

## READING BOROUGH COUNCIL

### REPORT BY EXECUTIVE DIRECTOR OF ECONOMIC GROWTH AND NEIGHBOURHOOD SERVICES

<b>TO:</b>	POLICY COMMITTEE		
<b>DATE:</b>	15 JULY 2019		
<b>TITLE:</b>	WATER PROCUREMENT		
<b>LEAD COUNCILLOR:</b>	CLLR EMBERSON	<b>PORTFOLIO:</b>	CORPORATE AND CUSTOMER SERVICES
	CLLR PAGE		STRATEGIC ENVIRONMENT, PLANNING & TRANSPORT
<b>SERVICE:</b>	SUSTAINABILITY	<b>WARDS:</b>	BOROUGHWIDE
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#### 1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 Reading Borough Council currently spends in the region £250k annually on water and waste water supply in relation to the provision of services, such as buildings.
- 1.2 The non-household (business) water and waste water market was deregulated in April 2017. Since then, the Council has been on a 'deemed' contract with Castle Water for its water supply. This contract is a temporary arrangement that is non-compliant with the Public Procurement Regulations 2015 and a long term supply contract therefore needs to be procured.
- 1.3 As with energy, there are now a number of frameworks for water supply with the key differentiator between providers being the ability to provide ancillary services to assist with the effective management of water resources.
- 1.4 The available water supply framework contracts have been assessed and selected on price, customer service and access to ancillary services.
- 1.5 The report seeks the Policy Committee's approval to enter into new contract for water supply.
- 1.6 In considering this report and recommendation the Committee should take into account the Strategy For Procurement Of Water, Wastewater And Ancillary Services, which is listed as Appendix 1 to this report but has been submitted separately as an exempt item due to the inclusion of commercially sensitive information which is exempt in accordance with Paragraph 3 of the Part 1 of Schedule 12A (as amended) of the Local Government Act 1972 (as amended).
- 1.7 Appendix 1 - Strategy For Procurement Of Water, Wastewater And Ancillary Services (exempt information)

## **2. RECOMMENDED ACTION**

- 2.1** The Committee delegates authority to the Executive Director of Economic Growth and Neighbourhood Services and the Assistant Director of Procurement and Contracts to enter into water supply contracts for the period 2019 to 2022 with Anglian Water Business (National) Limited through entering into an access agreement for the London Energy Project pan-London water framework, the contract is through Crown Commercial Services and the Yorkshire Purchasing Organisation (YPO) framework RM3790.

## **3. POLICY CONTEXT**

- 3.1** Reading Borough Council's Carbon Plan 2015-2020, was approved in 2015. It contains a number of key actions and targets to reduce the consumption of natural resources. This is achieved through careful management of resources and investment in energy and water efficiency schemes. The key 'cost' objective identified in the Carbon Plan is set out below;

*'COS5: We will take the steps to ensure we are ready to procure water cost-effectively when the market is opened / deregulated.'*

## **4 CURRENT POSITION - WATER**

- 4.1** Reading Borough Council is currently supplied by Castle Water, under a 'deemed' contract passed to them by Thames Water. Thames Water held all supply contracts for domestic and business users in the area prior to the de-regulation of the non-domestic market. Since the water market opened there are currently 22 water retail suppliers offering services to business. RBC has not procured a water retail supplier since this time. In the deregulated market, the contract value would require RBC to select a supplier through an OJEU compliant procurement process.
- 4.2** Significant issues occurred when the Council's supply was transferred to Castle Water, but progress has been made in improving the information held on the Authority's billing processes since that time. This included moving billing to an electronic format and undertaking bill validation through the TEAM Bureau Service. This work has significantly improved the authority's readiness to go out to the open market.
- 4.3** The current 'deemed' contract affords the right to switch suppliers at any time with 30 days' notice.
- 4.4** The total corporate water spend for water supply and waste water services averaged £240,000 per annum over the last three years. An annual price rise of 3.67% will be applied by the wholesaler, Thames Water, for 2019/20.
- 4.5** At present ancillary services are not included within RBC's water supply 'deemed' contract. Ancillary services for water include: water efficiency measures, active water management, high consumption alerts, Automated Meter Reading (AMR) and leak detection. Including Ancillary Services in the contract makes it easier for the Council to install AMR in selected sites and repair leaking pipework more quickly. This in turn would represent additional water savings for the Council. Ancillary services are included in the contract detailed in the recommendations section.

