparison & Benchmarking

**Minimum Requirement:** The Consultant will prepare a schedule of data to assist with the compiling of the Homes England MI which will be agreed at the commencement of the instruction. This will include periodic benchmarking of the construction costs to ensure value for money in compliance with the Loan Facility Agreement.

**Cost-per-Unit/cost per square foot (or m<sup>2</sup>)** - The Consultant will estimate the Initial Cost-per-Unit and the Initial Total Cost-per-Unit and state it in a table at the front of your report.

### 4.3 Cash flow Forecast, Cost-to-Complete, & Programme feasibility

**Minimum Requirement: Cash-flow & Programme** - The Consultant will review the Cash Flow Statement and the adequacy of the cash, revenue and costing information to carry out the Project.

The Consultant will provide a specific review of the adequacy of construction cost estimates given the aims and objectives of the Project and the Works including providing commentary on contingency allowances.

- **Value Added Tax:** Subject to such information being available to the Consultant, the Consultant will comment on the amount of any Value Added Tax payments which have been paid by the Borrower together with a statement of how much Value Added Tax has been reclaimed by the Borrower from HM Revenue & Customs and repaid to Homes England.

**Mandatory Requirement: Cost-to-complete** - The Consultant will include an estimate for the cost-to-complete the Project for detailing expenditure in each period and this projection will be updated at each Initial Report. Please see Schedule 1 for the basis Homes England calculates cost-to-complete.

#### **4.4 Loan Facility Agreement, Loan-to-Cost, Development revenues, Recycling of sales proceeds**

**Minimum Requirement: Loan Facility Agreement** – The Consultant will review the Loan Facility Agreement and offer advice and comment to the Homes England transactions officers with regard to the setting of project specific covenants as required.

**Minimum Requirement: Loan-to-Cost** - The Consultant will comment on the profile of loan-to-cost and the assumptions made that underpin the view that the Borrower can comply with this covenant.

**Minimum Requirement: Confirmation of receipt of proceeds** - The Consultant will comment on the receipt of proceeds projected by the borrower in the Initial Cash Flow Statement - including cash contributions, revenues and proceeds from disposals permitted by Homes England (if applicable) and presented in the Cash Flow Statement in reviewed in compiling the Monthly Progress Report.

**Minimum Requirement: Recycling** - The Consultant will consider the **recycling** of properties into the funding of the Project. Where Units are being released for sale, lease or other means of generating money as identified in the Development Appraisal, or otherwise by Homes England or the Borrower, the Consultant will comment on the practical implications and risks to such Units failing to be available by the date that they are anticipated in the Development Appraisal and the Initial Build Programme.

#### 4.5 First Loan drawdown and Conditions Precedent

**Minimum Requirement: First Drawdown** - The Consultant will issue a certificate confirming that spending is in accordance with Project plans and this will be a condition precedent to each draw-down.

Where First Drawdown includes historic expenditure the Consultant will be responsible for reviewing Project expenditure to-date and confirming to Homes England that the spending is in line with the Development Appraisal, Initial Cash-flow Statement and Agreed Plans and the works have been completed and have been reviewed by virtue of a site inspection. The Consultant will comment upon completion, the quality and method of any **Infrastructure enabling works** (including foundations, demolition, retaining walls or reinforced embankments) required in order for the Works and Project to progress.

#### 4.6 Property Valuation Report: assumptions, designs, timescales etc.

**Minimum Requirement: Design and the valuation** - Reviewing the valuation Homes England is relying upon the Consultant to confirm that the **Design Process, Infrastructure** and the Works **are appropriate for the assumptions within the valuation** (including consideration of ground conditions assumptions).

### 5. CONSENTS, LICENCES, APPROVALS

**Minimum Requirement Section 5:** The Consultant will advise on the practical implications of any **planning conditions** required to complete the Project. This includes any cost implications or complications that could reduce the value or quality of the security interest Homes England holds in the Project, by way of increased costs or particular benefits held by the Contractor(s) or the Borrower including by way of example, but not limited to the costs of complying with the section 106 of the Town and Country Planning Act 1990 (as amended).

The Consultant will provide commentary on whether the Borrower can demonstrate satisfactory compliance with all applicable statutory, laws, regulations and approvals, including but not limited to, planning approvals, environmental approvals, building regulations approvals, listed building consents, right-to-light agreements or claims (in conjunction with Homes England's Legal Advisors).

