

**BRISTOL CITY COUNCIL
AUDIT COMMITTEE**

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**Report of: Paul Arrigoni - Service Director, ICT & PPPM
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Title: Waste Contract Gateway Review

Ward: Citywide

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RECOMMENDATION

To note that the gateway review process will in future be used on all programmes and projects that have a major financial or business impact. The Strategic Options Delivery Board (SODB) will define which programmes will be subject to the review process and at what stage in the life cycle it should be applied.

While the Gateway process is intended to provide a confidential report to the SRO/Project Executive, the generic findings from reviews will be shared widely across the Council to ensure lessons are learned by future programmes and projects to improve delivery.

In respect of the Waste Collection and Street Cleansing project, that the recommendations of the independent gateway review undertaken by Local Partnerships in September, and the subsequent decisions taken by SLT on 5th October 2010, are endorsed.

In respect of the gateway review process, as applied to the Waste Collection and Street Cleansing project, this proved to be an invaluable way of independently reviewing the project, resulting in changes to the project to increase its likelihood of successful delivery which may otherwise have not been agreed. The inclusion of such an independent gateway review for such projects is therefore recommended.

Summary

The gateway review process is now widely used across government to support major programmes and projects to deliver successfully. It offers an independent view of risks and mitigating actions to the individual who is accountable for leading a major programme or project. The review is conducted by an external team with extensive knowledge of programme and project delivery, who are able to advise on risk and offer recommendations for improvement.

The external gateway process will now be adopted for all major programmes and projects that have a significant financial or business risk. The schedule of gateways will be agreed and monitored by the Strategic Options Delivery Board. The first project to be subject to a gateway review was the Waste Collection and Street Cleansing project. The key findings from this review are summarised in this report.

As a result of the gateway review, SLT agreed to a 12 week extension to the procurement element of the Waste Collection and Street Cleansing project, and associated costs. This included the appointment of an experienced Lead Negotiator to head the procurement process.

This extension has subsequently proven to be required. Working to the previous timescales would not have been viable. The use of an experienced Lead Negotiator has also proven highly effective. These changes have definitely improved the likelihood of achieving the required contract outcomes, whilst also allowing appropriate time for adhering to the competitive dialogue procedures.

The extension puts pressure on the 1st November 2011 contract start date. All efforts are being put in place to still achieve this date. However, contingency arrangements have been put in place with the incumbent supplier in case this date cannot be achieved.

The significant issues in the report are:

The Waste Collection and Street Cleansing project aims to significantly reduce the cost of the current contract. The 12 week extension to the procurement stage will increase the likelihood that the required savings will be achieved, given the chance to negotiate more within the competitive dialogue period. However, the subsequent time available for 1) mobilisation, 2) ICT implementation, and 3) operational readiness, once the contract is awarded, is reduced by 12 weeks putting the 1st November 2011 start date at risk, delaying the point at which the quality and financial benefits will be achieved.

Policy

Gateway reviews have been identified as a standard to be built into plans for major projects.

Consultation

Internal: Strategic Directors

External: None necessary

1. Background

The Gateway Process

The gateway review process is a widely used tool across government to support major programmes and projects to deliver more successfully. It offers an independent report to the accountable for leading the programme (the SRO) on actions needed to address delivery risks. The report is confidential to the SRO, who determines how the recommendations should be taken forwards. This confidentiality is critical in ensuring reviews are able to focus on the real issues with a programme and is seen as being supportive.

There are five stages in the programme or project's life cycle at which a gateway can be applied, from initial design, business case development, implementation to post implementation reviews. The exact mix of gateways used on a particular programme will vary, depending on its nature and risks.

For major programmes the review is conducted by an external team with extensive knowledge and experience of programme and project delivery. The cost of undertaking a gateway review is significant, both in external costs and in internal staff time to support it. Therefore, it needs to be used selectively where there are believed to be significant delivery risks.

The Strategic Options Delivery Board (SODB) has agreed that the external gateway process will now be adopted for all major programmes and projects that have a significant financial or business risk. The schedule of gateways will be agreed and monitored by SODB. The first project to be subject to an external gateway review was the Waste Collection and Street Cleansing project, the outcome of which is reported below.

