

# Brighton & Hove City Council

## Audit, Standards and General Purposes Committee

## Agenda Item 11

**Subject:** New England House Closure: Internal Audit report and response

**Date of meeting:** 24<sup>th</sup> June 2025

**Report of:** Corporate Director City Operations

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**Ward(s) affected:** All

**For general release**

### **1. Purpose of the report and policy context**

- 1.1 This report sets out the findings of a lessons learned exercise undertaken by the council's Internal Audit team into the sudden temporary closure of New England House (NEH) in November 2024 for fire safety reasons, and the events leading up to that and to the subsequent closure of the building while long term options were reviewed.
- 1.2 The city council is a learning organisation, and this informs our approach to reviewing decisions and actions when things go wrong, and applying any lessons learnt. The report sets out the recommended actions from the lessons learned report and the steps being taken to implement them, as well as the reflections of those leading the affected teams considering what can be done better in the future to reduce the likelihood of such events happening again.

### **2. Recommendations**

- 2.1 That Committee notes the Internal Audit report as set out at Appendix 1 of this report.
- 2.2 That Committee notes the recommendations for action as set out a paragraphs 3.10 and 3.13 setting how the city council, as a learning organisation, are responding and applying lessons learned.
- 2.3 That committee agrees to officers bringing a report to a future meeting of Audit, Standards and General Purposes Committee, six months from the date of this meeting, to update on progress in implementing lessons and actions from the Lessons Learned report.

### **3. Context and background information**

- 3.1 New England House serves as a crucial centre for the city's creative, cultural, and digital sectors, fostering innovation and economic development through its distinctive mix of tenants. Light industrial commercial space in the city is highly limited, and New England House has significantly contributed to the overall stock of such spaces. It is an important economic hub, as well as being a building that has contributed income as part of the commercial portfolio.
- 3.2 It has been a longstanding project to renovate and potentially add space to the building, as its condition has deteriorated over a long period of time. The regeneration project to upgrade the building was intended to retain the existing ecosystem of small businesses and protect that economic value it generated. Approximately £10m had been secured through City Deal and a sale of nearby land to deliver the regeneration, though this was somewhat short of the funding needed to complete the project.
- 3.3 The Internal Audit report sets out that the work to renovate the building had revealed a number of areas in which the fire safety of the building has been compromised. Extensive surveys have established that the building currently has fire safety failings which include inadequate fire protection of the floor slabs; extensively compromised compartmentation throughout the building including the façade which is beyond its useful lifespan; no fire protection of external staircases; insufficient fire detection and firefighting provisions (given the current state of building); no provision for the evacuation of disabled people; and an incoming electrical supply beyond its useful lifespan which is a potential fire risk. Major works are required for the building to be brought to compliance with safety standards.
- 3.4 It was necessary to undertake an emergency closure of the building in November 2024 to put fire safety control measures in place as the risk of keeping the building open was considered too high without them. A report to Cabinet in March 2025 recommended that, in view of the scale of the works needed, it is necessary to secure vacant position of the building in order to either prepare for a full refurbishment which would comprehensively mitigate fire risks, or for a redevelopment of a building which is fit for purpose, in accordance with current safety standards. Most tenants have therefore been served notice and the building is expected to be substantially vacant by September 2025.
- 3.5 The November 2024 closure of the building came as a shock to tenants. Compensation has been offered for that closure, and a compensation package has also been offered to tenants having to leave the building for September. This compensation package is above and beyond the terms and conditions in tenants' contracts. Notwithstanding this, the negative impact on tenants and on the economic value they generate is being considered throughout this process. As the March 2025 Cabinet report made clear, the required works to make the building safe could not be done with tenants in the building, and so there was always going to have to be a point when tenants would have had to leave. But the suddenness of the November temporary closure and the speed of the full closure has made it difficult for tenants to plan. As a learning organisation, the city council needs to

consider what went wrong to precipitate this situation, and what lessons can be learned to stop it happening again.

