



SCOPE OF SERVICES

# Lender's Independent Monitoring Surveyor Services

England and Wales

May 2022

# Lender's Independent Monitoring Surveyor Services

England and Wales

May 2022



Published by the Royal Institution of Chartered Surveyors (RICS)

Parliament Square

London

SW1P 3AD

[www.rics.org](http://www.rics.org)

No responsibility for loss or damage caused to any person acting or refraining from action as a result of the material included in this publication can be accepted by the authors or RICS.

© Royal Institution of Chartered Surveyors (RICS) May 2022. Copyright in all or part of this publication rests with RICS. Save where and to the extent expressly permitted within this document, no part of this work may be reproduced or used in any form or by any means including graphic, electronic, or mechanical, including photocopying, recording, taping or web distribution, without the written permission of RICS or in line with the rules of an existing licence.

# Contents

<b>Lender’s Independent Monitoring Surveyor Services .....</b>	<b>1</b>
1 Technical due diligence and initial report.....	1
2 Construction phase progress reporting and drawdowns .....	3
3 Close out report .....	6
4 Bespoke Additional Services .....	6
<b>Appendix A: Schedule of meetings to be attended by the Consultant .....</b>	<b>7</b>
<b>Appendix B: Glossary of terms.....</b>	<b>9</b>

# Lender's Independent Monitoring Surveyor Services

For use with the RICS Short Form of Consultant's Appointment for Designated Services

## Additional notes

- These Services should be completed by inserting a 'tick' in the box next to the Service to be provided. For further information please refer to the RICS Short Form of Consultant's Appointment for Designated Services explanatory notes.
- All other Services that are not ticked shall be deemed to be Additional Services under the terms of this Appointment.
- Any bespoke Additional Services agreed between the Client and the Consultant should be inserted in Section 4.
- A schedule of 'typical' meetings is included with these Services in the Appendix. Completion of this schedule is also recommended.
- Refer to the current edition of the RICS guidance note *Lender's independent monitoring surveyor*.

## 1 Technical due diligence and initial report

### 1.1 Introduction

- 1.1.1 Undertake a technical due diligence review, prepare an initial report with risk register in a format agreed with the Client and consider any conditions precedent (or similar) included in the Client's financing documentation.
- 1.1.2 Establish the lines of authority and communication for the Project, request Project related information from the Client and appropriate Project parties and chair a kick-off meeting as required.
- 1.1.3 Liaise as required with the valuer, legal adviser and any other adviser notified as at the execution of this Appointment by the Client to the Consultant.

### 1.2 Financial

- 1.2.1 Review the adequacy of proposed construction costs, including any enabling or abnormal works, commenting on any estimated quantities, provisional sums, prime cost sums and/or contingency allowances.
- 1.2.2 Review the proposed contract sum analysis and the split and sufficiency of each element therein.
- 1.2.3 Review the Project cash flow statement and compare it to the Project programme and each element of the contract sum analysis, including any identified revenue or cash injections.
- 1.2.4 Examine the development appraisal, assessing the inclusion of the necessary Project costs, noting agreed sources of funding, Project accounts, retention, interest, fees and treatment of VAT.
- 1.2.5 Review the proposed application and proper calculation of any liquidated and

ascertained damages (or similar) identified in the Building Contract.

- 1.2.6 Establish with the contract administrator the approach to the management of Building Contract payments, including the need for payment bonds, the requirement for holding retention and whether payment should be made for materials on-site and off-site.
- 1.2.7 Review the sufficiency of the insurances required under the Building Contract and in accordance with the Client Team appointments.

### 1.3 Programme

- 1.3.1 Review the proposed Project programme and examine the relevant milestones.
- 1.3.2 Assess the adequacy of the build programme and the projected time periods, commenting on logic, float and critical path.
- 1.3.3 Assess the adequacy of the design programme and any information release schedule or similar.

