

## Water and Wastewater Services Procurement

To: Strategy and Resources Committee

Meeting Date: 29 March 2022

From: Steve Cox, Executive Director of Place and Economy

Electoral division: All

Key decision: Yes

Forward Plan ref: 2022/042

Outcome: To update Members on a procurement of water and wastewater services, set out potential options and seek approval to proceed.

Recommendation: The Committee is asked to:

- a) enter into a contract with Wave under the ESPO framework to supply water and sewerage retail services to all sites where Cambridgeshire County Council is liable for the bills, from August 2022. (Option B as detailed in the paper)
- b) increase efforts to understand and reduce water consumption across the Council's properties.

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### Member contacts:

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# 1. Background

- 1.1. Cambridgeshire County Council is responsible for water and wastewater (i.e. sewerage and drainage) bills at approximately 113 sites, including offices, libraries, community centres and farms. The Council spends approximately £160k on these services per year and in total uses approximately 85,000m<sup>3</sup> of water per year across all sites.
- 1.2. The water retail market for non-households was opened to competition in England on 1<sup>st</sup> April 2017; meaning that businesses, charities and public sector organisations are now able to shop around and switch retail service provider for their water and wastewater services – similar to the electricity and gas markets. There are currently 19 different licensed retailers serving non-household customers with premises in England. These are a mixture of water company subsidiaries and new entrant independent companies. These retailers now provide all meter reading, billing, account management and customer service functions to all non-household premises. ‘Wholesale’ regional water companies still maintain the physical supply, treatment and networks infrastructure (and continue to provide retail services to household customers).
- 1.3. In July 2019, the Commercial and Investment Committee unanimously agreed for Cambridgeshire County Council to progress with a water services procurement in early 2020. The Council participated in an aggregated secondary competition under the Crown Commercial Services (CCS) Water, Wastewater and Ancillary Services (RM3790) framework in 2020. Castle Water Ltd were the successful supplier, and the Council entered into a contract with Castle Water to supply all Council premises with water and wastewater services for a period of two years commencing 1<sup>st</sup> August 2020, with an option to extend for a further one year period.
- 1.4. The Council approved its updated Climate Change and Environment Strategy in February 2022, which includes a strategic priority of water management, water availability/security and flood risk. This recognises that we are in a water scarce region and includes a commitment in our action plan to minimise water waste.

# 2. Main Issues

- 2.1 Customer service. Since switching to Castle Water, the Council has encountered a number of customer service issues and has had cause to raise formal complaints on multiple occasions. The problems have included long delays in receiving bills, threats of debt collection action in situations where the Council was not in debt and had not received correct bills, incorrectly formatted documents, and issues with access to and functionality of their online portal system. 18 months into the 2-year contract, the majority of the issues have now been resolved, and communications and billing have generally improved, but it has been resource intensive for officers to manage, and some billing issues are still occurring from time to time. (None of these issues have had any effect on the physical supply of water and wastewater services to our sites.)
- 2.2 Cambridgeshire County Council is not the only customer to have had cause to complain, with the Consumer Council for Water (CCW) noting in its recent report that Castle Water and another retailer, Water Plus, between them accounted for 7 out of 10 of all written complaints to water retailers by non-household customers in 2020-21. Castle Water were the second worst performing retailer on this measure with 69.9 written complaints per 10,000 SPIDs (number of supply points served). The worst was Water Plus with 88.2

complaints per 10,000 SPIDs. Wave received less than half that number with 32.7 complaints per 10,000 SPIDs. The retailer with the lowest number of written complaints was First Business Water with 0.0 complaints per 10,000 SPIDs (rounded).

