

RECORD OF MEETING

Project Title:	Development Sub Committee
Purpose of Meeting:	Quarterly Review Meeting
Date of Meeting:	Monday 13 th March 2023 14:00
Held at:	Microsoft Teams



Those Present:	Action Ref:	Company:
James Wood	JW	CHAIR of Subcommittee
Jason O'Donoghue	JOD	Shropshire Towns and Rural Housing Ltd
Kayleigh Hepburn	KH	Shropshire Towns and Rural Housing Ltd
Julia Buckley	JB	Shropshire Council
Steve Robinson	SR	Independent Board Member
Yordan Tolev	YT	Tenant Board Member
Harpreet Rayet	HRa	Shropshire Towns and Rural Housing Ltd
Tracey Gray	TG	Shropshire Towns and Rural Housing Ltd
Steve Ogram	SO	Shropshire Towns and Rural Housing Ltd
Mandy Pullen	MP	Shropshire Towns and Rural Housing Ltd
Apologies:		
Angela Simpson	AS	Shropshire Towns and Rural Housing Ltd
Paul Weston	PW	Co-Opt Member

1.	Apologies and Introductions	Action
1.1.	Apologies were received from: Angela Simpson	
2.	Minutes of Meeting Held 9 th November 2022	
2.1.	The minutes of the last meeting were accepted as true.	
2.2.	<p>Matters Arising: Action 3.1 PW requested that the group review the parameters that are being used-</p> <p>JoD noted there was a Proval parameter update. HRa noted going forward we need to agree via the Board the parameters we work on for the developments go and make sure they are kept within the right reporting structure. We are proposing to bring them to the May Board and then report back to the</p>	<p>JoD/HRa submit parameter s to May Board Meeting</p>

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	Development Subcommittee in terms of development appraisals. Prices have increased so whereas pay back has been traditionally 30 years, it can be much longer. JW noted to leave this as an action for JoD and HRa to bring to the main Board.	
3.	Development Update (Open Session)	
3.1.	JOD pointed out that the risk registers are available in the teams file and explained that the summary Scheme Map remains the same since the last meeting. Any new risks would be discussed in the following section.	
3.2.	<p>JoD noted there is a new report formant. The first page is dealing with risks.</p> <p>Development Summary: The STAR team has achieved the following milestones since the previous meeting in November 2022:</p> <ul style="list-style-type: none"> • The award of full planning permission at Fairfield Close, Gobowen • Agreed heads of terms with a landowner and instructed legal on a community led scheme of 10 affordable homes in Harmer Hill, Shrewsbury • Accepted two S106 affordable homes from Shingler Homes in Whittington <p>STAR's immediate focus over the coming months is to close out the contractual issues that have arisen with J Harper & Sons that are working on 3 schemes. Following this, Russell Close, Stanmore (two plot Passivhaus pilot scheme) can progress.</p> <p>STAR will need to focus on successfully moving existing residents from Fairfield Close in order to progress the development programme at this site.</p> <p>JW queried the group for the Harmer Hill Scheme, how will this work? JoD noted there will be terms of reference for the group- it should be made up of Parish Council and residents (about 6 members), before moving onto feasibility studies and planning application. HRa observed there is the opportunity to look at bringing more units on board from a STAR perspective within Shrewsbury and North Shropshire. We need to think about how we are best placed to take advantage of these opportunities and prioritise which developments.</p>	