### 1.4 Design and engineering

- 1.4.1 Review the relevant experience (and CVs where possible) and the terms of appointment of the Professional Team, including the scopes of service and construction phase obligations.
- 1.4.2 Comment on the allocation of design responsibility, including any Contractor design portion and subcontractor liability and the provision of collateral warranties to the Client.
- 1.4.3 Examine the ground investigation report and comment on the implications for the Project proposals, including treatment of contamination.
- 1.4.4 Review and comment on any refurbishment proposals.

- 1.4.5 Review and comment on any condition surveys made available to the Consultant that support the refurbishment specification.
- 1.4.6 Assess the general sufficiency of the available design information to support the works and the proposed design process.
- 1.4.7 Comment on the appropriate inclusion of design requirements of third parties, such as pre-let tenants.
- 1.4.8 Comment generally on the building technology proposed and any possible implications of using less proven technology if relevant.
- 1.4.9 Comment on the servicing of the Site with all required utilities.
- 1.4.10 Consider the requirements in relation to any environmental or energy related matters and obligations.

### 1.5 Planning and consents

- 1.5.1 Consider any planning conditions and associated obligations imposed through the planning process, in particular any pre-commencement conditions and any required wayleaves or easements.
- 1.5.2 List and consider any pre-commencement conditions required by funders and other interested third parties.
- 1.5.3 Consider any environmental approvals, Building Regulations approvals, listed building consents, right-to-light agreements, latent defect warranties, party wall awards, crane oversail agreements (and similar) and how they are being managed.
- 1.5.4 List and consider any relevant third party warranties, licences or similar required to progress the Project.
- 1.5.5 Review the status of on-going dialogue with statutory authorities and other third parties.



## 1.6 Project delivery and construction

- 1.6.1 Review and critique the Project management systems proposed by the borrower, the Professional Team and/or the Contractor.
- 1.6.2 Review the experience, suitability, capacity and capability of the proposed Contractor(s) and key subcontractors, considering key CVs where possible.
- 1.6.3 Consider the processes to be employed by the Contractor for the management of work packages and/or subcontractors.
- 1.6.4 Consider the processes to be employed by the Contractor and the Client for the management of workmanship and quality.
- 1.6.5 Examine the Contractor's proposed construction methodology and phasing of the works including:
  - commenting on Site arrangements
  - site logistics
  - oversailing requirements;
  - welfare accommodation
  - temporary works
  - management of materials
  - site traffic
  - management of subcontractors, etc.
- 1.6.6 Review of the Contractor's Project completion procedures including examination of handover, snagging and defects rectification processes.

## 1.7 Health and safety

- 1.7.1 Review the Project health and safety proposals, health and safety plans and Health and Safety Executive notifications.
- 1.7.2 Examine the Project processes and documentation for compliance with the requirements of the *Construction, (Design and Management) Regulations 2015* (and/or other relevant health and safety legislation).

## 1.8 Contracts

- 1.8.1 Consider the chosen Project procurement strategy, outlining the risks to the Project in relation to time, cost and quality and indicating how the perceived risks are to be addressed.
- 1.8.2 Consider any works required to comply with statutory consents, development agreements, agreements for lease and other similar external constraints.
- 1.8.3 Consider the terms, conditions and suitability of the Building Contract(s), subcontracts and associated documentation.
- 1.8.4 Review the contractual requirements for collateral warranties to be executed in favour of the Client (acting as the lender), including those to be provided by the Client Team, the Contractor and any subcontractors.
- 1.8.5 Consider the contractual requirements for parent company guarantees and/or performance bonds or other similar security as may be required.
- 1.8.6 Review the technical requirements and conditions precedent of the Project's financing documentation.

## 2 Construction phase progress reporting and drawdowns

### 2.1 Generally

- 2.1.1 Monitor and review the progress of the Project and provide early warning to the Client in regard to significant risks to the cost, programme or other technical aspects of the Project.
- 2.1.2 Visit the works and attend Project progress meetings as required to support the Client's processes for each drawdown request.
- 2.1.3 Prior to the first borrower drawdown request, the Consultant will agree with

the Project parties the required pre-visit information to be made available by the borrower each month, required to support the drawdown and Project review.

