



POLICY AND RESOURCES COMMITTEE

15 FEBRUARY 2023

REPORT TITLE:	APPOINTMENT OF PROVIDER OF WATER, WASTEWATER AND ANCILLARY SERVICES
REPORT OF:	DIRECTOR OF REGENERATION AND PLACE

REPORT SUMMARY

Deregulation of the retail water market in 2017 allowed non-domestic customers in all sectors the option of how they interact with the water market. By entering a contract with a retailer this achieves savings over the default non-contract position which would incur “deemed rates” relating to water, wastewater, and ancillary services. The services include the management of bills, leak detection, disconnecting supplies etc.

A framework managed through direct award by North East Purchasing Organisation provides a compliant route to market for the procurement of water, wastewater, and ancillary services for all public sector bodies.

Through the framework agreement after applying the favourable tariff offered by the retailer, it is expected that this will save approximately £80,000 over a 12-month period across corporate and school premises.

This report aligns with the Sustainable Environment theme of the Wirral Plan 2025 and supports the “Cool Wirral” strategy.

The report also supports the delivery of the Wirral Plan by fitting into the Medium-Term Financial Plan (MTFP) referenced in the Wirral Plan. Within the MTFP one specific aim is that value for money is delivered for the services we provide. This replacement contract aims to achieve value for money by the avoidance of more expensive deemed tariff rates which would be the default position if no action is taken.

The retailer’s activities will support the Council with its environmental commitments in reducing water consumption through early leak detection, identification of high usage across the asset portfolio and supporting other Council initiatives.

This a key decision and affects all Wards.

RECOMMENDATION/S

The Policy and Resources Committee is recommended to approve that:

1. Anglian Water Business (National) Ltd (Company Registration Number 03017251) be appointed under a 4-year contract via the North East Purchasing Organisation (Public Buying Organisation) direct award Framework – NEPO311 Framework Agreement for the provision of Water Retail Services; and
2. The Director of Law and Governance be authorised to finalise the legal documentation associated with the appointment of Anglian Water Business (National) Ltd.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

- 1.1 Deregulation of the retail water market in 2017 allowed non-domestic customers in all sectors the option of how they interact with the water market. By entering a contract with a Retailer this achieves savings over default market rates known as “deemed rates” relating to water, wastewater and ancillary services.
- 1.2 A direct award framework option is available through North East Purchasing Organisation to engage a suitable retailer, in this case the retailer is Anglian Water Business (National) Ltd. This option provides a compliant route to market for the procurement of water, wastewater, and ancillary services for all public sector bodies. The North East Framework is a collaboration which supports the public sector to reduce water consumption, making water usage more efficient and supply more resilient.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 Other frameworks are available, however - a direct award facility exists through North East Purchasing Organisation. Due diligence has been undertaken through a desktop exercise combined with value for money delivered by the process that established the framework selected.
- 2.2 Self supply is technically possible. This is best described as the Council undertaking the role of the retailer. Whilst this is an option under the deregulation of water services it has not been a popular route for sectors across England and is largely untested. This option would also require the Council to obtain a licence to act as retailer and would require significant internal resourcing to undertake the activities such as meter readings and leak detection.
- 2.3 Do nothing is an option. However preferable rates are achieved by entering a formal contract with a retailer who would provide the communication between the water wholesaler (United Utilities) and the Council. In the absence of entering a new contract, the current contract would cease, and the arrangement would revert to the position in 2017 when deregulation occurred with Water Plus undertaking the retailer services. This would result in “deemed rates” being applied by the retailer for their services and the cost of water supply from United Utilities as Wholesaler. Such rates would be more expensive than those that would be obtained by proceeding with the recommendations within this report.

3.0 BACKGROUND INFORMATION

- 3.1 Wholesale prices charged by regional water network operators such as United Utilities are regulated and set under price control. Water retailers cannot negotiate rates with the network. All retailers pay the same rate to the network and add on their retail margin. It is only this retail element which can vary for the end user.

3.2 In March 2021 Energy Cost Advisors Ltd known as ECA Business Energy (appointed by the Council's Procurement Unit), undertook an audit of the Council's utilities arrangements for water services and provided a report. The report gave details of options which could achieve savings on the amount paid on the retail element of the Council's water bills, by switching to an alternative tariff rather than continuing with "deemed rates" as per the arrangement between United Utilities and the retailer Water Plus.

There was also another option of Self supplying but this was not thought appropriate due to evidence given in the audit that only 20 businesses nationally had followed this route, licence requirements and the limited resources within the Council to administer the technical requirements, which would likely exceed any savings achieved by self-supplying.

3.3 Following the audit report in 2021 the Council entered a 12-month contract with the retailer "Water Plus" who had provided the retailer activity to the Council since deregulation in 2017. The contract then assured a tariff which was less than the "deemed rates" previously applied, it is this arrangement for which approval to renew is being sought.

3.4 The retailer undertakes a range of activities in close communication with technical staff within asset management including:

- Raise billing queries;
- Challenge water and sewerage charges;
- Close accounts;
- Set up new accounts;
- Disconnect water supplies;
- Mothball site charges for closed building;
- Agree fixed contract rates for set periods;
- Report faulty meters; and
Meter reads for inclusion on the water bills.

