

Eden District Council

Finance Scrutiny

16 November 2022

**Single Site Programme
Voreda House Project Business Case and Construction
Progress Report**

Portfolio:	Resources
Report from:	Deputy Chief Executive
Wards:	All Wards
OPEN PUBLIC ITEM	

1. Purpose

- 1.1 To provide an update on the achievement of the project objectives for the Voreda House project and a construction programme and budget progress report.

2. Recommendation

It is recommended that Finance Scrutiny Committee note the report.

3. Voreda House Business Case

- 3.1 The consolidation of office accommodation onto a single site has been an ambition of the Council for over a decade. Moving to a single site model was necessary not only to enable the organisation to function more effectively, culturally and operationally, but more fundamentally because the split site provision was not fit for purpose in relation to accessibility, perceived future needs and escalating maintenance costs.
- 3.2 The Voreda House project is the physical manifestation of this ambition and was subject to an in depth development process, involving a number of iterations, to ensure alignment with corporate priorities, the emerging local government reorganisation (LGR) requirements and the highest possible environmental standards to reduce the Council's carbon footprint and operating costs.
- 3.3 In particular, the decision relating to the configuration of LGR in Cumbria strengthened the need for a local office and service hub in Penrith. The chosen east-west configuration of the new unitary councils has resulted in a geographically large east authority with significant distances between the main service centres in Eden, Barrow and South Lakeland. Without a fit for purpose building location in Penrith the likelihood is that both employees and services would be located elsewhere.
- 3.4 In summary, the broad key objectives of the project are:
- 3.4.1 A single site for local government operations that is fit for purpose. This is a key consideration to secure public sector jobs in Penrith.

- 3.4.2 A public service and community hub for Eden residents that is in close proximity to service local needs and be accessible to the community.
- 3.4.3 Office and meeting space accommodation for members and public sector partners to maintain a strong Penrith presence for the new unitary authority arrangements.
- 3.4.4 A building that achieves the PassivHaus standard in terms of being carbon neutral.
- 3.4.5 A building that significantly reduces current operating costs and represents.

4 Achievement of Objectives

- 4.1 On the 12 September 2022, the Westmorland and Furness Shadow Authority Cabinet agreed to implement a distributed model for office accommodation based on 'anchor' buildings in key service locations, namely Voreda House (Penrith), South Lakeland House with Kendal Town Hall and County Offices (Kendal) and Barrow Town Hall (Barrow).
- 4.2 Confirmation that Voreda House has been identified as an anchor building for the new authority demonstrates the strength of the business case and delivers objective 3.4.1 and 3.4.2 by securing public sector jobs and a public service and community hub in Penrith.
- 4.3 The project delivers high quality member office and meeting provision together with the additional office capacity for public sector partners to achieve objective 3.4.3.
- 4.4 The outstanding PassivHaus credentials of the project deliver objective 3.4.4.
- 4.5 The initial revenue savings projections on utilities costs for Voreda House over a 25 year period were estimated at £1.02m. All-inclusive cost savings were estimated at £6.18m. Given the significant increase in utility costs the estimates have been recalculated (August 2022) and utility cost savings over a 25 year period are now estimated at £4.8m. All-inclusive cost savings over 25 years are estimated at £10.7m. This achieves objective 3.4.5. and validates the capital investment required for the construction and fit out.

5 Construction Background

- 5.1 Prior to purchase, and recognising that the facility required refurbishment, the necessary technical and desk top surveys were completed to the standard required for a project of this nature. The surveys are designed to identify, without causing undue damage to the building, any defects or issues that need to be taken into consideration as part of the transaction.
- 5.2 Following the purchase architectural consultants were appointed to develop the refurbishment proposals to enable a procurement to be undertaken.
- 5.3 In October 2021, following a procurement process, the Council agreed to enter into a contract with Collinson Construction to complete the refurbishment of Voreda House as part of the Single Site Programme.
- 5.4 Prior to contract signature the necessary due diligence was undertaken culminating in a Pre Contract Service Agreement (PCSA) contract being signed and in place in December 2021. At this point the turbulence in the construction market, due to global economic conditions, was emerging and

the contract arrangements were designed to mitigate escalating materials and labour inflation where possible through implementing a (PCSA). In summary the PCSA enabled the contractor to reduce construction risks by completing pre contract ground investigations and design works.

