

Southend-on-Sea Borough Council

Agenda
Item No.

Report of the Executive Director (Finance and
Resources) to

Audit Committee

on 22 September 2021

Report prepared by: Andrew Barnes, Head of Internal Audit

Better Queensway Highways Scheme

A Part 1 Public Agenda Item

1. Purpose of Report

- 1.1 To report to the Audit Committee the findings from the internal audit work in relation to the questions and concerns raised by a group of Members about the highways scheme element of the Queensway regeneration development and the options for the underpass and roundabout.

2. Recommendations

- 2.1 **The Audit Committee notes the findings of the internal audit work (outlined at section 4 below and reported in full at Appendix A), endorses the recommendations that have been made in the internal audit report (see Appendix A) and requests that a follow up on progress be brought back to the Audit Committee in April 2022.**
- 2.2 **The Audit Committee refers the report and recommendations to a meeting of the Place Scrutiny Committee to be held on 12 October 2021.**

3. Background

- 3.1 At the Council meeting on 10 December 2020 the Leader was asked to commission a piece of work to examine concerns that a group of Members had about the procurement and communication of the proposed highways scheme element of the Better Queensway project. In consultation with the Chief Executive the Leader agreed that internal audit would undertake a piece of work to review the Members' concerns.
- 3.2 A terms of reference was agreed for the work with the three objectives agreed as being to determine whether:
- appropriate procurement processes were followed by officers ahead of the recommendation to councillors in February 2019 regarding the appointment of the preferred bidder for the 50/50 joint venture
 - the arrangements for sharing and reporting on the evolution of the Queensway highway's proposed alignment were appropriate to support an informed decision-making process by councillors
 - the Council has opportunities to improve arrangements that support decision making processes for the other significant projects the Council is involved with, that contribute to the council's overall aim of 'providing the best possible service to residents and other stakeholders'.

3.3 Internal audit have now completed their work reviewing the questions raised by the Members and the report of their findings is attached at **Appendix A**.

4. Conclusions

4.1 Procurement process (objective 1)

4.2 As part of agreeing the final parameters for procuring a 50/50 Joint Venture partner to deliver the Better Queensway Regeneration scheme in February 2018, councillors also agreed the procurement would include an indicative highways scheme of four lanes through the underpass that would be subject to the procurement dialogue process. Because of the marginal viability of the whole project, this approach allowed for the highways alignment to be optimised and at the same time maximise land available for the development. It was clear that bidders were not to be excluded from the process if they failed to adopt the preferred alignment, in whole or in part. The dialogue procurement approach approved by Councillors was that adopted.

4.3 However, the preferred indicative highways alignment was erroneously referred to as being a minimum requirement in certain key procurement documents in March 2018, and as such the procurement documents published were contradictory to what had been agreed during the February 2018 cycle of meetings.

4.4 This had the potential to mis-inform bidders about the Council's requirements, although clarification was provided during dialogue with potential bidders. The circumstances, timing of and reasons provided for withdrawal by potential bidders indicate that misunderstanding of the Council's requirements in respect of the highways scheme was not the reason for any of the potential bidders withdrawing from the procurement process. In addition, legal advice obtained and followed during the dialogue process resulted in a comprehensive and appropriate process being applied, supported by the Council's procurement team.

4.5 Reporting and sharing the evolution of the proposed highway alignment (objective 2)

4.6 The governance structure established for ensuring oversight of the project by councillors was sound, with a Sponsoring Group comprising the most senior councillors and officers which was supported by an officer led Programme Board.

4.7 Briefings by officers to councillors were done at significant junctures in the process and the Sponsoring Group was the key place for senior councillors to be kept up to date. This took place on a regular basis, and the Sponsoring Group have confirmed that they understood the proposals in Swan Housing's tender submission in respect of the highways scheme, that included the road through the underpass being raised to ground level.

4.8 The error made in certain key procurement documents in March 2018, where the Council's originally agreed indicative highways scheme was wrongly described as a minimum requirement, was repeated in subsequent formal reports to Cabinet (February 2019) and the Shareholder Board (December 2019 and June 2020) which covered the features of Swan's proposed highways scheme, as it evolved.

