



**Westmorland  
& Furness  
Council**

# **Voreda House – Lessons Learned**

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# What the Presentation will Cover

- The Context
- The Scope of the Review
- Background
- Positive Aspects / Arrangements in Place
- Key Issues Identified
- Lessons Learned
- The Way Forward



# The Context

- Advisory review to identify any lessons to be learned from the Voreda House project
- Findings based on review of available evidence post 1 January 2018 and limited discussions undertaken
- Review limited by several factors including:
  - Eden District Council ceased to exist on 31 March 2023
  - most officers involved in the project are no longer employed
  - availability of public and non-public documents
  - lack of available documentation of discussions / decisions made in respect of the project



# The Context

- Findings and conclusions will not be exhaustive as based on available information
- Several areas NOT considered as part of this review such as planning applications and potential future use of Eden Town Hall
- This is NOT an investigation but a lessons learned review
- Key focus of the review is pre-1 April 2023 and is not a reflection of any arrangements currently in place at Westmorland and Furness Council (we will return to this as part of the ‘Way Forward’)



# The Scope of the Review

- Project inception
- Business Case
- Governance arrangements
- Risk Management Arrangements
- Capacity and Skills
- Purchase of Voreda House
- Appointment of contractor / advisors
- Financial monitoring / Funding
- Construction monitoring
- LGR planning and Transitional Arrangements
- Position at 31 March 2023
- Findings post 1 April 2023



## Background

- **April 2018** a budget of £2.3 million was approved for the single site accommodation which would be a three-storey extension to the Town Hall
- In **Summer 2019** the Council made aware of the availability of Voreda House with vacant possession from 31 March 2020
- Purchase of Voreda House in **July / August 2020** with the intention of a straightforward refurbishment well within the £2.3 million budget and occupied by 31 March 2021
- **February 2021** Council successfully secures £0.856 million to decarbonise Voreda House (PassivHaus Standard). Budget now £3.156 million



# Background

- **October 2021** the estimated cost for the complete, full scale, project to renovate Voreda House was £4.13 million with completion by September 2022
- **November 2022** the estimated cost to complete the renovation of Voreda House had increased to £5.607 million with completion by 31 March 2023
- **March 2023** the completion date was given as 31 May 2023
- **Voreda House to be completed and occupied by the end of May 2024 at a cost of £8.3 million**



# Positive Aspects / Arrangements in Place





## Positive aspects / arrangements in place

- Moving staff onto a 'Single Site' had been Eden District Council's ambition for over 10 years with general support amongst Members that this was the correct way forward to improve efficiency, productivity and service delivery. Cross Party Member working group formed to consider options for addressing accommodation issues
- In 2018 Members considered various options about whether to retain two sites, single site and the various options for a single site. Agreed extension to the Town Hall and re-development of Mansion House (economic opportunities and some affordable housing). Commencement of works would be subject to a full business case demonstrating that the scheme is affordable over its life (cost neutral basis). Funded by way of a £2.3 million PWLB loan over 50 years



## Positive aspects / arrangements in place

- In March 2022, a Single Site Governance structure was put in place with a Steering Group being the 'Project Board'
- A Project Delivery Group (PDG) in place with 6 Sub-groups reporting to it, with the PDG reporting to the Steering Group
- Project Delivery Group (PDG) meetings were minuted with a good level of attendance by key officers
- Recognition from the Council that it did not have all the skills internally that would be required to deliver the project, so it sought external support
- Council approved funds to purchase Voreda House subject to necessary searches, surveys and due diligence



## Positive aspects / arrangements in place

- Valuation Report and General and Structural Survey obtained in October 2019 prior to purchase of Voreda House in Summer 2020
- Cabinet was involved in agreeing the procurement process for the main contractor
- Various options considered when 5 out of 6 potential contractors dropped out
- Cabinet agreed the Deputy Chief Executive, in consultation with the Leader and Portfolio Holder for Resources, would appoint the contractor
- Council appointed various advisors to reflect the lack of expertise inside the Council