- 2.1.4 Periodically present monitoring reports and drawdown certification to the Client in a format agreed with the Client.
- 2.1.5 The Consultant does not take any design or engineering liability nor liability in relation to construction compliance, workmanship or quality.

## 2.2 Periodic drawdowns

- 2.2.1 Review and confirm periodically to the Client the current Project expenditure subject to receipt of the borrower's drawdown request.
- 2.2.2 Issue periodically a drawdown certificate in a format agreed with the Client, confirming that Project spending is in accordance with the Project documentation, the Client's financing documentation and associated conditions precedent made known to the Consultant.

## 2.3 Financial matters and expenditure

- 2.3.1 Provide a commentary on actual income and expenditure for the Project compared with the baseline cash flow forecast, development appraisal and contract sum analysis.
- 2.3.2 Confirm that expenditure claimed against the drawdown facility has been properly incurred by the borrower and approved for drawdown in accordance with the Project documentation and the Client's financing documentation.
- 2.3.3 Obtain evidence from the borrower that funds previously provided to the borrower have been appropriately used.
- 2.3.4 Comment on the sufficiency of the remainder of the funding facility to meet the

likely costs required to complete the Project.

- 2.3.5 Provide periodically a cost summary in agreed format with the Client that includes:
  - the original development appraisal headline amounts together with the contract sum analysis and associated cashflow
  - the current Project budget (including estimated Building Contract final account)
  - a register of significant Project changes (actual and potential) obtaining Client approval where required
  - the status of Project estimated quantities, provisional sums, prime cost sums and contingency
  - the status of significant time and money claims (actual and potential)
  - confirmed costs expended to date and an analysis of the rate of spend
  - other funding sources for the Project and an analysis of the sufficiency of total available funds to achieve completion
  - VAT and
  - confirmed financing costs.
- 2.3.6 Comment on cash contributions, revenues and proceeds from disposals.
- 2.3.7 Review requests for payment made by contractors for materials that are stored on-site or materials that are stored off-site.
- 2.3.8 Consider the proper application of retention and/or liquidated and ascertained damages associated with the Building Contract.
- 2.3.9 Comment on the loan-to-cost and loan-to-value ratios as appropriate for the Project, and any other similar controls or limitations.
- 2.3.10 Comment on any significant disputes relating to the Contractor or subcontractor payment that may become apparent.
- 2.3.11 Request evidence as necessary and confirm in each monthly report that all the

necessary Project insurances are in place as required.

## 2.4 Programme

- 2.4.1 Comment on progress as measured against the baseline programme and the updated construction programme, considering any matters that may affect the achievement of completion milestones.
- 2.4.2 Set out the contractual milestones, long-stop dates and phasing dates that make up the Project timetable. Report progress in each monthly report.
- 2.4.3 Comment on the adequacy of the Professional Team and the Contractor's resource as perceived from Site visits and from the invoicing procedure.
- 2.4.4 Consider the pace and progress of design development required to support the construction works.
- 2.4.5 Consider any requests (potential or actual) for additional time and the potential impact on the completion date for the Project.
- 2.4.6 Comment on any disputes relating to Contractor or subcontractor progress that may become apparent.
- 2.4.7 Maintain a photographic record of progress from Site visits.
- 2.4.8 Summarise the potential work anticipated to be completed over the next reporting period.

## 2.5 Planning and consents

- 2.5.1 The Consultant shall:
  - consider the status of any planning conditions and associated obligations imposed through the planning process
  - consider any environmental approvals, Building Regulations approvals, listed building consents, right-to-light agreements, latent defect warranties,

party wall awards, crane oversail licence or similar and how they are being managed

- consider any relevant third party warranties, licences or similar required to progress the project and
- consider the status of on-going dialogue with statutory authorities and other third parties.