While the findings of each specific gateway review are confidential to the SRO, the general lessons from each review should be widely shared across the Council to improve future delivery.

The Waste Gateway Review

The Waste Collection and Street Cleansing Project is one of the Council's most significant projects:

- a) It is putting in place one of the Council's highest profile front line services, on a 7 year contract for the chosen supplier with the option to extend by a further 7 years.
- b) It is aiming to make significant savings compared to the costs of the existing contract.
- c) It is aiming to improve the customer experience, including flexibility to work with Neighbourhood Partnerships.

The current contract expires at the end of October 2011. The procurement of the new contract is being done according to the competitive dialogue procedure, agreed by Cabinet in June 2010. This changed from restrictive list. In making this decision, it was recognised that the change in procedure is not without risk to timescales, bidder interest, and internal cost due to the resource intensive nature of the dialogue / evaluation.

An independent gateway review was undertaken by Local Partnerships in September 2010 to support the Project Executive in ensuring the project was covering all the areas it should, and to assess the likelihood of success of the project in putting in place the contract by 1st November 2011, according to the required outcomes. A report was subsequently taken to SLT on 5th October 2010, identifying the key findings and recommendations of the review.

The key findings of the review were as follows:

- The project is rated AMBER - successful delivery appears feasible but significant issues already exist requiring management attention. These appear resolvable but need to be addressed promptly.
- There is a hard working, committed Project Team who have recently greatly improved the management of the Project. Better controls have been introduced with improved resource levels and greater commitment.
- There is enthusiastic support from the range of stakeholders and a collective will to succeed.
- There are a number of key areas which should be addressed to underpin the Project's chances of successful delivery, particularly with regard to achieving the required outcomes including the full financial benefits, as well as:
 - Reassessment of the project timeline.
 - Plan for Dialogue (including skills and capability audit).
 - Dialogue training.
 - Benefits Realisation.

The key recommendations of the report were as follows:

- The Council is advised to reconsider the Project programme to allow sufficient time for effective and constructive dialogue, leading to the outcomes required. Local Partnerships identified a typically challenging timeframe to undertake competitive dialogue and subsequent evaluation, through to signing the contract with the preferred bidder, as 40 – 46 weeks. This represents a 12 – 18 weeks extension to the previous plan.
- The Council should consider bringing in a lead negotiator.
- The Council should consider external training in competitive dialogue.

The implications of the recommendations were identified as follows:

- Greater savings will be achieved, given the chance to negotiate more within the competitive dialogue period.
- There would be increased project costs, mainly covering the increased costs of resources.
- The time available for 1) mobilisation, 2) ICT implementation, and 3) operational readiness will be reduced.

The outcome was that SLT agreed to a 12 week extension to the procurement period. This included the appointment of an experienced Lead Negotiator to head the procurement process.

The extension puts pressure on the 1st November 2011 contract start date. All efforts are being put in place to still achieve this date. However, contingency arrangements have been put in place with the incumbent supplier in case this date cannot be achieved. Clearly, the reduced contract costs will not kick in until the new contract starts.

2. Current Situation

The recommendations of the gateway review, as agreed by SLT, have been put in place. The project has progressed according to this plan, and is on schedule to sign contracts at the end of July 2011. The appointment of the Lead Negotiator has proven invaluable.

Other Options Considered

That the procurement period should be extended by 18 weeks i.e. an additional 6 weeks. SLT agreed that this should only be considered if the plan according to a 12 week extension proved too tight. Based on current progress, it is envisaged that the agreed plan will deliver the required outcomes, and hence no further extension to the procurement period should be required.

Risk Assessment

The key risk is that the contract start date gets delayed, given the reduced time available for 1) mobilisation, 2) ICT implementation, and 3) operational readiness. Contingency arrangements have been put in place with the incumbent supplier, in case such a delay occurs.

The key risk of not putting in place the extension is that the required level of savings, and associated quality of solution, is not achieved out of the dialogue procedure.

Equalities Impact Assessment

Not applicable

Legal and Resource Implications

Key project resources, particularly from operations, legal and procurement, will be required for 3 more months.

Appendices:

None

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985 Background Papers:

None