In addition, the Consultant will review and investigate all agreements and arrangements with neighbouring sites for the facilitation or ease of the development activities that form part of the Works and the Project, public health act approvals and fire authority approvals. The Consultant will also provide commentary on the strategy and programme for obtaining any

further statutory approvals (if any) and the risks associated with procuring these future approvals.

**5.1 Planning permissions**

**5.2 Statutory agreements: Highways, Water, Utilities, s. 106, CIL.**

**5.3 Building Regulations: Inspector, Submissions and approvals.**

**5.4 Other statutory or regulatory consents or licences.**

**5.5 Regulations: Construction (Design and Management), Health and Safety, Fire Safety inc. Joint Fire Code.**

**Minimum Requirement: Site Security** - The Consultant will comment upon the effectiveness of security measures at the site including fences, hoardings, gates and other measures to limit access to the Site and the appropriateness of those measures given the location of the Site within the local community. Proximity to schools, hospitals and other public facilities should be considered as should efforts to minimise any peril or discomfort to the neighbouring community.

**Mandatory Requirement: Health & Safety** - The Consultant will confirm that they have reviewed information necessary to assess the compliance of the Borrower with the Health & Safety provisions of the Facility Agreement. The Consultant will confirm that in their opinion the Borrower has taken all necessary steps required to comply with the Health & Safety obligations imposed on them within the Facility Agreement, including but not limited to:

To provide assurance that the borrower / developer in their capacity as CDM client, are discharging their duties as CDM Client, has made suitable arrangements for managing their project, enabling those carrying it out to manage health and safety risks in a proportionate way. This will include but not limited to:

- Confirm the appointment of the principal designer and principal contractor on projects involving more than one contractor.
- Comment on adequacy of arrangements in place for making sure contractors and designers including the principal designer and principal contractor (on projects involving more than one contractor) have the skills, knowledge, experience and organisational capability.

- Comment on adequacy of the arrangements in place to make sure that any principal designer and principal contractor appointed carry out their duties in managing the project e.g. monitoring arrangements progress meetings and site inspections.
- Comment on the adequacy of arrangements in place for providing pre-construction information to every designer and contractor either bidding for the work or already appointed to the project.
- Comment of the adequacy of arrangements in place for allowing sufficient time and resources for each stage of the project.
- Confirm the arrangements in place for ensuring suitable welfare facilities are provided for the duration of the construction work.
- Comment on the adequacy of arrangements in place to maintain and review the management arrangements for the duration of the project.
- Confirm that the principal contractor or contractor (for single contractor projects) has prepared a construction phase plan and comment on its adequacy.
- Confirm that the principal designer is preparing a health and safety file for the project.
- For notifiable projects (where planned construction work will last longer than 30 working days and involves more than 20 workers at any one time; or where the work exceeds 500 individual worker days), that the project has been notified to the HSE and a copy of the notification is displayed on site.

Confirm the arrangement in place for reporting and investigating accidents and incidents and that where applicable, notifiable accidents and incidents reportable under RIDDOR are notified to the Health and Safety Executive, and that such accidents and incidents are reported to Homes England, in accordance with the relevant clause in the facility / development agreement.

The Borrower / Developer agrees to maintain an accurate record of all health, safety and environmental incidents and provide a report to Homes England's Health & Safety Manager quarterly in the specified in the relevant schedules.

**Mandatory Requirement: Environmental Monitoring and Assurance -**

To provide assurance that the borrower / developer has made suitable arrangements for managing their project in line with applicable environmental legislation and other compliance obligations, enabling those carrying out the project to manage environmental risks. This will include, but is not limited to:

- Confirm that the Borrower/Developer has prepared a construction phase environmental management plan and comment on its adequacy.
- Comment on adequacy of arrangements in place for identifying and managing the Project / Development's key environmental risks, e.g. waste and materials management, ecology, pollution prevention and response, noise and nuisance, etc.

- Comment on adequacy of the arrangements in place by the Borrower / Developer to monitor and manage environmental risks and their mitigation on site.
- Comment on the availability and competence of specialist recourses required to support delivery of the Project / Development, e.g. ecologists, archaeologists, etc.
- Comment on any environmental observations that may adversely affect the delivery of the scheme in relation to funding, programme and reputation.
- Confirm the arrangements in place for reporting and investigating environmental incidents and statutory nuisance complaints, and are reported to Homes England, in accordance with the relevant clause in the facility / development agreement.