- 5.5 The overarching construction contract was completed in February 2022 and incorporated a target works completion by the end of December 2022.

6 Construction Issues and Programme

- 6.1 The construction programme commenced as planned with site preparation works and further site surveys. This was followed by the completion of the site compound and boundary fencing. At this point the contractor achieved the Considerate Contractors Scheme to demonstrate their commitment to high quality construction practices.
- 6.2 The second phase consisted of the internal strip out with a focus on recycling all of the internal materials in line with the 'green' credentials established for the building.
- 6.3 The third phase was the removal of the external concrete tiles which progressed ahead of programme due to the outstanding working practices of the contractor. At this point an inspection of the insulation materials situated behind the concrete tiles could be completed which identified the presence of asbestos.
- 6.4 Specialist asbestos removal contractors were commissioned to remove the asbestos in line with the relevant regulations. Following the asbestos removal a clean air certificate was achieved and construction recommenced but the programme was now behind schedule.
- 6.5 Removal of any remaining materials could now be completed which fully exposed the floor one and two concrete support pillars for inspection. The inspection identified that the integrity of each support had been compromised by previous building occupants or contractors and required temporary bracing to allow the construction to recommence. Steel reinforcement is required as a permanent solution which is being progressed but the issue has also impacted on programme resulting in additional delays.
- 6.6 At this point the exposed concrete support pillars and floors were tested for levels of carbonation. When refurbishing a building that contains concrete supports and floors it is necessary to test the concrete for levels of carbonation prior to completing the works. High levels of carbonation weaken the concrete structure which requires treatment by applying a protective coating. The tests results identified that carbonation levels require treatment on all pillars and floors which also has an impact on programme.
- 6.7 Works were then focussed upon the forming the necessary foundations to enable the concrete base to be set to accommodate incorporating the undercroft into the building. When excavating the foundations further asbestos was uncovered which prevented any programmed works being progressed until the specialist contractor could confirm removal and a further clean air certificate is issued. This has also created further delays to the programme to the extent that the works are now unlikely to be completed until the end of

March 2023 although the contractor will endeavour to accelerate the programme where possible.

- 6.8 Given that the building is now stripped to the frame and the excavation works are near completion the likelihood of any further abnormalities is minimal. It is also clear that the pre purchase and construction surveys could not have identified these issues prior to construction.

7 Construction Market Conditions

- 7.1 Inflation in the construction sector is at unprecedented levels fuelled by the pandemic and more recently the conflict in the Ukraine. All materials and labour are affected and further escalation is being driven by fuel and utilities costs.
- 7.2 The fluent situation is forcing sub-contractors and suppliers to review their prices at shorter intervals so any programme slippage can severely impact costs.
- 7.3 The contractual arrangements put in place with the contractor were designed to mitigate known inflation issues but the further escalation and extension of the programme have had a substantial impact on the cost of construction.

8 Estimated Construction Costs & Funding

- 8.1 The construction contract sum included in the overarching contract is £2.9m which includes a contingency amount for unexpected construction issues that are not accounted for in the contract.
- 8.2 The nature and impact of the construction issues, and the associated mitigating measures, combined with the unprecedented construction market inflation levels, have resulted in costs that have substantially exceeded the predicted budget level.
- 8.3 In summary the estimated cost of inflation now represents an increase of £800k which, when combined with the adjustments for the construction issues and extended programme £677K (asbestos £70k, contaminated materials £100k, steel bracing £55k, lift £90k, carbonation £200k, electrical feed upgrade £25k, design £30k and extended programme £107k results in an increased contract sum of £1.47m.
- 8.4 The inflationary increase for labour and materials is impacting upon the construction industry as a whole and the levels of inflation for the project are in line with current industry norms.
- 8.5 The funding implications are dealt with firstly through an increase in available capital receipts, which generates an additional £500k. There is also an adjustment made in the programme, which results in additional funding of £450k. The remainder of the funding can be found from programmed slippage, which is reported in the Quarter 2 monitoring report.
- 8.6 Given the contract programme position, the in depth analysis undertaken by the project team quantity surveyor and the contractor supply chain the estimated increase should not require any further revision.
- 8.7 When considering the increased construction costs it is important to consider these in the context of the substantial revenue savings outlined in section 4.5.