- 2.3 Pricing. Costs of water and wastewater services for non-household customers are made up of a wholesale element and a retail element. In general, wholesale charges make up 90% to 97% of the total price paid for water and wastewater services by non-household customers in England. Many retailers set their tariffs on a 'wholesale plus %' method, and margins for retailers in this market are small. The wholesale charges are regulated by Ofwat, fixed by the wholesaler, passed on by the retailer and are the same no matter which supplier we use. For that reason, overall prices will vary relatively little from one supplier to another.
- 2.4 For customers not in a contract or "in the absence of otherwise agreed terms", retailers may set their tariffs up to a maximum 'default tariff' rate which is set by the regulator, Ofwat, through the Retail Exit Code (REC). This code specifies price caps for all but the very largest of water users. These price caps would apply to all of the Council's sites if we were not in a contract.
- 2.5 The overall difference in costs between the highest and lowest priced supplier tariffs is likely to be very small. Pricing is therefore not a strong incentive to switch suppliers.
- 2.6 Greater financial savings are more likely to be realised by reducing water consumption than by switching suppliers. It is therefore beneficial to seek a supplier able to help the Council better understand and monitor water consumption across our property portfolio, identify high water using sites and detect any potential leaks earlier.
- 2.7 Reducing our water consumption would also be beneficial for the environment, both directly, by helping balance water demand to available supply, and indirectly, by reducing the associated carbon footprint of water supply and treatment. Last year the Environment Agency categorised Cambridgeshire as "seriously water stressed", so there is a challenge in our region to manage the balance of water supply and demand. In 2020-21, the carbon footprint associated with the supply and treatment of the water and wastewater supplies used by the Council was estimated at 46 tonnes CO<sub>2</sub> equivalent. This does not include carbon emissions associated with energy used to heat water.
- 2.8 Contract period. Our current contract ends on 31<sup>st</sup> July 2022, unless we opt to extend it for a further one year period. If we did nothing, the contract would end on 31<sup>st</sup> July 2022. Following that date, Castle Water would continue to be our supplier until such time as we elected to switch to a new supplier, but no contract would be in place. This means that prices and service levels would revert to the default levels.
- 2.9 Procurement options. There are various options for procuring a water and wastewater retailer to supply our premises from August 2022 onwards. Three potential routes to procurement have been identified.
- 2.10 Option A would be to effectively delay this decision for a year and extend the existing contract with Castle Water for a further one year period. The minimum written notice period to the supplier in respect of an extension is 30 days. The maximum period of such an extension would be one year. Therefore this would extend our contract until 31<sup>st</sup> July 2023. A decision to select one of the following alternative options would then need to be made in early 2023.

- 2.11 Option B is to enter a new contract under the Eastern Shires Purchasing Organisation (ESPO) framework. This option was not available to us in 2020 as that framework did not exist then but is now an option. The ESPO framework is a joint procurement between public sector buying organisation partners ESPO, TEC, West Mercia Energy and YPO. The ESPO framework went live on 01/11/2020 and runs until 31/10/2024. The framework enables access to services through direct award with pre-agreed terms and conditions and is free to access. There is a single supplier on this framework, which is Wave Utilities (“Wave”). Wave is the trading name of Anglian Water Business (National) Limited, a joint venture between the business retail arms of Anglian Water and Northumbrian Water. This framework is open to all public sector organisations.
- 2.12 The Council is a member authority of ESPO so would benefit indirectly from making use of this framework.
- 2.13 Another advantage of this option is that there would be no need for the Council to run any procurement process, because ESPO and their other partners have already run a complete procurement process that is fully compliant with UK procurement law. This would save considerable time and resource.
- 2.14 The ESPO framework package on offer from Wave includes a dedicated account manager and a range of billing and payment options. Wave’s ‘Active Water Management’® service to monitor water consumption is also included in the framework rates at no additional cost. This can potentially provide savings by spotting high or unusual consumption early, that may indicate leaks. This service is likely to be beneficial to the Council. Information on pricing from Wave and further details of the procurement under the ESPO framework are in confidential Appendix A.
- 2.15 Option C is to take part in an aggregated competition under the Crown Commercial Services (CCS) framework. This is the same as what we did in 2020. The CCS framework, (unlike the ESPO one), does not allow for direct award and requires a secondary competition. The next aggregated e-auction takes place in April 2022. The award details (winning supplier, % margin, price per site and order form) will be issued following that. A contract would be for a period of two years. We will not know the pricing for option C, or who the successful supplier would be, until mid-late April 2022. This option therefore has more steps in the process and more unknown factors at this stage. The switching process would be the same for either option B or C, unless the winning supplier for option C was Castle Water again, in which case no switching would be required.

### 3 Alignment with corporate priorities

#### 3.1 Communities at the heart of everything we do

There are no significant implications for this priority.

#### 3.2 A good quality of life for everyone

There are no significant implications for this priority.