**Mandatory Requirement: Fire Safety** – The Consultant will confirm that any building higher than 11 metres has regulatory compliant cladding and comply with building control. Additionally, the Consultant will confirm that the required fire safety reports have been issued for the Project and send a copy of each report with comments as to the findings to Homes England highlighting any concerns Homes England should have as to the findings or observations in the fire safety reports.

## 6. PROCUREMENT, SUPPLY CHAIN

### 6.1 Borrower's parties and representatives: Developer, Contractor, Professional Team, Consultants etc.

**Minimum Requirement: Borrower's representatives** - Where it is proposed that the Borrower will not directly manage the development activities and instead will utilise an Employer's Agent or other such project manager with devolved powers and authorities to contract on the Borrower's behalf, the agreement between the Employer's Agent and the Borrower will be reviewed in final form by the Consultant.

Throughout the period of this engagement the Consultant will pay particular attention to any commercial or **technical interface** risks between the Borrower, its contractors and sub-contractors and any other agent of the Borrower or person engaged in the Project that may have consequences for the undertaking of the Works as part of the Project noting in particular any:

- **Technology Risk:** where a project has a more complex **technology element** or **manufacturing element**, for example, but not limited to, energy efficient heating, water boiler systems with a less proven technology, and other energy saving or generating technology (in particular solar panels bolted to the roof), and heating and cooling systems or a high dependency on one building design system or one factory.

- **Third Party risk:** the risk that completion of the Works or the Project objectives is dependent on the actions of a third party to grant rights to the Project, including but not limited to access agreements or licences or contractual or statutory interfaces with **utilities or public authorities** or private companies (i.e. LUL or a water authority) **and any associated indemnities or contractual obligations.**

## 6.2 Suitability and capacity of parties

**Minimum Requirement:** The Consultant will provide commentary on the Borrower and the proposed **Material Contractor(s)** (as defined in the Facility Loan Agreement), **other contractors** and **sub-contractors**, their suitability and relevant experience including in relation to performance on other developments.

## 6.3 Form of procurement strategy (Building Contract, Developer/Builder)

**Mandatory Requirement: Procurement strategy** - The Consultant will review the method of procurement and the tendering arrangements being proposed by the Borrower and whether or not the Building Contract and the procurement of the Works is in the opinion of the Consultant adequate to achieve the Agreed Plans and the Project.

Procurement strategy will be subject to the on-going monthly reviews of the Consultant.

The terms, conditions and adequacy of the Building Contract(s) required to expedite the Project and Works, warranties, bonds, guarantees, or reports on contracts by the legal advisors to other related contractual documents, will be reviewed by the Consultant from a commercial and technical perspective.

The Consultant will confirm the contract packages that have been let and contracted at the time of the Initial Drawdown and will provide comment of the risks posed by the balance of un-let and un-contracted works packages to the projected costs set out in the Initial Cash Flow Statement.

**Mandatory Requirement: Loan Facility Agreement Provisions** – The Consultant will check and confirm that the proposals with regards to procurement will satisfy the obligations relating to procurement and value for money contained within the Loan Facility Agreement. Providing any benchmarking as required within the Loan Facility Agreement.

**Mandatory Requirement: Modern Slavery** - Modern Slavery Confirmation a high level overview of any events that have occurred in the operations of the Borrower that appropriate reviews have been undertaken to comply with the Modern Slavery laws and regulations.

#### 6.4 Professional Team Appointments, Collateral warranties, Intellectual Property.

**Minimum Requirement:** The Consultant will review and comment on the relevant experience and terms of appointment of the members of the **Professional Team**.

**Minimum Requirement:** The Consultant will make recommendations as to which Professional Team members, contractors or sub-contractors will need to provide collateral warranties. The Consultant recommend **Collateral Warranties** to be requested from the Borrower and will review the **Collateral Warranties** confirming that they are appropriate and adequate.

**Minimum Requirement: Intellectual Property Risk** - where any product licencing, proprietary right (such as ownership of design) or patent or other licencing are required and replacement of this right, if it was revoked will have a cost implication. Homes England is interested in the implications for a Project where it is relying on such a proprietary right and the Consultant will note the existence of such rights to Homes England.

