

CABINET

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| DATE | 21st August 2024 |
| REPORT OF | Councillor Stephen Harness – Portfolio Holder for Finance, Resources and Assets |
| RESPONSIBLE OFFICER | Sharon Wroot – Executive Director of Place and Resources |
| SUBJECT | Water, Wastewater and Ancillary Services |
| STATUS | Open |
| FORWARD PLAN REF NO. | CB 08/24/07 |

CONTRIBUTION TO OUR AIMS

The contract for Water, Wastewater and Ancillary Services contributes to the Council's priority of benefitting from a strong local economy.

EXECUTIVE SUMMARY

The Council's current arrangement with WAVE procured via YPO Water, Wastewater and Ancillary Services Framework – 1008 via direct award is due to come to an end on 25 October 2024.

This Cabinet report is to seek approval to access the YPO Water, Wastewater and Ancillary Services Framework - 1181 via direct award for a period of four years commencing 26 October 2024. Estimated annual spend is £336,000.

RECOMMENDATIONS

It is recommended that Cabinet:

1. Delegates authority to approve a direct award from the YPO Water, Wastewater and Ancillary Services Framework – 1181 to the Director for Economy, Environment, and Infrastructure, in consultation with the Portfolio Holder for Finance, Resources and Assets together with authority to complete any ancillary action reasonably arising from the above.
2. Authorises the Assistant Director Law and Governance (Monitoring Officer) to complete all legal documentation in relation to the matters outlined above.

REASONS FOR DECISION

The Council is required to demonstrate value for money by accessing a nationally recognised framework contract has the benefits of approved suppliers already meeting certain benchmarks and flagging agreement in advance to appropriate terms and conditions. Further, the Council may achieve better terms by combining its volume with the other public bodies also taking part.

1. BACKGROUND AND ISSUES

- 1.1 The contract is for the supply of water and wastewater services (i.e. foul water and surface water drainage), plus supply of additional ancillary services.
- 1.2 Additional ancillary services consist of active water management. This service is provided as part of the YPO water framework at no additional cost. The purpose of the active water management is to monitor consumption, detect leaks and introduce other water control measures to reduce consumption for the authority by 10%.
- 1.3 North East Lincolnshire with several large, unmanned sites and aging infrastructure beyond the water meter, can see leakage costs exceeding £100k before problems are highlighted through receipt of a bill. Rules for recovery of leakage costs have been tightened because of market deregulation and provide strict timescales for notification and rectification of leaks with only one claim can be able to be made per supply.
- 1.4 The YPO Water, Wastewater and Ancillary Services framework is a single supplier framework awarded to WAVE. WAVE is the water retailer for the wholesaler Anglian Water who are the wholesaler for our region.
- 1.5 Schedule 29 of the services agreement between the Council and Equans Services Ltd requires that Equans administer the Council's water supply and associated service. It also requires Equans to procure water and associated service on behalf of the Council as and when required.

2. RISKS, OPPORTUNITIES AND EQUALITY ISSUES

- 2.1 Failure to award a future contract would mean that the Council would have failed to enter a renewed contract for Water, Wastewater and Ancillary Services prior to the termination of its existing contract. As a result, the supply rates charged across its portfolio would swap to deemed rates, which would incur significant additional costs.
- 2.2 If the Council were to allow the current framework to expire at its current date, it would be seeking to procure a new supplier in a market with a limited supply chain.

3. OTHER OPTIONS CONSIDERED

Option 1: Do nothing

Benefit

- There are no benefits for this option.

Challenges

- There would not be a valid supply contract in place.
- The basket would move on to deemed rates. This would see an increase estimated of £26,000 per annum across the portfolio.
- The Council would not be able to demonstrate Value for Money and there would be additional costs of supply at deemed rates.

Option 2: Carry out an independent procurement exercise

Benefit

- Independent test of the market.