4.0 FINANCIAL IMPLICATIONS

4.1 The estimated wholesale costs of water, wastewater and ancillary services across the Council are in the region of £1,500,000 per annum. Under the Framework agreement there will be a % Retailer charge which would add approximately £78,900 to the bills to provide the Retailer service. The breakdown of anticipated costs for Corporate and School sites are:

Corporate Sites	£711,619	45.84%
School Sites	£840,778	54.16%
Total	£1,552,397	100%

4.2 Through the framework agreement after applying this tariff, it is expected that this will save £80,000 over a 12-month period across corporate and school premises when compared to the default "deemed rate" if a contract was not entered.

5.0 LEGAL IMPLICATIONS

5.1 The contract will be called off under lot 1 of the Framework Agreement in accordance with the terms of the Framework Agreement and the direct award of the contract to Anglian Water Business (National) Ltd trading. The direct award of the contract will comply with the Contract Procedure Rules and Public Contract Regulations 2015.

5.2 Regulations 33 (1) of the Public Contract Regulations 2015 (as amended) (“The Regulations”) provides that:

“Contracting authorities may conclude framework agreements, provided that they apply the procedures provided for in this Part.

Regulations 33 (3) of the Regulations provides that “The term of a framework agreement shall not exceed 4 years, save in exceptional cases duly justified, in particular by the subject-matter of the framework agreement”.

Where a framework agreement is concluded with more than one economic operator, that framework agreement shall be performed in one of the following ways: —

(a) following the terms and conditions of the framework agreement, without reopening competition, where it sets out:

- (i) all the terms governing the provision of the works, services and supplies concerned, and
- (ii) the objective conditions for determining which of the economic operators that are party to the framework agreement shall perform them, which conditions shall be indicated in the procurement documents for the framework agreement.

5.3 The use of a recommended framework agreement is in compliance with paragraph 7.3 of the Council’s Contract Procedure Rules provided an appropriate call off contact is entered into in accordance with the terms of the Framework agreement.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

6.1 There are no direct staffing, ICT or asset implications arising from this report.

7.0 RELEVANT RISKS

7.1 There is a risk that the retailer could experience financial difficulties and not be able to fulfil its duties to the Council. Reports state that the company was: *“Formed from two established regional entities, Anglian Water Business and NWG Business, with roots tracing back to 2008 serving the Scottish market after deregulation. The company now works with over 300,000 customers across the UK to help them benefit from the open water market in England.”*

7.2 There are several retailers who could be engaged to support the Council should the provider be removed from the market.

- 7.3 Not entering a contract with Anglian Water Business (National) Ltd – would revert the Council's costs to deemed rates which would increase the overall charges to the Council as outlined above.
- 7.4 There is a risk of the retailer not providing quality service. This will be closely monitored by the technical team within Asset Management. There is also the benefit of North East Purchasing Organisation monitoring the performance of the provider thorough their Framework standards. Whilst there is only one supplier on the North East Purchasing Organisation Framework, assurances have been given that this is for relationship and contract management, which relates into the service level agreement, giving the customer a better, clear, managed route to market.

8.0 ENGAGEMENT/CONSULTATION

- 8.1 The audit report produced by Energy Cost Advisors Ltd in March 2021 gave advice on options available to the Council as a public sector organisation.
- 8.2 Schools are made aware of the Council's arrangements for water, wastewater and ancillary services.

9.0 EQUALITY IMPLICATIONS

- 9.1 Wirral Council has a legal requirement to make sure its policies, and the way it carries out its work, do not discriminate against anyone. An Equality Impact Assessment is a tool to help council services identify steps they can take to ensure equality for anyone who might be affected by a particular policy, decision or activity. There are no known Equality Implications arising from this contract.

10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS

- 10.1 Through the Framework the Retailer has stated that they are committed to present Wirral with supplementary ideas to innovate our water efficiency measures during the contract. A proactive consumption monitoring service will be implemented through this contract; this is known as Active Water Management which will help to drive down consumption by up to 10% and will be provided at no additional cost.
- 10.2 Automatic High Consumption Alerts will be provided and followed up with an account manager to assist with the identification of leaks across the Wirral Council and school's portfolio. This will reduce any associated scope 3 emissions associated with the supply of water and processing of wastewater.
- 10.3 The Retailer will provide electronic e-billing, assisting in the reduction in paper invoices, credits and statements.

11.0 COMMUNITY WEALTH IMPLICATIONS

11.1 Resultant work coming from recommendations on water consumption and required repairs will require remedial works being carried out by local companies and Wirral residents.

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APPENDICES

None

BACKGROUND PAPERS

North East Purchasing Organisation Framework Documentation
Pricing documentation

TERMS OF REFERENCE

This report is being considered by the Policy & Resources Committee in accordance with Section b (i) and (vi) of its Terms of Reference, to provide a co-ordinating role across other service Committees and retain a “whole-council” view of performance, budget monitoring and risk management, which includes responsibility of a decision (i) that has a major impact on a number of Council services or on the Council as a whole, and (vi) which is deemed significant in terms of the impact on the Council’s capital or revenue, to be determined by the Head of Paid Service and/or Section 151 Officer in consultation with the Leader. This Committee also has responsibility under section f of its Terms of Reference to “undertake responsibility for developing and monitoring the enabling of corporate services including” [amongst other matters] ... commercial strategies, property and asset management...”

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
None	