



## **Zero Waste: Edinburgh and Midlothian**

**Lessons Learned from the Joint Procurement of Food Waste Treatment Facilities by the City of Edinburgh and Midlothian Councils**

**October 2013**



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## **Executive Summary**

This report sets out the lessons learned by Midlothian Council and the City of Edinburgh Council's joint Zero Waste Project Team during the procurement of dedicated facilities for the treatment of all the food waste that will be separately collected by these partner Councils from 2015.

The report is written from the view of the partner Councils, and is intended to be of use not only for other projects within the partner Councils but also to be of wider benefit to similar collaborative projects outwith the Councils.

The structure of the report is based around a 'lessons learned workshop' facilitated by Scottish Futures Trust and attended by all members of the Project Team after the conclusion of the procurement, which ended with the signing of a 20-year contract with Alaura Renewable Energy.

The findings are broken down into four sections based on the main topic headings that were used to structure the workshop. Each of these sections are comprised of an overview of all the responses made on that topic during the workshop and a detailed series of lessons learned appropriate to that topic heading, derived mainly but not exclusively from the workshop.

Despite the pathfinder nature of the Zero Waste Project, the overwhelming perceptions were that the procurement of food waste treatment facilities had been conducted successfully, particularly the administrative and staffing aspects. However, a number of areas of governance and of procurement strategy and implementation were identified where, although evidence was mostly positive, there could be scope for improvement.

A large majority of the 'Relationships and Communication' issues were viewed very favourably but this topic also contained the highest number of areas where it was felt that significant improvements were possible.

Lessons learned from the procurement of food waste treatment facilities identified in this report are being used where appropriate to improve the procurement project for residual waste treatment facilities and related infrastructure which is being carried out by the same Project Team.

For more information on this report and Zero Waste: Edinburgh and Midlothian, email [zerowaste@edinburgh.gov.uk](mailto:zerowaste@edinburgh.gov.uk) or phone 0131 529 6276.

## **Background**

Zero Waste: Edinburgh and Midlothian is a major joint-project between the City of Edinburgh Council and Midlothian Council to deliver, through private sector partners, dedicated facilities for the treatment of the food and residual waste collected in Edinburgh and Midlothian.

Considerable commitment was made to the food waste treatment project since it is the first part of an overlapping, two-part, collaborative project between the two Councils, the other being the much larger procurement of dedicated facilities for the treatment of residual waste collected by the Councils, planned to be operational in 2017.

Following the successful conclusion of the food waste treatment procurement with the signing of a contract in February 2013, a 'lessons learned' workshop was organised for the core Zero Waste Project Team of nine persons to discuss, as a group, what they thought had gone well, what had not and what lessons could be taken forward to the next stage of this ongoing project.

Team managers were tasked with obtaining the views of their external Advisers prior to the workshop. The workshop was also attended by representatives of Scottish Futures Trust, Zero Waste Scotland and the City of Edinburgh Council's Corporate Programmes Office.

The views of the joint Project Board have been incorporated in this report where appropriate and they have agreed the final content of this report.

Recognising that the Project is the first collaborative waste treatment procurement in Scotland to reach financial close, it was acknowledged that the lessons learned from the food waste treatment procurement may be of use not only for other projects within the partner Councils but may also be of wider benefit to similar projects outwith the Councils.

This report is not based exclusively on the views expressed during the two-hour workshop but it embraces them and uses them as a starting point for the considered conclusions it presents at the end of each section of this report as the lessons learned appropriate to that topic heading.

## **Workshop Format**

As an introduction to the workshop, each of the nine participants was asked to identify one outstanding thing they thought had contributed to the successful procurement of a food waste treatment contract. The overwhelming majority of their responses focussed on the excellent team spirit, both within the Project Team and in its partnership working with its external Advisers.

The main part of the workshop was then split into four distinct sections, each with its own theme to be considered and discussed separately. The participants were provided with a number of prompts for each theme and were then asked to post their thoughts on a five-point sliding scale according to how they felt their points rated between having a positive or a negative effect on the Project.