Challenges

- The cost and time of a procurement exercise could see the Council slip on the deemed rates.
- Other retailers charge for value added services like those provided by Active Water Management.
- Due to margins set by Ofwat, the Council could see an increase in cost as opposed to a saving.
- The billing systems offered by other suppliers may not be compatible the Council's financial or utility management systems. Additional administrative costs would be incurred if the Council had to switch to paper billing as a result.

Option 3: YPO Water, Wastewater and Ancillary Services Framework - 1181

Benefits

- A framework compliant with UK legislation is available through the YPO.
- Active Water Management service is included at no additional cost.
- WAVE have knowledge of the account as they are the retailer of Anglian Water.
- WAVE is committed to work with the Council with the aim of reducing the Council's water consumption by 10% as part of the framework agreement.
- WAVE have CSR initiatives that will support local schools and young people. NELC will benefit from volunteer activities that support local communities and improve local environments. These activities are reported through the framework KPIs.
- WAVE provide billing technology compatible with existing Council systems.

Challenges

- Due to the margins set by Ofwat, increases in consumption at sites would mean that the Council could see additional increase in cost despite the introduction of the variable margin offered by WAVE.

Recommendation

Option 3: To access the YPO Water, Wastewater and Ancillary Services by direct award to WAVE for a period of four years starting on 26 October 2024.

4. REPUTATION AND COMMUNICATIONS CONSIDERATIONS

- 4.1 There are potential negative reputational implications should the Council not achieve favourable rates.
- 4.2 There are no communication requirements.

5. FINANCIAL CONSIDERATIONS

- 5.1 Cost avoidance is achieved because of direct the award through the YPO water framework due to the introduction of the variable margin rate offered by WAVE. This gives a reduced margin rate at the Council's larger consuming sites.
- 5.2 WAVE have been procured through the YPO and the Council will therefore experience the benefits of the joint volumes included for larger authorities, which will result in the reduce margin rates offered.
- 5.3 Under the current arrangement with WAVE, Automatic Meter Readers have been introduced in higher consuming sites for early leak detection and more accurate billing.
- 5.4 The estimated spend for the four years is £1,344,000.

6. CHILDREN AND YOUNG PEOPLE IMPLICATIONS

There are no implications on children and young people.

7. CLIMATE CHANGE AND ENVIRONMENTAL IMPLICATIONS

Access to this active water management service will help mitigate against the risks of undetected water leakage at the Council's unmanned sites. It will also assist minimise the Council's water consumption across its operational buildings, which will help actively control the Council's CO₂e emissions.

8. CONSULTATION WITH SCRUTINY

There has been no consultation with Scrutiny at this stage.

9. FINANCIAL IMPLICATIONS

The costs associated with this contract will be managed within the current budget envelope, as part of the core council budget. Any adverse variations to this position would cause a budget pressure.

10. LEGAL IMPLICATIONS

- 10.1. The approach recommended is a framework contract which has the benefits of approved suppliers already meeting certain benchmarks and flagging agreement in advance to appropriate terms and conditions. Further, the Council may achieve better terms by combining its volume with the other public bodies also taking part.
- 10.2. There are further advantages of assurance in that any such framework by necessity must be compliant with Public Contracts Regulations 2015. A framework approach is considered good practice and comes with its own efficiencies.
- 10.3. The YPO Water, Wastewater and Ancillary Services Framework – 1118 permits a direct award.

11. HUMAN RESOURCES IMPLICATIONS

There are no direct HR implications arising from the contents of this report.

12. WARD IMPLICATIONS

The requirement effects all wards.

13. BACKGROUND PAPERS

There are no background papers associated with this report.

14. CONTACT OFFICER(S)

- Jo Robinson - Assistant Director Policy Strategy & Resources– 01472 323761
- Christina Tabor – Procurement and Contracts Manager – Equans 01472 324962

COUNCILLOR STEPHEN HARNESS

PORTFOLIO HOLDER FOR FINANCE, RESOURCES AND ASSETS