## Positive aspects / arrangements in place

- Responsibility for producing the financial reports on the 'Voreda House' project rested with the Interim Director of Resources, who was supported by the Assistant Director: Finance and HR
- Financial updates were provided to the Steering Group (Project Board) and the Project Delivery Group (PDG)
- Financial information on 'Voreda House' has been reported to Members in the quarterly capital monitoring reports. Some additional reports and briefings to Members on specific aspects such as progress and budget increases
- Clear evidence of challenge from Members at Council and Cabinet



## Positive aspects / arrangements in place

- Increases in the budget were agreed through Cabinet / Council
- Meetings held in March 2023 with key staff on Voreda House Project as it would be monitored by Westmorland and Furness Council's Capital Programme Team post LGR
- Quarterly reporting on Voreda House project to the Overview and Scrutiny Committee with evidence of Members questioning progress
- Members of the Finance Scrutiny Committees asked various questions in respect of the Voreda House project



# Key Issues Identified



# Key Issues Identified – Business Case

- No Full 'Business Case' produced for single site accommodation which documented:
  - reason for doing the project
  - expected benefits
  - consideration of ALL alternative options and option selected
  - resources required including funding
  - scope of the project
  - project management arrangements
  - project risks
  - timescale



## Key Issues Identified – Business Case

- Over the various schemes, and at different times, individual elements of a business case produced and presented to Members but not brought together in one document
- Not clear whether ALL options for the single site accommodation were fully considered e.g. New Build option discounted by Leader in July 2020 as Voreda House could be ready for occupation in a much shorter timescale
- Project creep on Voreda House – straightforward refurbishment to full scale renovation but not clear any business case was revisited prior to this decision
- In November 2022 Chief Executive said even with increased costs the business case for Voreda House had strengthened due to savings from PassivHaus design





## Key Issues Identified – Governance Arrangements

- Single Site Governance Structure only put in place in March 2022
- Terms of Reference for the Steering Group (Project Board), Project Delivery Group (PDG), Contractor Management Group and Project Assurance in place although basic and lack any detail
- No obvious Terms of Reference or membership details for the 6 Sub-groups feeding into the Project Delivery Group
- Governance Structure shows monthly reporting to the Executive, but no formal monthly reporting took place but may have been informal briefings to the Executive



## Key Issues Identified – Governance Arrangements

- Steering Group (Project Board) meetings were not minuted with no decision record or action log. This is a significant weakness in the governance arrangements as decisions made, any discussion on, or rationale for decisions, cannot be evidenced
- We have been told that the Deputy Chief Executive was the Senior Responsible Officer (SRO) for the project but not documented in any Terms of Reference



## Key Issues Identified – Risk Management Arrangements

- We have been told the project risk register was considered every two months by the Steering Group and the risk register was a ‘Live’ document updated after each discussion with weekly discussion on project risks. Although we have seen the project risk register for March 2023, we have not seen earlier versions. The lack of documentary evidence to support the assertion of ongoing risk assessment is a significant governance weakness
- Evidence in Project Delivery Group minutes for 11 May 2022 that a high-level risks profile was reviewed, and revised, and agreed to review each month as a ‘Live’ document. There is no evidence in subsequent minutes of the PDG meetings of any further review of a risk register



# Key Issues Identified – Risk Management Arrangements

- Risk of ‘Not having sufficient capacity to deliver single site programme’ on Strategic Risk Register from April 2022 with a risk score of 6 (AMBER). Risk wording, controls and risk score remained the same until the end of Eden District Council
- Other key significant risks in relation to the Voreda House project were not on the strategic risk register including:
  - Failure to deliver a completed building by 31 March 2023
  - Failure to achieve the PassivHaus Standard
  - Uncertainty over financial costs and reliability of the sources of funding



## Key Issues Identified – Property Acquisitions

- At Full Council on 27 February 2020 Members considered a report on the financial case for the purchase and straightforward refurbishment of Voreda House. The report stated the following:
  - able to agree a price of £900,000, which is less than the initial asking price
  - works had been undertaken prior to the negotiation to establish whether the acquisition was affordable and represented a good financial deal for the Council
  - Chartered Surveyors undertook a condition survey and advised on the condition of the building & maintenance issues. ‘The purchase is subject to certain conditions being met. The surveyor recommends a window replacement programme and some minor external repairs’