Participants were not limited in the number of posts they could make against any topic and on average every team member posted five or six different comments under each of the four main topic headings.

Certain themes and trends were then discussed in varying levels of detail and any clear lessons learned have been incorporated in this report.

It is appreciated that points made under one heading may be equally or more applicable to another section.

## **Topic 1: Administration, Project Team and Advisers**

### **a) Overview**

During the workshop, the majority of posts on this topic were towards the positive end of the scale, with only a single post at the most negative point on the scale, indicating that the administrative aspects of the Project were overwhelmingly perceived to have gone well.

The elements viewed as contributing most to successful project administration were:

- strong project leadership
- good project management
- sufficient delegated authority
- good budgetary controls
- a well-resourced team
- dedicated in-house staff
- competent legal, financial and technical advisers
- a well-structured data room for document sharing
- use of competitive dialogue
- excellent accommodation for dialogue meetings
- a dedicated website, and
- good communications support.

Some comments related to the complexity of the Project, which involved several simultaneous procurements, leading to significant peaks of activity that inevitably stretched the Project Team at times, although never beyond the limits of their abilities.

### **b) Lessons Learned (Administration, Project Team and Advisers)**

1. Councils must appoint a strong project leader who can give confidence to the project board, the project team, the advisers and the bidders. Without this there is an increased risk of a loss of focus, timescale slippages, reduced bidder appetite and increased costs.
2. Councils must commit sufficient multi-disciplinary staff resources, both full-time and part-time, including good communications support, to a project to cope with peaks of activity and to reduce external adviser costs. By committing sufficient internal resources, the Councils will also gain from the level of experience and knowledge its staff will acquire for the future.
3. Councils must allocate a budget appropriate to the scale of a project, covering all important areas of anticipated expenditure and linked to a realistic schedule. This will significantly improve the likelihood of delivering what is required, on time, and within financial limits. Without this, there is a high risk of project failure.

4. Councils must delegate sufficient authority to the project board/project director to allow the project to operate efficiently within agreed boundaries. Having to report back for approval through full Council structures too frequently could add several months to a competitive dialogue programme.
5. Councils must make a clear commitment from the outset to the project brief, scope and approach, including the evaluation criteria, with elected members receiving regular cross-party briefings throughout the programme in order to ensure a level of buy-in that will keep the project on track and give confidence to bidders.
6. The project team should work to a recognised project management system such as Prince2, suitably adapted to allow a degree of flexibility in order to meet the needs of the project. This gives the project common procedures and language, without which it can be difficult for new team members and others to understand and follow the systems with ease, possibly leading to time-consuming and costly mistakes.
7. Ideally, the core project team members should be co-located with a level of privacy that allows them to conduct confidential discussions and hold impromptu private meetings. To do otherwise would risk sensitive information being inadvertently released that could jeopardise the entire procurement.
8. The project team should operate a secure electronic data room because confidentiality and security of information transfer is critical. The impacts of the associated risks, including legal challenge and abandonment of the procurement/project, need to be sufficiently mitigated, even where they are unlikely.
9. The project team should have priority of access to suitable meeting rooms, break-out rooms and other facilities that will both create a relaxed but professional setting for lengthy dialogue meetings with bidders and create a positive impression of the Council/s. Meetings held in cramped, uncomfortable and time-constrained circumstances are not conducive to achieving their desired outcomes.
10. The project team must have the best quality internal resources and experience available, supplemented by dedicated external legal, financial, technical and insurance advisers where necessary, ideally on fixed fee work packages. If key commercial issues are not sufficiently understood, there is a significantly increased risk of a loss of value and a successful challenge resulting in the procurement having to be abandoned.
11. The project team must be aware of the need to tailor 'off the shelf' documents that may have been used on previous projects to the needs of the current project and that there is a balance to be struck between

work that can be satisfactorily carried out by the project team and work in which the involvement of advisers is essential.