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	<p>Development Activity: JoD discussed the stages of development as of February 1st 2023.</p> <ul style="list-style-type: none"> • Opportunities are being assessed and high-level appraisals considered by STAR MD and CD to decide on progress to Stage 2 or abandon scheme. • Stage 2 (Pipeline) Site surveys and investigations undertaken, cost consultant plans obtained, HOT agreed and appraisal approved by STAR MD and CD to submit a planning application. STAR has 44 units at stage 2. • Stage 3 (Development Approval) Planning permission granted, tender returned and STAR Development Sub-committee approval obtained to enter contract(s) and start on site. • Stage 4 (On Site) Site progress reported against approved Development Appraisal (by exception only if costs exceed approved development appraisal). STAR has 91 units at stage 4. • Stage 5 (Practical Completion) STAR Development Subcommittee approval obtained for final Development Appraisal and payment of any overage provision (if applicable). • Stage 6 (Defects) STAR Development Subcommittee approval obtained for defect Development Appraisal and closure of all expenditure. <p>STAR's current pipeline is for 135 new homes, excluding any S106 units that HRA previously mentioned.</p> <p>Several Developers have requested that STAR bid for S106 affordable homes (65 in total) on developments across Shropshire. These include:</p> <ul style="list-style-type: none"> ○ Shropshire Homes Ltd ○ Pickstock Homes ○ Anwyl Homes ○ Wain Homes ○ Shingler Homes <p>SR queried how would this develop? JoD noted we make a conditional offer, look at the area and if it is where we want to buy units. After looking at financials, we ultimately have to get permission from SC to purchase them if we do want the developments. HRA noted if you are not prepared to move forward with the purchase of the properties that developers have used this as a way in which to argue down affordable housing in certain areas. He further noted we would be in competition with other local Housing Authorities. JoD noted at the time of bidding, you do not really know who else will also bid, however the Affordable Housing team at SC have a good idea of who may be interested in the bidding.</p>	
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	<p>JoD noted we get an email from the affordable housing team that will say something to the effect that “this housing provider is saying that there was no interested in these for affordable housing” to check that the housing providers are actually checking with the providers rather than just saying they are. HRa added that there are a number of options Housing Providers can do to go to back and try and reduce the number of affordable housing units.</p> <p>JoD noted the differences between the North and the South, with difficulties getting properties in the South as compared to the North.</p> <p>He referred to the traffic light system of the schemes within the report.</p>	
3.3.	<p>Racecourse Crescent/School Grove, Shrewsbury (Stage 4: On Site)</p> <ul style="list-style-type: none"> Construction progress has been slow to gain momentum due to the discovery of additional notifiable asbestos and the fall from height accident. However, works are now progressing well and the site has a good standard of organisation. Relations with local residents are good. 	
3.4.	<p>Russell Close, Stanmore (Stage 2: Pipeline)</p> <ul style="list-style-type: none"> Procurement of the main contractor has completed and J Harper & Sons is the preferred builder. A limited letter of undertaking has been agreed, but the build contract has not been executed. Awaiting outcome of contractual issues on other schemes before signing. Development staff have completed a Passivhaus training course. 	
3.5.	<p>Fairfield Close, Gobowen (Stage 2: Pipeline)</p> <ul style="list-style-type: none"> Planning permission has been granted for 32 affordable homes. JoD and KH have had discussions with utility consultants are on-going in relation to electrical diversions and disconnections. JoD noted they are going to try and roll it into the main contract, however there is an area of disconnections they need to tackle. JW noted that looking at these things ahead of time to try and fit the work in at this stage to avoid construction delay is important. There may be a delay to the development programme whilst existing residents are decanted. In the next week or so AA will get some worst-case scenarios in regards to timing as to when we might be on site. There are about 7 tenants left on site. 	