4.9 This had the potential to be misunderstood by councillors and cause confusion over the original intention, approved in February 2018, for the highways solution to be part of the procurement dialogue process.

- 4.10 Descriptions of the features of Swan’s proposed highways scheme have not been consistently clear with important details not necessarily highlighted within the body of reports, but sometimes only contained in detailed supporting document sections of reporting.
- 4.11 However, it was clear in the February 2019 meeting cycle report that councillors were not approving Swan’s proposals for the overall project or the highway scheme at that stage and were only approving the appointment of Swan Housing as the Council’s partner for the whole project. As such, the subsequent reference in the June 2020 Shareholder report that councillors had approved the scheme in February 2019 was inaccurate. The overall proposals for the scheme were approved by councillors in the Final Proposals through the June 2020 Council meeting cycle.
- 4.12 Going Forward – project support arrangements to support decision making processes (objective 3)**
- 4.13 Robust arrangements that demonstrate transparency and accountability are key to support a proper decision-making process and maintaining trust between councillors and officers. The Council’s values and behaviours strongly align to these attributes as well as recognising the need to adapt and change in the interests of continuous improvement. As such, lessons learnt from managing the most complex regeneration project the Council has undertaken for many years is important for councillors and officers to embrace in working to deliver the Council’s overall vision of ‘working to make lives better’.
- 4.14 The Council established significant external support and challenge arrangements for this complex, marginally viable project and the procurement of a joint venture partner, but there are circumstances that could be explored further to determine learning points that may strengthen the clarity and continuity around reporting so that decisions are clearly understood. These are detailed at Appendix 1 of the full internal audit report that is attached at **Appendix A**.

5. Reasons for Recommendations

- 5.1 The Audit Committee needs to be aware of the findings of this piece of work to assist with enabling it to effectively discharge its responsibilities, to ensure that adequate progress is being made to address the issues arising from the work and to ensure that reflection on decisions taken by the Council are able to achieve an appropriate degree of scrutiny.**

6. Corporate Implications

6.1 Contribution to the Southend 2050 Road Map

The Better Queensway project is a significant project on the Southend 2050 Road Map and effective delivery of that project is important to the effective regeneration and improvements desired for the town centre.

6.2 Financial Implications

The Better Queensway project is a highly complex, multi-faceted project that is the largest regeneration project the Council has undertaken for many years. The ambitions for the project are also only marginally financially viable as demonstrated by the Council’s successful bid to obtain £15m of Marginal Viability Funding from the Government’s Housing Infrastructure Fund to support the scale and cost of the infrastructure to deliver the ambitions for the whole scheme.

6.3 Legal Implications

Legal advice has been obtained and followed throughout the development of the approach to and delivery of the procurement and engagement of a joint venture partner as part of the LLP.

6.4 People Implications

The regeneration of the Queensway area is aimed to transform the lives of the people living in the area.

6.5 Property implications

The regeneration of the Queensway area is aimed to transform the infrastructure and properties in the area.

6.6 Consultation

The report has been discussed and agreed with key officers at the Council, as documented in the report.

Briefings have been held with the Cabinet, the Conservative Group and the unaligned independent members to discuss the findings of the internal audit work.

6.7 Equalities and Diversity Implications

There is nothing to raise at this time.

6.8 Risk Assessment

The Better Queensway project results in a range of risks to the Council. The project is included on the corporate risk register and there is a risk register maintained specifically in respect of the project.

6.9 Value for Money

The Better Queensway project represents a significant investment by the Council and the structure of the procurement and the resulting joint venture limited liability partnership has been designed to achieve value for money for the Council and an appropriate return on the investment, while delivering the objectives for the regeneration of the area.

6.10 Community Safety Implications

There is nothing to raise at this time.

6.11 Environmental Impact

Environmental sustainability of the project to be delivered both during construction and the over its lifetime, taking into account the impacts of climate change are one of the objectives of the project.

7. Appendices

Appendix A – Internal Audit Report: Better Queensway Highways Scheme