12. Each work package for the various advisers should clearly identify which discipline, i.e. legal, technical or finance, is expected to play the leading role and which has a supporting role. This avoids confusion and ensures the most efficient use of resources, potentially saving time and duplication of work.
13. The project team must have effective systems in place to capture and evaluate risks, opportunities and issues which can then be reviewed, reported and acted upon. Effective management of risk is fundamental to realising the best value outcome from a project and avoiding potentially severe consequences of poorly informed decision-making.
14. The project team must have good budgetary controls in place, must exercise good version control of documents and must have good filing systems in place in order to allow the project to run efficiently and transparently. If not set up and operated effectively, all these measures can cost time and can result in duplication of work.
15. The project team and their advisers must be aware, particularly in the early stages, that it may take some time to balance their differing levels of knowledge of procurement projects. Project team members new to procurement would benefit from an induction to the structures, language and conduct of such projects.

## **Topic 2: Governance**

### **a) Overview**

While a substantial number of favourable comments were once again made under this heading during the workshop, on this occasion, there were comparatively more areas identified as potentially having scope for some improvement.

The most successful elements of project governance were identified as:

- excellent input from the Lead Officers on the Project Board
- positive direction from the Project Board
- Scottish Futures Trust advising the Project Board
- a significant level of delegated authority
- the project assurance role of the Scottish Futures Trust
- the Cross Party, Cross Council Group of Elected Members
- the absence of direct Scottish Government funding requirements, and
- briefings to Elected Members and senior Council Officials.

Less positive comments in some cases related to more time being taken up than had been anticipated in providing reports and briefings for the Councils and senior Officers, and in concluding land transactions.

### **b) Lessons Learned - Governance**

1. A project board with appropriate delegated authority overseeing a project can provide a project team with the flexibility to explore all avenues that could benefit the procurement. Without this, a great deal of time could be taken up in reporting separately to the Council/s at every decision point and valuable opportunities could be missed.
2. A strategic forum of elected members and chief executives designated to act as a dispute resolution body if and when required, can help focus the Councils on reaching agreement on all decisions affecting the project at project board level without recourse to dispute resolution.
3. Scottish Futures Trust works closely with the Scottish Government, COSLA, SOLACE and Zero Waste Scotland to develop initiatives to support delivery of new waste treatment services at a local level and as such can provide valuable support to the procurement.
4. Internal and external Key Stage Reviews help to provide the project board with a high degree of confidence that the project is aligned with best procurement practices elsewhere and that all necessary issues are being adequately addressed at each appropriate stage.
5. Being able to regularly and directly brief a representative group of elected members from all political parties in the Council/s helps to maintain awareness of the project and allows their preferences to be built into the evaluation criteria. Without this facility, obtaining agreement on fundamental aspects of the procurement and related project dependencies are likely to be much more difficult.

6. For major Council procurements, project teams should have direct access to lead elected members (leaders and portfolio holders in all political groups). This allows the project team to accurately assess the mood of key politicians and test out their sensitivities to any potentially significant changes to the project that the team or the board may be considering.
7. It has to be appreciated that a project involving more than one Council is likely to result in the project team having to deal with differing sets of priorities, different reporting schedules and different reporting styles, all of which take up additional administration time which has to be built into the project plan.
8. The project team should anticipate that elected members and senior officers of the Council/s will from time to time raise significant issues or concerns which will require the team to produce reports and/or briefing papers as soon as any such issues are raised.
9. All elements critical to the procurement are best controlled directly by the project team or by having the managers of these activities reporting directly to the project board. Where this is not possible, the work of the project team may be hampered, leading to delays outwith their control.
10. A Memorandum of Understanding between partner Councils should be in place and a decision on a lead authority should be taken as early in the procurement as possible to allow the legal officers and advisers to concentrate fully on the final stages of dialogue and the detailed negotiations with the preferred bidder.
11. Ideally, for projects involving more than one authority, particularly where the Councils do not have mutual dependencies, they should enter into a legally binding inter-authority agreement prior to the commencement of procurement. This gives bidders confidence from the outset that all partners are fully committed to the project.
12. The buy-in of elected members and all relevant senior officers to the evaluation criteria should be obtained at an early stage in order to reflect an appropriate balance of preferences and priorities. Failure to do so may lead to conflicting opinions and difficulties at key decision points.
13. The indirect approach taken by Central Government allows more scope for a waste treatment procurement to be modelled to suit the needs of the Council/s while still being aligned with Scottish Government policies. Notwithstanding, it is important that bidders are presented with an attractive project in a familiar format in order to stimulate and maintain their interest.