## Key Issues Identified – Property Acquisitions

- However, the report failed to inform Members of the following key points which were important factors for consideration in the decision to purchase Voreda House for £900,000:
  - an independent valuation report was obtained in October 2019 (prior to purchase of Voreda House) which said the current market value with vacant possession, was £785,000. Therefore, the building was independently valued at £115,000 less than the price the Council had agreed to pay
  - the Chartered Surveyors report contained several caveats and restriction of scope and made recommendations for further specialist inspection / review stating ‘Wherever we have suggested that further inspections or tests of any kind be undertaken, these should be carried out **before exchange of contracts**, or that other similar or appropriate provision be made’



## Key Issues Identified – Property Acquisitions

- Other relevant key points are:
  - specialist surveys were not undertaken prior to the property purchase. The Council's justification in November 2022 was that the additional costs identified by the surveys could not have been known prior to commencement of the construction. However, doing the lift survey would have identified any potential costs associated with the lift, relevant whether it was the basic refurbishment or the full refurbishment. This information could have been used in negotiating a lower price. In the end a new lift added approximately £90,000 to the refurbishment costs
  - no updated valuation was requested even though the final purchase was 9 months later and demand for office accommodation may have changed



## Key Issues Identified – Financial Information

- Financial updates were provided to the Steering Group (Project Board) and the Project Delivery Group (PDG) but these would appear to be verbal updates rather than written reports
- The level of detail provided to Members in the routine quarterly Capital monitoring reports was very limited and sometimes difficult to follow over the life of a long project
- There was a 10 month gap between February 2021 and December 2021, for the reporting to Members of financial information for 2020/21. Although, only £46k more spent in last quarter of 2020/21 on Voreda House, slippage increased by £277k (55%). Delays in reporting were attributed to the impact of the Covid19 pandemic and unexpected delays on the Council's 2019/20 accounts audit





## Key Issues Identified – Financial Information

- Final report to the Cabinet of Eden District Council (February 2023) was the Capital Monitoring 2022/23 – Q3. This showed:
  - Voreda House spend for year at Q3 was only £0.46 million, but the budget was £3.135 million and the expected outturn at 31 March 2023 was reported as £3.135 million
  - Therefore, this shows that the Council expected to spend £2.675 million in the three months to 31 March 2023. This was unrealistic and there was no mention of any slippage and report does not even make any reference to Voreda House as a key project for Members to note



## Key Issues Identified – Funding Sources

- Original budget of £2.3 million, put in place in April 2018 was sufficient for the straightforward refurbishment of Voreda House. Funding using PWLB loan was low risk
- Subsequent budget and funding changes included:
  - **February 2021** - secured £0.856 million Government funding for the decarbonisation of Voreda House. Assumption made that grant equals cost. High risk funding source as dependent on achieving the very challenging PassivHaus Standard
  - **October 2021** – full refurbishment required further £0.98 million to be funded from sale of Mansion House. High risk funding source as dependent on sale of property (still not sold in May 2024)
  - **November 2022** – a further £1.477 million required funded from high-risk sources including £0.5 million (Land sale), £0.45 million (Programme Adjustment) and £0.527 million (unidentified capital programme slippage which meant no transparency)



## Key Issues Identified – Construction Monitoring

- Although we were told that a project plan was in place, which set out the timetable and key milestones, we have not seen it
- Weekly updates from the Technical Project Manager and liaison with the QS but lack of documentary evidence
- Various streams to report progress both to officers and Members but difficult to confirm due to lack of documentary evidence and extent of information disclosed
- Not seen any reports which link construction progress to costs incurred. Had this been the case then it would have been easier to challenge progress



## Key Issues Identified - Construction Monitoring

- An initial Project Assurance Review (PAR) undertaken in April 2023 by the Westmorland and Furness Council Capital Programme Team identified significant issues with the timescales, funding and costs including:
  - costs to complete estimated at £6.479 million, an increase of £0.872 million on the last position reported to Eden Members
  - occupation date of September 2023, at least three months later than reported to Eden Members
- Forecast cost to complete data had not been made available from the Quantity Surveyors from September 2022 to June 2023, a gap of 8 months. Therefore, in the last few months of its existence, it is unlikely that Eden District Council would have known what the potential final cost of the full refurbishment of Voreda House would be