## 2.6 Contractor and subcontractor

- 2.6.1 Assess the on-going capability and Project engagement of the contractors and subcontractors considered significant for a successful outcome for the Project.
- 2.6.2 Advise the Client in relation to the approval of the Contractor and/or subcontractors who are likely to be appointed to the Project.
- 2.6.3 Comment as necessary on the management of the Site and related issues such as access, boundary and neighbour liaison, Site security, Site set-up, utilities and connections.

## 2.7 Defects and quality

- 2.7.1 Confirm that all relevant authorities are satisfied with the quality of the works and compliance with relevant regulations.
- 2.7.2 Comment on poor or defective workmanship observed during the Site visit.
- 2.7.3 Comment on the level of snags, defects, and outstanding work and the potential impact to the Project.
- 2.7.4 Comment on any identified deviations in the works from the proposed design.

## 2.8 Construction phase health and safety

- 2.8.1 Report health and safety issues or incidents and maintain a record in the periodic report.



- 2.8.2 Consider the approach taken by all parties to health and safety generally on the Project.

### 3 Close out report

- 3.1 Issue a final or close out report, providing a summary of the Project at project close or the Consultant's final involvement in it. Include an executive summary, risk register, project financial analysis, project claims analysis, summary of handover documentation and assessment of statutory consents.

### 4 Bespoke Additional Services

- 4.1 Enter or attach bespoke Additional Services agreed with Client.

# Appendix A: Schedule of meetings to be attended by the Consultant

## 1 Client meetings

Attendance: Partner  Director  Associate  Project surveyor   
 Other  (please specify) \_\_\_\_\_

Frequency: Daily  Weekly  Monthly  Quarterly   
 No attendance required  Other

Please specify requirements: \_\_\_\_\_

## 2 Design team meetings

Attendance: Partner  Director  Associate  Project surveyor   
 Other  (please specify) \_\_\_\_\_

Frequency: Daily  Weekly  Monthly  Quarterly   
 No attendance required  Other

Please specify requirements: \_\_\_\_\_

## 3 Project team meetings

Attendance: Partner  Director  Associate  Project surveyor   
 Other  (please specify) \_\_\_\_\_

Frequency: Daily  Weekly  Monthly  Quarterly   
 No attendance required  Other

Please specify requirements: \_\_\_\_\_

#### 4 Site meetings

Attendance: Partner  Director  Associate  Project surveyor   
 Other  (please specify) \_\_\_\_\_

Frequency: Daily  Weekly  Monthly  Quarterly   
 No attendance required  Other

Please specify requirements: \_\_\_\_\_

#### 5 (Other) meetings

Attendance: Partner  Director  Associate  Project surveyor   
 Other  (please specify) \_\_\_\_\_

Frequency: Daily  Weekly  Monthly  Quarterly   
 No attendance required  Other

Please specify requirements: \_\_\_\_\_

# Appendix B: Glossary of terms

<b>Building Contract</b>	The contract or contracts between the Client and the Contractor for the construction of the Project, a copy of which (or a copy of relevant extracts of which) the Client provides to the Consultant.
<b>Contractor</b>	The contractor or contractors that the Client appoints under the Building Contract.
<b>Site</b>	The site on which the Project is being undertaken.

## Delivering confidence

We are RICS. Everything we do is designed to effect positive change in the built and natural environments. Through our respected global standards, leading professional progression and our trusted data and insight, we promote and enforce the highest professional standards in the development and management of land, real estate, construction and infrastructure. Our work with others provides a foundation for confident markets, pioneers better places to live and work and is a force for positive social impact.

Americas, Europe, Middle East & Africa  
**[aemea@rics.org](mailto:aemea@rics.org)**

Asia Pacific  
**[apac@rics.org](mailto:apac@rics.org)**

United Kingdom & Ireland  
**[contactrics@rics.org](mailto:contactrics@rics.org)**



**[rics.org](http://rics.org)**