14. Where a project executive has given significant delegated authority to a project board, this should be revisited from time to time, particularly with elected members after changes of Administration. Without this there is an increased likelihood of unforeseen opposition and potential project failure.
15. Regular reviews of the project's business case and forecasted costs against agreed affordability criteria should be incorporated at all key stages of a project. Rather than being viewed as an unnecessary burden, this process should become second nature as it offers the benefit of refreshing the project on a regular basis.
16. Planning for governance and project transition beyond the procurement should start as early as possible in the process, and possibly at inception stage; otherwise there is potential for disagreement on the necessary resources and level of knowledge transfer needed for effective contract management.
17. Setting up a transition project between the end of procurement and the beginning of the service is likely to provide the Councils with excellent knowledge transfer and ongoing value for money. Without this there would be a significant risk that detailed knowledge accrued during procurement would be lost, leading to unnecessary contract management problems once the service begins.

## **Topic 3: Procurement Strategy and Implementation**

### **a) Overview**

Topic 3 was the one discussed in most detail during the workshop. The majority of the posts were again favourable, but a number of areas were identified for consideration for potential improvements.

The positive aspects of the procurement strategy and implementation were identified as:

- evaluation criteria linked to Cross Party preferences
- use of market sounding
- availability of a project site
- consistency of messages
- use of competitive dialogue
- no separate Invitation to Submit Outline Solutions (ISOS) stage
- recording actions only at dialogue meetings
- requiring bidders to submit papers on particular issues
- tailored price scoring mechanism
- sensitivity analysis for evaluation
- exclusivity with no Guaranteed Minimum Tonnage (GMT) worked well, and
- helpful Government Policy and SEPA Guidance.

Some posts referred to the added complexity and risk associated with the Councils having to take responsibility for providing utilities. Discussion of those posts where potential improvements could be considered covered a diverse range of topics.

### **b) Lessons Learned – Procurement Strategy and Implementation**

1. The use of market sounding in the early stages of project development allowed the project team to stimulate market interest and to shape important aspects of the procurement, e.g. not having an Outline Solution Stage. Without this there would have been a substantially increased chance of project failure due to inadequate structuring of the detailed project offer.
2. By setting an appropriate pre-qualification standard linked to a challenging project scope, the Councils could be assured that those companies that they invited to participate in dialogue would all be capable of providing a robust technical solution. Reducing the pre-qualifying standard combined with not having an Outline Solution Stage would have increased the risk of taking through bidders who were less likely to provide a suitable level of service.
3. While restricted procedure may be appropriate in some cases, the use of competitive dialogue allows the Council/s to influence and shape every important aspect of the contract in order to obtain the best possible value for money. It is difficult to imagine how best value can

be obtained without the use of competitive dialogue in an immature market where a solution is not defined.