## 5 Water Proposals

5.1 The business water market in England and Wales was deregulated in April 2017. All of the water procurement frameworks assessed have been set up after market opening.

### 5.2 Business requirements and purchasing strategy for water

Please note : confidential information is presented in Appendix 1 - Water Purchasing Strategy

**Summary of key requirements below:**

5.3 **Provisions of water to all council buildings and some schools** An established, OJEU compliant water framework will minimise any risks procuring a new water retail supplier, provide additional help to assist with on-boarding (moving our supply) for the corporate buildings and schools in order to minimise the use of resources to move over to a new contract. Suppliers will need to demonstrate they are able to provide help with on-boarding through the procurement process. Suppliers need to be able to provide a contract up to 2022.

5.4 **Effective management of water provisions (invoice management, metering, monitoring, control, water efficiency).** Retailer to provide good, effective customer service from Corporate Purchasing Organisation (CPO) and supplier, to reduce administrative burden on officers. A single point of contact for CPO and supplier is also required. Accurate and clear electronic (EDI) monthly invoicing. RBC will continue to use a bill validation bureau service to validate all water invoices, the new supplier needs to work with this service. Availability and access to water efficiency services to monitor water consumption. RBC requires easy access to ancillary services such as water efficiency measures, automated meter reading (AMR) and leak detection.

5.5 **Achieve value for money.** RBC requires water retail suppliers to demonstrate they have a proven track record of competitive pricing on the retail element of the bill and can identify opportunities for further financial savings throughout the duration of the contract. RBC requires active water management and high consumption alerts to ensure that leaks are detected as soon as possible.

5.6 **Recommended Option - London Energy Project (LEP) Water Framework - Pan-London LEP water contract.** It is recommended to use the London Energy Project Direct Award process to procure water services for the Council. This procurement option is the best for Reading Borough Council as it brings together the added value of using the Pan-London LEP Water contract with the additional benefits of using the Lot 3 CCS/YPO water framework, as set out in Table 1 below.

5.6.1 YPO on behalf of the LEP has recently carried out a mini-competition, using the CCS/YPO Lot 3 water framework option and has appointed Anglian Water Business (National) Limited (Anglian Water Ltd) as their water retailer for the Pan-London LEP water contract. This contract is also available for use for non-London Authorities who are members of the LEP. Twenty five local and public authorities across London and the South are either planning to use the water supply framework through the LEP or are already using it.

5.6.2 This option includes the widest range of ancillary services, making it easier for the council to install AMR in selected sites and fix leaks more quickly. This in turn would represent additional water savings for the Council.

5.6.3 The LEP has selected the water supplier, Anglian Water, through the CCS/YPO framework, using an OJEU compliant process. This means that the Council would not need to run a mini-competition as the LEP has already completed this process. It

would therefore be a direct award to Anglian Water Ltd, saving the council time and resources.

- 5.6.4 Accessing the Contract through membership of the LEP offers better contract management and the Council will be provided with a savings plan.
- 5.6.5 This option would also address current non-compliance with procurement regulations in a shorter timeframe than the other options.
- 5.6.6 Reading Borough Council would be required to pay the LEP annual fee of £4,950 to access the services, although as mentioned above this gives access to a range of other valuable services for energy supply.
- 5.6.7 This membership fee would give additional benefits as detailed in Appendix 1.
- 5.6.8 The LEP contract with Anglian Water (Wave) started on **01/05/2018** and ends on **30/04/2022**.
- 5.6.9 The London Energy Project (LEP) is Local Authority-led and owned organisation that provides the necessary energy and water expertise from a public sector perspective offering specialist water advice and support for contract procurement. RBC became a member of the LEP in March 2019.
- 5.7 The organisation has around 120 meters which need to be managed for consumption and billing purposes. Failure to adequately manage contracts can lead to significant penalties and rises in specific tariffs.
- 5.8 RBC currently outsources bill validation service through TEAM (Energy Auditing Agency Ltd).