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3.6.	<p>Harmer Hill, Near Shrewsbury (Stage 2: Pipeline)</p> <ul style="list-style-type: none"> • Heads of terms for the land purchase have been signed. Legal work for the conditional contract has been instructed. • The Parish Council and local member is supportive of the scheme and a Community Led Steering Group will be formed once the land contract is in place. Design works and feasibility studies can then follow through, working up to a planning submission. • We have received pre ap advice for the site with a shopping list of tasks. KH sent out quotes for architects which are due back on March 3rd. 	
3.7.	<p>Baschurch, Shrewsbury (Stage 4: On Site)</p> <ul style="list-style-type: none"> • S106 homes are due for completion end of this year (Shingler Units). Contracts were exchanged in 2022. 	
3.8.	<p>Sales of Shared Ownership</p> <ul style="list-style-type: none"> • STAR currently has one shared ownership (20 Molesworth Way). An offer has been accepted and the sale is progressing through solicitors. 	
3.9.	<p>Aftercare</p> <ul style="list-style-type: none"> • We currently have two Builders that are responsible for defect management; Shingler Homes and CDL. • STAR has 8 properties that are within the defect rectification period with Shingler Homes. The average number of defects per home is 2.75. • STAR has 12 properties that are within the defect rectification period with CDL. The average number of defects per home is 3.3. <p>JW noted he is more interested in seeing when repairs should be made and the response times. This is useful data as to who is good with our customers after the event.</p> <p>JoD noted he takes this on board but this is difficult data to procure. We do have granular sort of information, which is likely to show that this process may be slow. It is generally quite a struggle.</p> <p>JW noted feedback from social housing tenants is they feel they do not have a voice.</p> <p>JB queried if the new builds carry the assurance from the National Insurance Builder. Is there a role from them in getting that data or protecting us from the delays from these multiple organisations?</p> <p>JoD noted there tends to be more of a structural warranty from those individuals. We do have this as a back-stop position. We do not tend to have a huge problem with defects but we will see on this due to a considerable pipeline coming up.</p> <p>TG noted our own operatives going into those properties to resolve smaller issues is an approach she has seen elsewhere, however larger items may not be appropriate.</p>	

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	<p>JoD noted we have to be careful about this contractually, as we have to give them a chance to go back and fix things before doing it ourselves and charging them. We have in the past gone out to do emergency boiler fixes as we are so much faster at doing this.</p> <p>HRa noted for every working day, you may have staff looking at 2 defects- they may be complicated or easy. Bringing in someone part time to deal with defects is ideal as you have many different types of tenants with different problems. As the program expands this could be more resource intensive.</p> <p>JoD noted Mike Read picks up defects internally as a part of his role.</p>	
4.	Summary of Works Issued to Harpers & Sons Ltd (Open Session)	
4.1. F	<p>Further to several contractual claims from Harpers and prior to entering into a fourth build contract with them for a two-plot Passivhaus scheme in Russell Close, Stanmore, a report has been prepared to highlight current issues and concerns which JoD has discussed.</p> <ul style="list-style-type: none"> • Two of the three development schemes that Harpers are contracted for are experiencing large contractual claims. • Claims have been refuted but the Builder continues to pursue additional monies. This is resulting in a deterioration of relations between parties and an uncertain financial position. This is more pronounced at Aspen Grange. • Scheme contingency has been exhausted at Aspen Grange, but contingency is available at Cherry Blossom Way and Hill Top Close. • Exposure, in terms of outstanding contract costs across all schemes, is currently £6.8 million outstanding. This is approximately 42% of the contract totals. JW noted that as the days tick by and we get progress on site, the risk to us does reduce. It is important for us to know that JoD and KH keep progress going on these sites despite the current issues. We are doing well to keep this level of progress during this tricky time. As far as he knows, Harper has about 30 schemes going so we are only a small chunk of what they do. <p>JW noted once we get past the contractual, there are always a number of low-level issues that will be brought up. The advice that JoD is given is based upon professional advisors. We do have to maintain a relationship with the contractors so it is a very tricky balance opinion of what has the contractor taken on from a legal perspective, what can we do to help them fairly, and if this contractor fails, would we have made any decisions differently? What is the worst-case scenario? Insolvency for the contractor would not be good for them as well as us.</p> <p>JB queried is this one of the same contractors that directly asked for an inflation increase? JoD noted they were in parallel rather than after we declined. She wonders if they just using different mechanisms to get the funds in another way?</p>	