4. The project team should be aware of the significantly different approach that will be taken by bidders to the acceptance of risk depending upon whether their solution is corporately or project funded.
5. The high procurement and bidder costs associated with competitive dialogue have to be weighed against the benefit its use would bring to a project. The potential to package together more than one procurement to reach a 'critical mass' that would justify the use of competitive dialogue should be borne in mind.
6. Combining the contract monitoring costs for more than one service can provide best value. In this case, the costs of monitoring the residual and food waste treatment operations are projected to be within the national average of 3%, at approximately 1.9% of the combined contract values. The same level of monitoring for the food waste contract on its own would have been approximately 12.5% of the contract value.
7. The offer of a Council-owned site with planning permission in principle for a range of waste treatment facilities attracted additional competition into this Project. This is likely to be less important to a 'stand alone' food waste procurement due to the relatively small footprint of an Anaerobic Digestion (AD) plant and, depending on location, the availability of merchant plants or private sector sites with planning consent.
8. Combining a number of new developments helped to justify the high costs of first-time provision of an access road and utilities into the Project site. These costs may not have been justified on value for money grounds for the food waste treatment Project on its own.
9. Splitting the Project into separate procurements had the unintended consequence of the Councils having to take on added complexity and risks associated with site access and services provision. Had they not done so, most of the works and costs would have fallen on the food waste Bidders, as the first procurement, which would not have been acceptable.
10. Understanding the preferences of elected members, and the relative weightings they attach to these, are an invaluable means of helping to shape the evaluation criteria. This approach highlights to bidders what value elected members place on different elements of the project.
11. It is not necessary to make an affordability ceiling or criteria known to bidders, provided that there is a robust financial model and it is made clear to them that the Councils are very aware of the current market

costs of the services being procured. Without this form of guidance, there is an increased risk of receiving bids that are unaffordable.

12. Using a sliding scale in the financial evaluation with a price 'drop-off' for any bid that exceeded the lowest compliant bid by more than 27% proved to be a very effective means of steering bidders to remain competitive. Without this there would have been greater risk of the Councils being faced with solutions that were clearly unaffordable.
13. Sensitivity analysis was very useful for ensuring that the evaluation criteria reflected the preferred outcomes of the partner Councils, using test runs with Elected Members and the Project Board to understand how different solutions would affect the price of the contract. This allowed for the effective calibration of the criteria weightings and helped ensure that the optimal solution was selected.
14. Only recording a list of actions agreed between all parties at the end of each dialogue session led to a less formal, more inclusive and open approach than would have been the case if extensive minutes were taken which subsequently had to be mutually agreed upon.
15. The offer of exclusivity in place of a GMT removed the potential criticism that the contract would act as a disincentive to promoting food waste reduction. However this needs to be justified on a case-by-case basis because a GMT may provide better value to some procurement projects.
16. Providing bidders with consistent messages is important in establishing a project's credibility since procurement is an expensive process for bidders who are therefore wary of the risk of procurements failing. A lack of consistency also increases the likelihood of challenge.
17. A practice of requesting topic-specific papers from bidders on particular issues worked well and will allow the project team to fully understand the pros and cons of issues before making final decisions. Had this practice not been adopted, there would have been a greater chance of missing important value for money considerations.
18. A high level of scrutiny must be maintained at all times, particularly to the design and pricing of solutions by bidders at down-selection stages. If assumptions are not questioned in as much depth as necessary, there is a higher potential for building up false expectations that will eventually lead to disappointing outcomes.
19. Having a clear preferred bidder protocol will avoid some unexpected difficulties and delays when trying to close a contract and avoid issues being revisited which were intended to be closed. This procurement was still delivered within a two-year period but it could have benefited further from having a more formal preferred bidder protocol.

20. It is important to flush out bidders' proposals early on in the process and not to be afraid to give opinions and provide feedback right away before the submission of tenders. Not taking this approach can lead to time and resources being wasted and to areas of opportunity for greater value being missed.
21. It is essential to identify external dependencies that can impact on the project as early as possible in order to determine how best the associated risks can be managed. Failure to do so risks heavy financial penalties or even abandonment of the project if key contract deadlines cannot be met due to external issues that could impact on the project not having been taken account of in the project programme.
22. It is important to be comfortable that there is a clear and fair evaluation system to capture risk transfer. It is essential to spend a lengthy amount of time on preparation and buy-in to criteria at all levels before proceeding, as this will help ensure the criteria is consistent throughout the procurement to reduce the risk of successful challenge.