Table 1: Additional Benefits of Joining the Pan-London LEP Water Contract

	<b>Additional Benefits</b>
1.	<b>Water Efficiency</b> - The Council will receive a short individual water footprint after 12-18 months of contract operation to support their own sustainability reporting
2.	<b>Leak Detection</b> -The LEP contract will enable the Council to look for quick wins, e.g. where there may be embedded leaks, (those leaks that have gone on for a long time and become normalised usage). This can be done through benchmarking like for like sites and historical analysing
3.	<b>Active Water Management and High Consumption Alerts</b> are included as an additional benefit, and this contract being a one-stop shop route to ancillary services enables a fast track to specialist leak detection and repairs with no further procurement costs.
4.	<b>Contract Management</b> - LEP Team support on an end to end basis, from initial needs analysis, pre-market engagement, options appraisal, tender, contract award reports for Trusts (attached LEP Water Contract Award Report) to use for internal decision making purposes and template contracts finder notices plus ongoing supplier management - LEP Team working with the Retailer at Director level to develop the contract
5.	<b>Locating Additional Savings</b> - An annual portfolio health check review and savings plan

## 6 CONTRIBUTION TO STRATEGIC PRIORITIES

6.1 Energy and Water supply are critical to the delivery of most Council services. All of the strategic priorities of the strategic aims are impacted, although the ones shown in bold below are especially affected by the procurement choices.

- Securing the economic success of Reading and provision of job opportunities
- Ensuring access to decent housing to meet local needs
- To protect and enhance the lives of vulnerable adults and children
- **Keeping Reading's environment clean, green and safe**
- Ensuring that there are good education, leisure and cultural opportunities for people in Reading
- **Ensuring the Council is fit for the future**

6.2 The effective procurement of energy and water services is crucial to the delivery of the Council's sustainability policy, affecting the ability to effectively manage its use of natural resources.

## 7 COMMUNITY ENGAGEMENT AND INFORMATION

7.1 Section 138 of the Local Government and Public Involvement in Health Act 2007 places a duty on local authorities to involve local representatives when carrying out "any of its functions" by providing information, consulting or "involving in another way". The procurement of energy and water services for the delivery of Council services does not require consultation.

7.2 Information about the process and the chosen supplier would be available to the public subject to commercial confidentiality.

## 8 EQUALITY IMPACT ASSESSMENT

8.1 It is not considered that the decision will or could have a differential impact on: racial groups; gender; people with disabilities; people of a particular sexual orientation; people due to their age; people due to their religious belief and therefore no Equality Impact Assessment (EIA) is relevant to the decision.

## 9 LEGAL IMPLICATIONS

9.1 In accordance with the Local Government Act 1972, all the powers of the local authority are held by the Council, which has established Committees with delegated authority to take decisions on its behalf. **The decision to award contracts for high value services (above £500,000) constitutes a 'key decision' and as such the decision should be made by the committees or an appropriate delegation be made.**

9.2 The procedures for procurement of services are set out in the Council's Contract Procedure Rules under part 4 of the Council's Constitution. In respect of framework agreements set up by another body advice should be sought from Procurement, and where appropriate Legal, to confirm the ability of the Council to legally access such arrangements.

9.3 The value of the contracts under the aggregated value provision, are above the OJEU threshold for services in the Public Contracts Regulations 2015 and as such require advertisement in the Official Journal of the European Union (OJEU). The use of an appropriate framework would meet this provision on the basis that the framework would already have been advertised in the OJEU. The Council contract procedure rules recommend that "Where a recurring pattern of purchases can be seen for like

supplies, services or works, consideration should be given as to whether one or more framework agreement(s) would represent better value in terms of price, service, invoicing or other administration costs.”

## 10 FINANCIAL IMPLICATIONS

- 10.1 Currently water budgets are paid centrally in the Council, but allocated to individual service budgets. The annual costs of water for the following year are generally only known in January of each year ahead of the April financial year.
- 10.2 The average annual water spend for the Council was £240,000 in 2015-16. In 2017 - 2018 the total water spend for the council was £235,750, this is a reduction in cost of 1.77% from the 2015-16 baseline
- 10.3 The Wholesaler, Thames Water, has confirmed that the average tariff increase in the Thames area is 3.67% for 2019 -2020. So we would expect our water costs to increase by £8,652 to £244,402 based on this average tariff increase in 2019 - 2020.
- 10.4 Ofwat carry out a water wholesale price review every 5 years - the latest price review is PR19. Early indications coming from Ofwat on PR19 is that wholesale water and waste water costs will not increase significantly over the next 5 years.
- 10.5 The carbon footprint of the Council has reduced by 53% by 2017/18 since 2005, meeting the 50% reduction target 3 years early.
- 10.6 The carbon plan sets out a 7% annual savings target by 2020-2021 - this includes savings from water and energy. A 7 % saving from water is £17,500 based on the current average annual spend.