9 Policy Framework

9.1 The Council has four corporate priorities which are:

- Sustainable;
- Healthy, safe and secure;
- Connected; and
- Creative

9.2 This report relates to all Council priorities as the delivery of the scheme contributes to the organisation as a whole.

10 Consultation

10.1 Broad consultation for the scheme has been undertaken on two occasions to secure planning approval.

10.2 Regular and detailed consultation has been ongoing throughout the project development phase with both the One Eden Member Working Group and One Eden Member Briefings.

10.3 All staff have been consulted and provided with the opportunity to communicate their thoughts and preferences in relation to the overall scheme design and their future service and individual requirements.

10.4 All service areas are represented on the Voreda House Transitional Group which is designed to enable full consultation and engagement in relation to transitional arrangements and internal building design and fit out.

10.5 The Shadow Authority are engaged evidenced through Voreda House being designated as an anchor building and service location.

11 Implications

11.1 Financial and Resources

11.1.1 Any decision to reduce or increase resources or alternatively increase income must be made within the context of the Council's stated priorities, as set out in its Council Plan 2019-2023 as agreed at Council on 7 November 2019.

11.1.2 The financial implications are set out in the in detail within the report.

11.2 Legal

11.2.1 The Council is in contract with Collinson Construction for the completion of the refurbishment. If insufficient funds are available to compete the works then the legal implications will need to be fully considered.

11.3 Human Resources

11.3.1 The Voreda House project will provide a high quality and flexible working conditions and collaborative space for existing and future employees, partners and customers.

11.4 Environmental

11.4.1 The Voreda House project plays a significant role in the existing and future authorities' desire to achieve carbon reduction targets. It is an exemplar facility which can set the standard for future accommodation across the Shadow Authority.

11.5 Statutory Considerations

Consideration:	Details of any implications and proposed measures to address:
Equality and Diversity	The project design addresses all of the relevant equality and diversity requirements to provide a solution that not only improves on the existing provision but also satisfies the emerging LGR requirements.
Health, Social Environmental and Economic Impact	The PassivHaus specification provides the highest industry standard for occupants and users of the facility in relations to air quality. It also achieves a net zero carbon environmental standard. From an economic perspective it brings an existing building back into use, increases the asset value and also significantly reduces the current office provision operating costs.
Crime and Disorder	The planned partner and community space will enable agencies to work together to tackle crime and disorder issues in the most responsive and impactful way. The Police are still intending to use the facility as a community hub.
Children and Safeguarding	The potential for agencies to work together more closely when using the building as a community hub will improve service responsiveness for Children's services.

11.6 Strategic Risks

Risk	Consequence	Controls Required
Adverse weather conditions	Impact on the delivery programme	The next phase of work will be to make the building water tight through fitting the internal elements of the cladding system which will mitigate any weather related issues.
Final planning consent	Final planning approval not granted	The drawings and elevations required to finalise the planning consent are being produced and there are no material changes proposed.
Further cost escalation in the materials and labour supply chain	Budget is not sufficient to complete the scheme	The indepth analysis of costs in relation to economic factors and the associated supply chain has created a high level of confidence in budget requirements.
Additional capital funding is unavailable	Unable to complete the contract	No options are available to mitigate the additional funding requirement.

12 Other Options Considered

12.1 There are no other options available to enable the completion of the construction.

13 Reasons for the Decision/Recommendation

13.1 To deliver the vision for Voreda House project as a low carbon, fit for purpose public service hub for residents of Eden, the rationale for which has been strengthened by the outcome of LGR.

Tracking Information

Governance Check	Date Considered
Chief Finance Officer (or Deputy)	7 November 2022
Monitoring Officer (or Deputy)	25 October 2022
Relevant Assistant Director	31 October 2022

Background Papers: **Single Site Programme – Delivery of Voreda House – October 2021**

Appendices: **None**

Contact Officer: **Mike Poulter**