## **Topic 4: Relationships and Communication**

### **a) Overview**

In this instance, the posts during the workshop were overwhelmingly positive, with very few on the negative side. But unlike any of the other topics, a significant number of these negative posts were at the lowest end of the scale.

The elements contributing most to success were repeatedly identified as:

- dedicated communications support
- dedicated project website, newsletter and social media
- including specialist managers to support the Project Team
- Cross Party Group and individual Elected Member briefings
- good relationships with Bidders during dialogue
- requiring Bidders to submit papers on specific topics
- giving Bidders a complete dialogue plan from the outset
- visits to reference plants for Elected Members and Officials, and
- community engagement events.

Other comments mostly focussed on the scope for even more frequent and improved communication links between all parties: Project Board; Project Team; Advisers; Elected Members; Senior Officers; and Bidders.

The final point to come out of the workshop was the importance of maintaining team discipline and input right up until the contract is officially signed.

### **b) Lessons Learned – Relationships and Communication**

1. Having dedicated communications support and a project website as a detailed information source for all interested parties, plus the facility to issue regular newsletters and social media updates, had major time-saving benefits. Without this, the procurement team would have been distracted from their core purpose to deal with many more general enquiries, particularly relating to planning-related issues.
2. It is very important for the project team to engage with the public and be fully prepared to address all genuine concerns, particularly from the local community, even where public perception and Government Policies may be generally favourable to the aims of the project.
3. It is essential that the project team and its advisers are all able to work well together and are able to maintain good professional relationships with the bidders and their advisers. This fosters a positive level of collaboration and collective responsibility on the Councils' side, without which there would be a greater risk of errors and issues not being picked up.
4. The project team should be prepared to identify and communicate directly with key officers at all levels within the Councils, even when this is not normal practice or part of an agreed protocol. Failure to do so

could lead to problems with buy-in to the project and result in the need for time-consuming extra meetings, briefings and reports.

5. Gaining the trust of bidders early on in the process and giving consistent advice and clarifications that represent the positions of the Council/s throughout should help maintain good working relationships throughout the majority of the procurement, even during the demanding latter stages of dialogue and contract closure.
6. Having a secure electronic 'data room' for document transfer that included a section for actions and formal clarifications worked very well, as did the requests to Bidders for papers on specific topics. Without a secure, dedicated data area, it is much more difficult to control and manage large volumes of confidential information, which can in turn lead to a lack of confidence and trust.
7. The project team should go well beyond the minimum requirements for community engagement and should arrange visits to reference facilities for elected members, officials and local community representatives. Without these measures, there is a higher risk of stakeholders and interested parties feeling they have not been adequately consulted and informed.
8. It is important, for reasons of inclusion, that all members of the project team are kept informed of developments affecting the project on a regular basis, even during the final stages of contract closure which can be dynamic, fast moving and involve only a small group of people. At such times of peak activity this can be achieved simply by email or team discussion posts on a confidential data room.
9. The conflicting and changing timetables and the differing manner of presenting reports to more than one Council in order to impart the same information have to be built into the project plan. In this case, the best approach was for the Project Team to prepare a fully detailed draft report in the style of the first Council that required it, which could then be adapted by the other Council to suit its own reporting style.
10. The responsibilities of the project team, the project board and the Council/s as well as the communication routes between them should be well understood by all parties. An induction pack to the project and a refresher pack could help provide consistency in these areas.

## **Glossary**

Convention of Scottish Local Authorities (COSLA – page 9)

Society of Local Authority Chief Executives (SOLACE – page 9)

Invitation to Submit Outline Solutions (ISOS – page 12)

Guaranteed Minimum Tonnage (GMT – page 12)

Anaerobic Digestion (AD – page 13)