#### 6.5 Subcontractors and suppliers, Materials, Labour, Off-site manufacture, Supply chain security.

**Minimum Requirement:** The Consultant will provide commentary on the proposed contractor(s) and sub-contractors, their suitability, relevant experience and any substantiated or unsubstantiated (insofar as it may be disclosed) information which the Consultant is aware of and free to disclose in respect of each proposed sub-contractors including in relation to performance on other developments.

**Minimum Requirement: Modern Methods of Construction** - The Consultant will report on the manufacturing process, build warranty accreditation (i.e. BOPAS / Build zone / NHBC) and payment cycle for materials off-site; including the use of recommended vesting certification, insurance, identification and safe storage of off-site materials.

- Identify any key risks, guarantees, bonds and direct contract obligations.
- A factory site visit is required to map out the manufacturing process, quality assurance procedures and key milestone dates.

**Minimum Requirement: Supply Chain Security** - The Consultant will provide comment supply of materials or labour in the area local to the Project or nationally that could cause an increase in the costs or a delay in the Project. The Consultant will also consider any particular dependency on a supply chain or an internal cost regime that could leave the Project exposed

to increased costs where that counter-part fails (for example due to insolvency of the contractor).

The Consultant will report the processes for the storage and identification of materials off-site including noting whether the Borrower is maintaining bills of lading to identify its ownership of materials paid for with proceeds of the loan from Homes England.

**Minimum Requirement: Disputes** - Homes England considers Disputes & Potential Disputes to be a key indicator of problems on site, potential delays and quality issues. The Consultant will provide a periodically updated list of any material contractual issues or Disputes & Potential Disputes (as defined) and proposed mechanisms for resolution and details of the quantum of claim;

**Minimum Requirement: Claims** - The Consultant will note and comment upon any claims against subcontractor surety bonds, retentions and any other contractual deductions (including alleged cause and likely quantum of claim and possible impact in the Initial Build Programme). If required the Consultant will undertake a detailed review under this Scope, but on terms to be agreed with Homes England.

**Minimum Requirement: Defects and Quality** - The Consultant will request and comment on any evidence of defective workmanship and workmanship that falls below the quality standard expected in the contractual undertakings of the Borrower, the contractor(s) or the sub-contractors as presented by the Borrower, contractor(s) and Professional Team.

## 7. PROPERTY

**In addition to the matters detailed at 7.1 to 7.4 the Consultant will also consider:**

**Minimum Requirement: Site Description & Access Rights** - The Consultant is asked to comment on the rights to site access in both legal (easements and right of access) and physical (load bearing entry points and other physical restrictions on access).

**Minimum Requirement:** Where sites are undertaken in **phases** Consultant will comment upon the adequacy of the access rights in the event of the exercise of security over the other phases noting whether the Consultant considers the exercise of security over other phases could be detrimental to the completion of the Project.

### 7.1 Property registration, Boundaries, Neighbours etc.

### 7.2 Report on Title, Property acquisition, Proprietorship, Legal charges

### **7.3 Property restrictions, encumbrances**

### **7.4 Sales agreements, Completion and handover, Sales proceeds.**

## **8. INSURANCES**

**Mandatory Requirement: Insurance Confirmation** - the Consultant will provide a high level description of that adequate insurances are paid for and placed, and continuing to be in force for the borrower and its subcontractors (and Professional Team as relevant) and a confirmation that each Site has an updated Site Insurance Confirmation and that underlying insurances are all in place.

Included in the Insurance Confirmation will be an up to date register of any claims and a register of any notifications that have been provided to any borrower (subcontractor and Professional Team) insurers in accordance with the terms of its policies. The Consultant will comment on the adequacy, compared against schemes of a similar size and nature.