- 3.6 To this end, the council's Internal Audit team were commissioned by the council's Chief Executive Officer to do a lessons learned exercise focused on the November closure. The review sought to establish the circumstances leading up to the decision to temporarily close NEH, including identifying what reports and information were available in advance of the decision being made.
- 3.7 The agreed scope of the review also included establishing:
- Arrangements for assessing the building condition and fire safety arrangements at NEH.
  - Decision-making regarding the development of, and investment in, the building since 2020.
  - Arrangements for managing property maintenance and improvement programmes, including the decision-making over the prioritisation, monitoring and reporting of work.
- 3.8 The review carried out by Internal Audit focussed on an examination and analysis of the following:
- Reports and correspondence regarding fire safety at NEH.
  - Committee Reports regarding ongoing issues and work.
  - Project documentation associated with NEH.
  - Management Contract for NEH.
  - Outlook files of the staff.
  - CIVICA Financial, Purchasing, and General Ledger Reports for spend at NEH.
- 3.9 Meetings have also been conducted with staff working in Property and Design, Programme Management, and Legal Services as well as relevant service directors. In addition, a meeting was held with staff from East Sussex Fire and Rescue Service (ESFRS).
- 3.10 The lessons learned report has been a very useful exercise, with learning relevant to staff at all levels. On top of this quite technical exercise looking at the specifics of this case, the Corporate Leadership Team has also reflected on some more general lessons for the organisation arising from this situation. These reflections, set out below, are a management response to the challenges set by the lessons learned report:
- There wasn't a 'one council' approach to ownership of the fire safety issue. The Property team did not prioritise the fire safety measures as the long term regeneration project was going to involve fixing all of those problems. Meanwhile, the Regeneration team were focused on a project that about economic development and place making – fixing the fire safety issues was not a priority for them because they are not building managers. This created a gap that meant the issue of the worsening fire safety situation

was not prioritised to the extent that it should have been. Whilst there is a need to act in more of a one-council manner to ensure the collaboration that makes problems easier to fix, we also need to acknowledge that in Fire and Health and Safety issues there is also a need for everyone to be clear about their own roles and for there to be named people who know they are responsible for certain issues.

- This was a regeneration project stuck at the business case stage, which never properly commenced as a project. A c.£10m project budget had been secured for a regeneration project costing in the region of £24.5m. Part of the business case was always going to be based on supported borrowing from extra income, but the viability gap had not been closed. While that viability gap existed, the project was never able to move properly into the delivery phase, triggering the emptying of the building and the resolution of the issues.
- A longer-term, more strategic approach to building maintenance and investment is needed. NEH has suffered from years of underinvestment. Again, this was partly due to the fact there was a long-term regeneration planned. But it also reflects the lack of adequate investment in planned building maintenance over the last fifteen years, due to savings caused by austerity and lack of council funds.
- Notwithstanding the lack of investment, the building has continued to generate economic benefits for the city as well as a good income that helped the Property team to meet its income targets. Comfort with this status quo inadvertently created a situation where 'do nothing' was the easiest option.
- However, doing nothing has resulted in a more negative economic and financial outcome. By not facing up to the need to invest in the building – and in doing so ask tenants to leave and so forego the economic benefits and rental income – has created a worse situation. Not giving tenants more time to make alternative arrangements has affected them financially, and the cost of keeping the building open with fire marshals has come at a financial cost.
- Project processes and governance need to be ingrained in the organisational culture, to ensure they are enacted across all types of project and at all project stages. The fact this project was not seen as a priority, for the reasons set out above, should not mean that the council's usually strong project governance and project management processes are implemented in the usual way.
- The council is implementing the five pillars of a learning organisation. It is clear that at the time this was happening, the culture in the organisation meant that people were uncomfortable escalating issues and being open about problems – i.e. they did not feel confident or psychologically safe. The new organisational framework is looking to address this by implementing a new culture which is starting to be embedded.

- 3.11 Appendix 1 is a summary of the Internal Audit report. The names of various external businesses and suppliers to the council are redacted as those businesses do not have a right of reply through this report.
- 3.12 Section 3 of that report sets out the key findings. It sets out issues with the implementation of project management processes and governance, and explores why issues were not escalated sooner.
- 3.13 In addition to those key findings, the report also proposes specific recommendations for the council which are repeated in full in the summary, and key actions have been agreed with teams across the council, taking a one-council approach to addressing the learning from this report. The recommendations and actions are summarised below:

#	Recommendation	Agreed Action
1	All staff involved in contract management should undertake relevant training to ensure they fully understand their roles and responsibilities relating to the management of contracts.	Included in the priority programme of training for leadership development, People and Innovation Team to lead on this action.
2	In the case of all projects, appropriate and proportionate project management disciplines should be applied, in line with organisational standards. As a minimum, this should include fundamentals such as a project brief and project plan with timescales, roles and responsibilities and resources clearly defined.	Innovation team to review current approach to and principles of programme and project management and lead on training and development for all involved in leading projects and programmes.
3	The Council should consider mechanisms for helping to ensure that all staff, whether working on defined projects, or delivering business as usual activities, understand their responsibilities with regard to raising concerns and escalating issues of importance. This may be through establishing guidance and embedding behaviours within the organisational culture.	As part of the Programme and Project management training the importance of escalation via 1 to 1's and project board processes to be emphasised and embedded. As part of this, a lessons learned session at Leadership Network looking at Grenfell lessons learnt has taken place, with action for leaders to take this learning into teams.
4	For all projects, appropriate arrangements should be put in place to ensure that all relevant project records and documentation are retained and accessible, possibly through a relevant SharePoint site. This will enable an audit trail of project activity and decision-making and will help ensure continuity of record-keeping in the event of staff turnover.	Standard approach for retention of project documentation using SharePoint/Teams Groups to be developed and rolled out via Business Improvement Managers.

5	Given the costs involved, care should be taken to ensure that external surveys and reports are only commissioned where there is an appropriate need. Where such reports are received, management should ensure that appropriate action is taken in response to any findings and recommendations.	Clear governance structure for all programmes, and clear ownership of any report commissioned – with clarity on the reason that a report is commissioned, expected outcomes from the report, and who is responsible for taking forward recommendations before reports are commissioned.
6	Staff should arrange a full consultation with the fire safety consultant, the managing agent, and ESFRS, in order to come to a definitive view as to the fire safety concerns at NEH. Any actions required as a result should be immediately addressed in order to ensure the building is safe for continued use.	Action to support this recommendation is occurring monthly, including Fire Consultant, Head of Health & Safety, Programme Manager, lead architect and Fire Consultant.

- 3.14 The recommendations of the lessons learned exercise have already started to be implemented and will be turned into an action plan to be delivered across the council. Officers will identify who owns specific actions and it is proposed a report is bought to a future meeting of this Committee, 6 months from the date of this meeting, to report back on progress and implementation.

#### **4. Analysis and consideration of alternative options**

- 4.1 This is a lessons learned report, so alternative options are not considered here. The report into the future of NEH will consider options for the future of the building itself.

#### **5. Community engagement and consultation**

- 5.1 The findings of this report are based on an internal audit, and have not been consulted upon. The work around closing the building and its future has and will include consultation with tenants and the community. A full tenant meeting was held shortly after the November closure, there has been regular meetings of a tenant reference group and all individual tenants have been met with or had the offer of meetings. A member of the Culture and Creative Industries Team has been seconded one day a week to work with tenants on their future accommodation needs. As well as the more general lessons learnt, there is also a lesson about effective and sufficient tenant engagement in a business environment, and considering how this differs to the needs of engaging with residents.

## **6. Financial implications**

- 6.1 There are no direct financial implications as a result of the recommendations in the main report. The recommended actions from the internal audit report outlined in the table in the main report will not result in an additional resource requirement.
- 6.2 Financial implications relating to the closure of NEH will be reported via the council's financial management policy and the Targeted Budget Management reports to cabinet, this will include expenditure relating to both capital and revenue.

Name of finance officer consulted: Craig Garoghan      Date: (03/06/2025)

## **7. Legal implications**

- 7.1 The audit report identifies shortcomings in the management of NEH. The council is obligated to ensure that all arrangements for the maintenance of the safety of the building are compliant with legislation and regulations.

Name of lawyer consulted: Siobhan Fry      Date: (29/05/2025):

## **8. Risk implications**

- 8.1 The way the city council deals with its portfolio of assets and regeneration projects should have risk management at its core. This point is fundamental to the lessons learned report.

## **9. Equalities implications**

- 9.1 Being a lessons learnt report which does not make formal decisions on the future of NEH, this report does not address the equalities implications for the building. These will be considered as part of a report into future options for NEH that will come to Cabinet later this year.

## **10. Sustainability implications**

- 10.1 Being a lessons learnt report which does not make formal decisions on the future of NEH, this report does not address the sustainability implications for the building. These will be considered as part of a report into future options for NEH that will come to Cabinet later this year.

## **Supporting Documentation**

### **1. Appendices [delete if not applicable]**

1. Lessons Learned report

### **2. Background documents**

1. [March 2025 Cabinet Report in the Future of New England House](#)