## Key Issues Identified - Construction Monitoring

- Meetings held in March 2023 between key Eden DC staff and Cumbria CC staff who would be part of Westmorland and Furness Council's Capital Programme team post LGR. However, no formal handover process for Voreda house as some key staff from Eden DC continued to operate as part of the governance team but additional resources asked to engage with the project from the Capital Programme Team



# Lessons Learned



## Lesson Learned – Business Case

- A business case should be produced prior to the start of a large capital project
- ALL potential options are considered in the business case
- The Full business case, or an appropriate summary of it, should be presented to Members for large capital projects so they fully understand all aspects including any potential risks
- When consideration is being given to significant changes to a large capital project ensure that the business case is re-visited



## Lesson Learned – Governance Arrangements

- Governance structure and arrangements should be put in place at the start of a large capital project
- Specify the Senior Responsible Officer (SRO) for the project in the Terms of Reference
- Detailed Terms of Reference should be in place for each group / sub-group in a project's Governance Structure. This should include details of membership and frequency of meetings
- Meetings of ALL groups, in a project's governance arrangements, should be minuted, or as a minimum have a record of attendance, decision log and action log
- Reporting requirements sets out in the Governance Arrangements should be met





# Lesson Learned – Risk Management Arrangements

- Regular consideration of project risks should be undertaken, documented, evidenced and retained
- Relevant significant risks associated with a large project should be on the Council's Strategic Risk Register (can form part of an overall risk)
- As part of a business case for large projects, funding sources should be risk assessed as to their certainty. For high-risk funding sources alternative funding should be identified in case original funding sources do not materialise
- Changes to project funding sources need to be clearly identified with appropriate governance to ensure project is fully funded
- Risk and uncertainty around funding sources for large projects should be fully explained in reports to Members and be on the project risk register, and depending on scale, the Council's Strategic Risk register



## Lesson Learned – Property Acquisitions

- Members should be provided with ALL relevant information on which to make a decision, particularly important in respect of property purchases where:
  - the valuation is below that purchase price
  - the building survey recommends further specialist surveys
- Obtain an updated property valuation where the elapsed time is significant (more than 6 months), or where market conditions are changing
- Recommended specialist surveys should be undertaken prior to property purchase so any impact on purchase price or future costs can be considered as part of the decision-making process



## Lesson Learned – Financial Information

- Financial updates to the Project Board, and other groups in the governance structure, should usually be written reports and not just verbal updates
- Sufficient narrative detail should be included in the quarterly capital monitoring reports considered by Members
- Consideration should be given to full life reporting on large projects covering several years e.g. so budget changes and yearly spend can be easily tracked
- The reported projected year end outturn should be robustly assessed, challenged and be a realistic assessment of the position when project progress / completion is considered
- Costs to complete large projects should be regularly reviewed with up-to-date information



## Lesson Learned – Construction Monitoring

- A clear project plan should be in place for capital projects, which sets out a timetable and key milestones which can be monitored
- Progress reports / updates should be documented
- Decisions should be recorded / documented, with rationale where required
- Reporting progress on large capital projects should be clearly linked to construction progress and costs incurred, with any significant discrepancies explained in the narrative
- Timescales to complete large projects should be regularly reviewed with up-to-date information



## Lesson Learned - Other

- Where responsibilities for large projects change ensure that there is a formal handover process in place
- Key scrutiny Committees should be held quarterly



# The Way Forward



# The Way Forward

- Corporate Management Team (CMT) to receive and consider this report and assess whether any further consideration is required
- Senior Management to consider each of the 'Lessons Learned' and assess what arrangements Westmorland and Furness has in place. If gaps in current arrangements are identified, then a plan should be developed to strengthen arrangements
- CMT to consider a report by relevant officers that outlines the findings from the assessment of the arrangement in place at Westmorland and Furness arrangements against each lesson learned