### **8.1 Property insurances: Owner, Indemnities**

### **8.2 Building contract insurances: Existing structures, All Risks**

### **8.3 Professional Team insurances**

### **8.4 Latent Defects Insurance: Insurer, Policy details, Submissions and approvals**

### **8.5 Other insurances: Subcontractors, Materials, Insurance-backed guarantees**

## **9. SIGNATURE AND NOTES**

### **9.1 Signature of qualified Monitoring Surveyor**

### **9.2 Confirm responsibility for report, Reliance that can be used.**

### **9.3 Schedule of abbreviations used in the report.**

## **10. APPENDICES**

**10.1 Photographs of the Property and environs**

**10.2 Site location, Development layout plan and Housing unit plans**

**10.3 Development Appraisal - HE Template A**

**10.4 Cash Flow Forecast, showing monthly: Expenditure, Revenue, External funding required  
- HE Template B**

**10.5 Programme, showing monthly: Completion of units, Homes England Milestones,  
Revenues - HE Template C**

# Schedule 1

## Cost-to-Complete

**Cost to Complete Review** detailing the estimate of the cost-to-complete the construction activities on the Site to the completion of the whole Site as anticipated and set out in the Original Development Appraisal will be included in the Initial Report and each report thereafter.

Each Cost-to-Complete Review (from the Initial Cost-to-Complete Report and each updated Cost-to-Complete Report) will be prepared, reviewed and confirmed by a suitably qualified professional ( the **Cost Consultant**) owing a duty of care to Homes England in all of its capacities (as investor, lender or interested title holder) and other parties as directed by Homes England in writing, that person being a Quantity Surveyor and a member of the Royal Institution of Chartered Surveyors or an appropriately experienced full chartered member of the Chartered Institute of Building by written agreement of Homes England at the commencement of the instruction).

### 1. The Initial Cost-to-Complete Review

The first cost-to-complete review within the Initial Report will include the Initial Programme Budget as defined below:

**"Initial Programme Budget"** means a depiction of the periodic capital expenditure (presented on a monthly basis) prepared by the Cost Consultant and setting out the phases of the development and confirming the following:

- a) Day One Target Construction Cost and the Day One Target Development Cost;

*as required to achieve*

- b) the **Development Practical Completion** by the **Day One Target Completion Date** assuming a start on Site date being the **Target Start on Site Date**.

The Initial Programme Budget will also include observations and assumptions of factors that may cause the **Day One Target Construction Cost** and the **Day One Target Development Cost** or **Day One Target Completion Date** to exceed their more recent updated estimations.

#### Further Definitions

**"Day One Target Completion Date"** means the date in the Original Development Appraisal, that it was estimated when Development Practical Completion would occur and underpins the original Board approved construction and development budgets and cost estimates;

<b>"Day One Construction Cost"</b>	<b>Target</b>	means being the supply chain construction costs estimated as presented to the Members in the Original Development Appraisal, as being required to complete the development finishing all Homes on the Site achieving the Development Practical Completion as set out in the Original Development Appraisal and NHBC certification on all Homes, by the Day One Target Completion Date, as set out in the Original Development Appraisal.
<b>"Day One Development Cost"</b>	<b>Target</b>	means being the supply chain construction costs, Development Service Costs, overheads and marketing costs estimated and presented to the Members in the Original Development Appraisal, as being required to complete the development finishing all Homes on the Site to a level where they would achieve NHBC certification on all Homes, by the Day One Target Completion Date, as set out in the Original Development Appraisal;
<b>"Development Completion"</b>	<b>Practical</b>	<p>means practical completion of the whole of the Development (and if such Development was completed in sections meaning practical completion of the last section) where the borrower, and borrower's project manager or similar professional support, confirms that the Development is complete in all major respects including where applicable:</p> <ul style="list-style-type: none"> <li>(a) the car parking areas for any relevant Dwelling are completed and that all private drives and pathways for any relevant Dwelling have been laid to wearing course level with any demarcation and identification of parking spaces completed; and</li> <li>(b) Estate Roads serving any relevant Dwelling are completed to at least base course level (with raised iron works protected); and</li> <li>(c) all necessary street lighting and services serving any relevant Dwelling have been provided and made operational and all road names and street signage complete; and</li> <li>(d) in the case of apartments all common parts of the building of which they form part and communal areas have been completed; and</li> <li>(e) safe vehicular and pedestrian access is available from the public highway to any relevant Dwelling (but not necessarily that the turfing of any lawn has been completed where this is prevented by adverse weather or the season being inappropriate to the laying of it or that minor defects have been remedied); and</li> </ul>

- (f) sufficient Infrastructure serving any relevant Dwelling has been completed); and
- (g) the Handover Documentation applicable to the Dwelling Unit has been provided to the borrower.

