

Subject:	Corporate Procurement of the Council’s Water and Wastewater Provision		
Date of Meeting:	30th November 2017		
Report of:	Executive Director Economy, Environment & Culture		
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Ward(s) affected:	All		

FOR GENERAL RELEASE

1. PURPOSE OF REPORT AND POLICY CONTEXT

- 1.1 This report seeks delegated authority to procure the Council's water supply and wastewater services for the Council's operational property portfolio of approximately 440 meters connections including most schools and some housing sites where the Council is responsible for the water bill. The current total spend is approximately £1.0m per annum.
- 1.2 As of April 2017 the water retail market for businesses was deregulated and opened to competition. As a result organisations can now select their water and waste supplier without the previous regional restrictions.

2. RECOMMENDATIONS:

- 2.1 That the Committee grant delegated authority to the Assistant Director Property & Design, following consultation with the Council's Monitoring Officer, to procure and award a call off contract under a Central Purchasing Body framework agreement for the Council's water supply and wastewater services with a term of up to four years.

3. CONTEXT/ BACKGROUND INFORMATION

De-Regulation of the water industry

- 3.1 Deregulation of the non-domestic water market in England took place in April 2017, following the example set by Scotland in 2008. Southern Water (the Council's previous supplier) did not apply for a service provider license (water retailer) during the de-regulation process and sold its business retail service (effective 1 April 2017) to a company called Business Stream. Business Stream therefore became the council's incumbent supplier on deemed rates. The Council subsequently negotiated terms and conditions for a short-term contract until September 2018.
- 3.2 A water retailer provides businesses with water billing, customer service and ancillary services. The retail element of any water bill only accounts for approximately 7% of the overall bill, with the majority of charges going back to the wholesaler.

Overview of Current Water Supply Contract

- 3.3 In December 2016 Property & Design was granted a waiver of CSO12, granted in accordance with CSO 20.3, to contract with Business Stream as the Council's default supplier for water supply and wastewater services to Council premises. Following this, and in the absence of alternative supplier frameworks at that time, Property & Design negotiated and subsequently signed a contract for a period of twelve months with Business Stream taking us up to 31st August 2018.
- 3.4 Changing suppliers takes time and, coupled with the new way of working, it is too early to draw conclusions on Business Stream's performance as a supplier.

Overview of Central Purchasing bodies and framework agreements

- 3.5 The Public Contracts Regulations 2015 define a Central Purchasing Body (CPB) as 'a contracting authority which provides centralised purchasing activities and which may also provide ancillary purchasing activities'. CPBs often set up and operate framework agreements which are accessible to contracting authorities such as the Council.
- 3.6 From officer research conducted so far, two CPBs offer framework agreements for water retail services – LASER and Crown Commercial Services (CCS). Information gathered on these frameworks so far is as follows:
- Both CPBs started running mini-tenders under their framework agreements in the summer of 2017.
 - Both CPBs framework agreements provide the same offering in terms of water services each have 8 plus suppliers on each framework
 - The duration of the framework agreements is four years
 - Framework fees are added to the retail unit costs and these are recouped between the retailer and CPB directly – retail prices are fixed for the period of the contract signed.
 - Wholesale costs are reviewed each year via Ofwat.
 - Both frameworks offer two main lots: a) water retail services and b) ancillary services. At this stage the Council is looking at water supply and wastewater retail services only.
- 3.7 Officers will review the LASER and CCS framework agreements with colleagues in the Council's Procurement, Legal and Finance teams in order to select a preferred framework and to determine the correct call off procedure. The aim is for the new contract to commence on 1st September 2018. The Council is currently making enquiries with Orbis partners to see if there are any additional benefits in consolidating our portfolios.
- 3.8 This approach has been agreed with the Procurement Advisory Board at its meeting on 5th December 2016.

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

- 4.1 **Other Central Purchasing Bodies (CPBs) framework agreements:** Only two CPB's water retail frameworks have been identified so far, but officers are

continuing to research the field. If other CPB frameworks are identified they will be considered alongside the two mentioned in paragraph 3.6 above.

- 4.2 **Procuring water services direct with water suppliers:** the water retail market is relatively new and officer research conducted so far suggests that water suppliers are concentrating efforts on securing customers via frameworks, in addition to retaining existing customers. It is believed that the value of this contract would not attract enough interest from water suppliers should the Council look to run an independent OJEU procurement exercise.
- 4.3 **Brokers:** the Council is approached regularly by consultancies and brokers that secure prices direct from suppliers by monitoring market prices. CPB's do everything the independent energy brokers do but with the added benefit of aggregating large Local Authority portfolios.
- 4.4 **Collaborative procurement with other authorities:** Following evaluation of collaboration opportunities for our energy contracts, we found that CPBs generally do not offer a reduction in framework fees for public sector organisations presenting combined portfolios (i.e. across Orbis) when approaching frameworks. However, this is currently being reviewed with our Orbis partners. Property & Design are working in collaboration with Orbis partners to explore whether the Council's requirements for water retail services could be aligned with our Orbis partners.

5. COMMUNITY ENGAGEMENT & CONSULTATION

- 5.1 The water supply and wastewater services contract does not directly affect leasehold housing tenants, therefore no consultation is required.
- 5.2 Collaboration opportunities are being explored with Orbis partners.

6. CONCLUSION

- 6.1 Opting to procure through a CPB framework agreement is considered to represent best value for money due to economies of scale and the CPB's purchasing power.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 7.1 The water supply and waste water services form part of the Council's Corporate Landlord function and has an annual budget of just over £1.0m pa. This includes the supply and services to most schools, some housing sites and the council's corporate buildings. The procurement of contract may provide opportunities for efficiencies and value for money to be generated through the life of the contract although there is no assumption that savings will be forthcoming within the Integrated Service & Financial Plans. Furthermore the potential to achieve efficiencies through the Orbis route will also be explored during the current year.

Finance Officer Consulted: Rob Allen

Date: 17/10/17

Legal Implications:

- 7.2 The Council has a duty to secure continuous improvement in the way in which its functions are exercised having regard to a combination of 'economy, efficiency and effectiveness' (known as the duty of best value).
- 7.3 In accordance with Part 4 of the Council's Constitution, Policy, Resources & Growth Committee is the appropriate decision-making body in respect of the recommendations set out in paragraph 2 above. In addition, in order to comply with CSO 3.1, authority to enter into contracts in excess of £500,000 must be obtained by the relevant committee.
- 7.4 The Council's Legal officers will advise during the procurement to ensure that it complies with all relevant public procurement legislation as well as the Council's Contract Standing Orders (CSOs).

Lawyer Consulted: Wendy McRae-Smith

Date: 27/10/17

Equalities Implications:

- 7.5 There are no equalities implications

Sustainability Implications:

- 7.6 Both frameworks offer ancillary services including water efficiency and conservation however, at this stage the council is only looking to establish the basic retail service associated with water supply and wastewater requirements. Both frameworks are available for four years and any requirements for ancillary services could be explored at a later date. Property & Design continue to monitor water usage across the council portfolio of buildings and open spaces.

Any Other Significant Implications:

- 7.7 No other significant implications have been identified relating to this area.

SUPPORTING DOCUMENTATION

Appendices:

1. None

Documents in Members' Rooms

1. None

Background Documents

1. None