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	<p>JW noted the reality of this is they will be looking at the bottom line which will not be very attractive. The difficulty is they may still come back after us for other items which is quite difficult to guard against.</p> <p>HRA noted if this letter did not come forward it would be easier to have a bigger picture conversation with them. We now need to resolve this before we have further discussions. We need to hold our ground with the claims that have come in. We have to tread carefully. If they do decide to go contractual, it will cost us more to bring someone else on board. However HRA does think we can find other contractors for the other schemes.</p> <p>JW noted from Aspen Grange- he feels we should follow the legal advice given to us. HRA observed that any negotiation should be pushed to the Employers Agent. We need to write to Harpers to say we are getting further legal advice and name the Employers Agent as the contact.</p>	
4.2.	Scheme Issues	
4.2.1.	<p>Aspen Grange, Weston Rhyn (40 units + community facility)</p> <p>This is the largest and most complex scheme in terms of practical and contractual challenges.</p> <ul style="list-style-type: none"> • On the 13/02/2023, the Employer's Agent provided a summary report detailing STAR's contractual position. The main area of risk relates to the drainage associated Extension of Time. • A series of mechanical and electrical meetings have been held on site to ensure coordination between equipment and subcontractors. • Construction progress has been slow due to issues with weather conditions and flooding at the bottom of the site. However, the substation is now live, superstructures are going up, and the pumping station is being constructed. • The Contractor is looking to phase handovers between the months of November 2023 and January 2024. • The Community Led Group is being kept informed of progress and further site visits are being scheduled. Relations with local residents are generally good. <p>To date, there are four primary issues outstanding on the site:</p> <ol style="list-style-type: none"> 1. Drainage/highway approval delays from Shropshire Council. Based on advice from Anthony Collins, their claim is likely to be bogus. 2. Tree root protection areas (RPA) were fouled by the Builder. Upon taking possession, Harpers carried out a reduced level dig to the entire site, fouling each trees' RPA. Arguably this was exasperated by a mislabeled tree on a tree report which STAR provided at tender stage, 	

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	<p>which contributed to a portion of a large spoil heap being placed in an inappropriate location. Harpers has requested £40,410 towards the cost of re-locating the spoil heap. This is being refuted as they should have checked the information within the report and not located any spoil in any tree's RPA or canopy.</p> <p>3. Flooding caused by the brook backing up at the bottom of the site. This is exasperated by an off-site ditch that requires clearance. This has necessitated a requirement for a heavy-duty water pump on site (c.£1,500 per week), in addition to any pumps required for the known requirement for dewatering excavations. The EA argues that the brook is part of the site boundary and that the Builder should cover the cost of pumping water during wet weather under the terms of the JCT contract. STAR is in talks with the Council's Lead Local Flood Authority Manager to see if ditch clearance work can be enforced on the third-party landowner under the Land Drainage Act 1991, which could help ease the situation.</p> <p>4. Diversion of overhead power cables. Harpers diverted an overhead line but did not position the new pole far enough away from the apartment block. Their tender offer accepted all contractors risk associated with the overhead electrical diversions off-site. This claim will not be upheld.</p>	
4.2.2.	<p>Hill Top Close, Whittington (Stage 4: On Site)</p> <ul style="list-style-type: none"> On the 09/02/2023, the Employer's Agent provided a summary letter detailing STAR's contractual position. They state that there is no contractual basis to accept claims for inflation or ground/foundations. In relation to the change of heating source from electric to gas, it is their opinion that a gas central heating system is not more expensive than an air source heat pump system and that Harpers has not yet proven, through the publication of a revised build programme, the basis of how additional costs are calculated for time-based charges. Construction progress is continuing well. Properties are nearing watertight. The financial implications to move from electric heating to gas heating is being negotiated and designs have been updated to reflect new specifications. The Community Led Group is being kept informed of progress and further site visits are being scheduled. Relations with local residents are good. 	