#### 3.3 Helping our children learn, develop and live life to the full

There are no significant implications for this priority.

### 3.4 Cambridgeshire: a well-connected, safe, clean, green environment

The following bullet points set out details of implications identified by officers:

- Having a reliable supply of water and wastewater services is essential to keep our buildings operational. Although the physical services would be the same no matter who our retailer was, the retail service can be helpful in aiding swift resolution should any supply issues occur.

### 3.5 Protecting and caring for those who need us

There are no significant implications for this priority.

## 4 Significant Implications

### 4.1 Resource Implications

The following bullet points set out details of significant implications identified by officers:

- Total revenue expenditure of approx. £160k per year. This is within existing budgets.
- Prices and more details are in the confidential appendix.

### 4.2 Procurement/Contractual/Council Contract Procedure Rules Implications

The report above sets out details of significant implications in paragraphs 2.9 to 2.15, with further details in the confidential appendix.

### 4.3 Statutory, Legal and Risk Implications

There are no significant implications within this category.

### 4.4 Equality and Diversity Implications

There are no significant implications within this category.

### 4.5 Engagement and Communications Implications

There are no significant implications within this category.

### 4.6 Localism and Local Member Involvement

There are no significant implications within this category.

### 4.7 Public Health Implications

There are no significant implications within this category.

### 4.8 Environment and Climate Change Implications on Priority Areas:

#### 4.8.1 Implication 1: Energy efficient, low carbon buildings.

Positive/neutral/negative Status: Positive

Explanation: Reducing water consumption will have a small but positive effect on reducing the Council's scope 3 (indirect) carbon emissions, as detailed in paragraph 2.7.

#### 4.8.2 Implication 2: Low carbon transport.

Positive/neutral/negative Status: Neutral

Explanation: No impact

- 4.8.3 Implication 3: Green spaces, peatland, afforestation, habitats and land management.  
Positive/neutral/negative Status: Neutral  
Explanation: No impact
- 4.8.4 Implication 4: Waste Management and Tackling Plastic Pollution.  
Positive/neutral/negative Status: Neutral  
Explanation: No impact
- 4.8.5 Implication 5: Water use, availability and management:  
Positive/neutral/negative Status: Positive  
Explanation: A good water retailer can help the Council to reduce its water consumption through advising on leakage detection and water efficiency services, as well as presenting bills in a way that allows the Council to easily spot changes to consumption. Further explanation is in paragraph 2.7.
- 4.8.6 Implication 6: Air Pollution.  
Positive/neutral/negative Status: Neutral  
Explanation: No impact
- 4.8.7 Implication 7: Resilience of our services and infrastructure, and supporting vulnerable people to cope with climate change.  
Positive/neutral/negative Status: Neutral  
Explanation: No impact

Have the resource implications been cleared by Finance? Yes  
Name of Financial Officer: Stephen Howarth

Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the Head of Procurement? Yes  
Name of Officer: Clare Ellis

Has the impact on statutory, legal and risk implications been cleared by the Council's Monitoring Officer or LGSS Law? Yes  
Name of Legal Officer: Fiona McMillan

Have the equality and diversity implications been cleared by your Service Contact?  
Yes  
Name of Officer: Elsa Evans

Have any engagement and communication implications been cleared by Communications?  
Yes  
Name of Officer: Bethan Griffiths

Have any localism and Local Member involvement issues been cleared by your Service Contact? Yes  
Name of Officer: Sheryl French

Have any Public Health implications been cleared by Public Health?  
Yes  
Name of Officer: Jyoti Atri

If a Key decision, have any Environment and Climate Change implications been cleared by the Climate Change Officer?

Yes

Name of Officer: Emily Bolton

## 5. Source documents

1. List of water and wastewater retailers serving non-household customers in England
2. Ofwat - Retail Exit Code
3. ESPO framework 1008-21 for water, wastewater and ancillary services
4. Environment Agency – water stressed areas
5. CCW report on business customer complaints 2020-21

1. [Open-water - Water and wastewater retailers serving england](#)
2. [Retail Exit Code](#)
3. [ESPO - Water, Wastewater and ancillary services](#)
4. [Water stressed areas – 2021 classification](#)
5. [Business customer complaints 2020-21 | CCW \(ccwater.org.uk\)](#)