**"Original Development Appraisal"** means the first full original Development Appraisal approved by the borrower's Board relating to the Project and Works and setting out the number of Homes to be completed, their standard, the programme for completion and estimating the cost of the development of the Homes. This Original Development Appraisal is the Board approved starting point and reference point for any increase in cost or time relating to the Project or Works and will be provided to the Cost Consultant at the start of the instruction.

**"Target Start on Site Date"** means such date from time to time as provided for in a Development Appraisal when works are expected to commence on the Site that is used to estimate costs.

**2. Monthly Updates to the Cost-to-Complete Review**

Cost-to-Complete Review will be updated monthly and included in the Interim Reports and will include the Updated Programme Budget which will be an update Initial Programme Budget as defined below:

**"Updated Programme Budget"** means the Initial Cash Flow Statement and Development Costs as set out in the Original Development Appraisal updated by the borrower and Confirmed by the Cost Consultant, and confirming the actual start on site date, presenting the cost performance of each site and including:

**1) Actual Construction Costs against Programme:**

the Actual Construction Cost-to-Date for each period (as set out in the Initial Programme Budget) compared against Day One Target Construction Cost for each period (as set out in the Initial Programme Budget); and

**2) Actual Development Costs against Programme**

the Actual Development Cost-to-Date for each period (as set out in the Initial Programme Budget) compared against the Day One Target Development Cost for each

period (as set out in the Initial Programme Budget); and

**3) Estimated completion date**

the Current Estimated Completion Date; and

**4) Estimated Construction Costs**

the Total Estimated Construction Costs to achieve Development Practical Completion by the Current Estimated Completion Date; and

**5) Estimated Development Costs**

Total Estimated Development Costs to achieve Development Practical Completion by the Current Estimated Completion Date; and

**6) Observations**

Observations and assumptions of factors that may cause the **Total Estimated Construction Costs, Total Estimated Development Costs or Current Estimated Completion Date** to exceed their more recent updated estimations.

**7) Disputes**

Notification of any material pay-less notices, threatened or pending claims by members of the supply chain with a value over £10,000.

Further Definitions

**"Actual Construction Cost-to-date"** means the supply chain construction costs incurred as allowable costs, or as otherwise calculated by the Cost Consultant, in the development of the Site;

**"Actual Development Cost-to-Date"** means the supply chain construction costs, overheads, development management costs and marketing costs incurred as Allowable Costs in the development of the Site;

**"Current Estimated Completion Date"** means the most probable date when the Development Practical Completion will be achieved and all Homes on the Site would be completed to

the Site Specification Standard and a standard to achieve NHBC certification as estimated by the Cost Consultant owing a duty of care to the JVCO.

**"Total Estimated Construction Costs"** means being the supply chain construction costs the Cost Consultant, owing a duty of care to the JVCO, estimates are required to complete the development of the Site, achieving the Development Practical Completion and NHBC Certification on all Homes, by the Day One Target Completion Date (to the extent it is appropriate or logical to calculate), and the Current Estimated Completion Date;

**"Total Estimated Development Costs"** means the supply chain construction costs, overheads and marketing costs confirmed as adequate by the Cost Consultant, to complete the development of the Site, achieving the Development Practical Completion and NHBC certification on all Homes, by the Day One Target Completion Date (to the extent it is appropriate or logical to calculate), and the Current Estimated Completion Date.

## Schedule 2

# Health & Safety Competence for Monitoring Surveyors undertaking H&S Checks

## Competencies – Experience and Qualifications

Professionally qualified safety practitioner Chartered Member (CMIOSH); or Graduate member of IOSH (Grad IOSH) or Technician Member (Tech IOSH) working under the supervision / direction of Chartered Member (CMIOSH).

Experience of working in a construction related field of work or in a construction related discipline with extensive experience and knowledge of the Construction Design and Management (CDM) Regulations.

Desirable qualifications / training including NEBOSH Construction Cert, APS, SMSTS, SSSTS; Construction Managers. Demonstratable CPD.

## Notes

1. IOSH – Institution of Occupational Safety & Health.
2. SMSTS - Site Management Safety Training Scheme Certificate of training (37.5hrs)
3. SSSTS – Two-day CITB Site Safety Plus Accredited Site Supervisor Safety Training Scheme for the construction site supervisor
4. Construction Manager- Experienced in planning, managing and co-ordinating construction workers and construction works on site.
5. Demonstrable CPD – Having demonstrated a continuous 12 months of CPD in construction site layout, works planning and construction site safety principles.