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	<p>To date, £8,966 has been agreed as variations on the project. Provisional sums still need to be firmed up for the water connection and landscaping works.</p> <p>At a late stage in the programme, SPEN carried out an earthing assessment for the electrical substation. This assessment indicated that 470 linear metres of earthing cable were required <i>off-site</i> in third-party land. Prior to the assessment there was no indication of this requirement and progress had got to the point of signing the substation lease agreement; foundations were almost complete, and superstructures had commenced. The simplest solution to this was to change from electric heating to gas heating. This change was agreed and a far smaller pole-mounted substation was proposed (and is now installed) which did not require extensive earthing solutions. During gas discussions STAR was told that switching to gas would result in a cost saving.</p> <p>STAR's Employee's Agent has clarified the position in relation to foundations and engineering issues. In summary, Harpers was aware of ground conditions at tender stage as these were detailed in the ground investigation report. These issues were also discussed at the tender clarification stage and Harpers decided to take on all ground risks and the contract sum was slightly increased for the risk element.</p> <p>JW noted that this is similar to Weston Rhyn and should be treated in the same manner as the above in terms of reply.</p>	
4.2.3.	<p>Cherry Blossom Way, Shrewsbury (Stage 4: On Site)</p> <ul style="list-style-type: none"> On the 10/02/2023, the Employer's Agent confirmed that there is no contractual reason to accept the extension of time for the discovery of additional asbestos containing materials. Construction progress is continuing well, with second fix works progressing. Discussions have started to agree snagging and handover procedures. Practical completion is scheduled for May 2023. Shared ownership homes are now being advertised. Relations with local residents and the primary school are good. <p>Harpers are currently c.8 weeks behind their programme. An extension of time claim has been submitted (and denied) to cover the unexpected discovery of notifiable asbestos. The discovery of asbestos was exasperated by an impromptu HSE visit during demolition works.</p> <p>JW noted this is fairly cut and dry. For consistency it is to be agreed to be approached in the same way as the above two.</p>	
4.3.	Future Schemes	
4.3.1.	<p>Russell Close, Stanmore</p> <p>A fourth contract for a Passivhaus pilot scheme of two affordable units (contract sum £484,789) has been prepared for signing. Detailed design work to RIBA Stage</p>	

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	<p>4 has been completed, a letter of undertaking for initial design work (£12,622) has been issued to Harpers and a pre-start meeting has been held with a view to start on site on 6 March.</p> <p>S106 funds have been secured at £50,000 and Homes England has formally agreed to award the HRA a further £160,000 in grant funding.</p> <p>A performance bond is a contract requirement and we do have this for all of our contracts as a minor cover element.</p>	
4.3.2.	<p>Bomere Heath (Package Deal)</p> <p>Talks with Harpers have been ongoing for several months relating to a potential package deal at Bomere Heath for 20 units. This has been paused. We are not continuing with it- Harpers are gearing up for a planning permission but we are not signed up for anything. The more we hold off things, it may affect negotiations.</p>	
4.4.	<p>Conclusions:</p> <p>HRA noted that it's worth noting Development Committee wouldn't consider entering into another contract with Harpers until these issues are resolved and this needs to be communicated to Harpers.</p> <p>JW noted that the testimony of the work that has been put in to keep the committee aware of the threats and we are taking this on board with the level of seriousness that we should be. To summarise, he notes that the Development Subcommittee have accepted the recommendations below from JoD within the report.</p>	
4.5.	<p>Recommendations:</p> <p>It is recommended that the Russell Close build contract is not signed with Harpers, until site issues are resolved and final accounts have been agreed.</p> <p>It is recommended that sensible costs are agreed at Hill Top Close to support a gas fed heating solution.</p> <p>It is recommended that Senior Management review the findings of this report and disseminate it to the Development Sub-committee for further review.</p> <p>It is recommended that external legal advice be obtained to confirm STAR's contractual position in relation to claims.</p>	

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	It is recommended that Senior Management meet with Directors of Harpers to try to prevent or minimise contractual/legal escalation.	
	Items Exempt from Public Discussion	
5.	Any Other Business	
	<p>JW noted MP has taken minutes today and would also like to formally thank Mike Read on taking minutes previously. He will drop a note to Mike to pass on his thanks.</p> <p>No other matters were raised.</p>	
	15:24 end of meeting.	
	Date of next meeting: 7 th June 2023	