

Procurement of water and wastewater services

To: Assets and Procurement Committee

Meeting Date: 21 March 2024

From: Executive Director, Place and Sustainability

Electoral division(s): All

Key decision: Yes

Forward Plan ref: 2024/040

Executive Summary: This report considers options for procurement of mains water and wastewater services for the Council's sites (those assets where the Council is liable for water and/or sewerage bills) for 27 October 2024 onwards, after our current contract expires.

Recommendation: The Committee is recommended to

a) Approve the use of the new ESPO framework (no. 1008_23, ref 1181) for water, wastewater and ancillary services to enter into a contract for those services effective from the date after the Council's current contract expires.

b) Delegate authority for awarding and executing a contract for the provision of mains water and wastewater services starting 27 October 2024 for a period of up to 3 years (and extension periods if required) to the Executive Director Place and Sustainability in consultation with the Chair and Vice Chair of the Assets and Procurement Committee.


Officer contact:

Name: Sarah Wilkinson

Post: Carbon and Energy Manager

Email: sarah.wilkinson@cambridgeshire.gov.uk

1. Creating a greener, fairer and more caring Cambridgeshire

- 1.1. Report authors should evaluate the proposal(s) in light of their alignment with the following seven ambitions  Strategic Framework 2023-28.
- 1.2. Ambition 1: Net zero carbon emissions for Cambridgeshire by 2045, and our communities and natural environment are supported to adapt and thrive as the climate changes.

Monitoring and reducing the Council's water consumption will have a small but positive effect on monitoring and reducing the Council's scope 3 (indirect) carbon emissions.

2. Background

- 2.1. Cambridgeshire County Council is responsible for water and wastewater (i.e. sewerage and drainage) bills at approximately 100 sites, including offices, libraries, community centres and farms. The Council spends approximately £150k to £280k on these services per year, and in total uses approximately 100,000 to 200,000 cubic metres of water per year across all sites. The wide range in costs is due to changes in usage. A contract is currently in place for these services but will expire in October 2024.
- 2.2. The water retail market for non-household premises in England was opened to competition in 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).
- 2.3. In July 2019, the Commercial and Investment Committee 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 1st August 2020. However, the Council experienced a number of issues with poor customer service from Castle Water during that period.
- 2.4. In March 2022, Strategy and Resources Committee agreed to enter into a contract with Wave (under the ESPO framework that was available at that time) to supply water and sewerage retail services to all sites where Cambridgeshire County Council is liable for the bills, with effect from August 2022. That contract is due to expire on 26 October 2024. There are no extension options available within the current contract.
- 2.5. 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.

- 2.6. The intended outcome of this report is a decision on how to procure water and wastewater services to be delivered to Council sites from 27 October 2024 onwards. (This is about the billing retailer and will have no direct effect on physical water supplies.)

3. Main Issues

- 3.1. 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.
- 3.2. Wholesale water charges, which make up the vast majority of costs, are largely driven by Ofwat's five-yearly price review. The next water industry price review, called PR24, is currently underway. 'Draft determinations' are due to be published in May/June 2024, with final determinations in December 2024. These 'determinations' assess the business plans and set the overall levels of investment, service and revenue from bills for the 17 wholesale water companies in England and Wales (and retail bills for household customers).
- 3.3. 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. The overall difference in costs between the highest and lowest priced supplier tariffs is hence likely to be very small. Pricing is therefore not a strong incentive to switch suppliers.
- 3.4. 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.
- 3.5. Whilst the Council's water consumption is already fairly low, further 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. The Environment Agency have categorised Cambridgeshire as "seriously water stressed", so there is a challenge in our region to manage the balance of water supply and demand. In 2022-23, the carbon footprint associated with the supply and treatment of the water and wastewater supplies used by the Council was estimated at 23 tonnes CO₂ equivalent. This does not include carbon emissions associated with energy used to heat water.
- 3.6. One of the best ways to reduce water consumption is to detect (and repair) any leaks on pipework earlier. High consumption is likely to be noticed sooner if meters are read more

frequently. All non-household water retailers are obliged to read all meters twice per year, but more frequent meter reads can be provided for a small extra charge. Alternatively, automatic meter reading devices (AMR) can be fitted to provide daily or hourly data. These are more expensive but are likely to be worthwhile for high consumption sites or those prone to leaks (such as sites with older pipework or rural estate sites with long pipework lengths over fields).

- 3.7. Since August 2022, the Council has received water and wastewater retail services from Wave. This includes a dedicated account manager and regular reports on metering and billing issues, with support to resolve any queries. Bills are consolidated across the Council's property portfolio, with site level consumption data also provided.
- 3.8. Property / resources implications. This contract will determine which company the Council needs to contact for any queries and issues relating to new mains water/wastewater connections, water metering / meter reading or water/wastewater billing matters.
- 3.9. Public health. There are no public health implications of this decision because this contract is for a retailer and does not affect the physical supply of water or wastewater services. However, a good retailer may be able to aid in pushing the wholesaler to resolving any supply issues should they occur.
- 3.10. Procurement implications. The recommended option ("option A") is to enter a new contract for supply from 27 October 2024, under the new Eastern Shires Purchasing Organisation (ESPO) framework (no. 1008_23, ref 1181). This new ESPO framework is a joint procurement between public sector buying organisation partners ESPO, West Mercia Energy and YPO. This framework started in September 2023 and runs through to 31 August 2027, with customers able to join at any time within those dates. (Contracts under the framework can extend beyond the framework end date.) The framework enables access to services through direct award with pre-agreed terms and conditions and is free to access. An 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 (OJEU award notice: 2023/S 000-021854). This would save considerable time and resource. This framework is open to all public sector organisations. The Council is a member authority of ESPO so would also benefit indirectly from making use of this framework.
- 3.11. There is a single supplier on this framework, which is Wave Utilities ("Wave"), who are also the Council's current supplier. 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. ESPO have assessed the supplier during the procurement process for their financial stability, track record, experience, customer service delivery and technical & professional ability. Since Wave are the Council's current supplier, no switching would be required, making the process easier to administer.
- 3.12. The Council have carried out some market engagement during 2023 and 2024, to gather information on the offer from ESPO/Wave and other potential options.
- 3.13. 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 may be beneficial to the Council. In addition, the offer includes supplier performance monitoring, reporting, access to an online portal, and some social value initiatives. Wave have also stated that they “are committed to achieving net zero emissions and net zero waste to landfill by 2030.” A range of (chargeable) optional extra services (such as additional meter reads, Automatic Meter Readers (AMR), leakage detection and repair, water audits and emergency planning) are also available if required. Information on pricing from Wave is in confidential Appendix A.

3.14. The proposed timetable is as follows:

- Nov 2023 to Mar 2024 – research into options and market engagement
- 21 March 2024 – committee decision
- April to June 2024 – prepare and sign new contract
- 27 October 2024 – new contract comes into effect
- 31 March 2027 – contract initial end date (opportunity for extension)
- 31 March 2028 – contract extension end date

3.15. The contract length would therefore be approximately 2 years and 5 months, with the possibility of a further 12 month extension. This is longer than the previous contract (approximately 2 years and 3 months) because the longer time period aligns with the financial years. Also, the non-household water retail market is now more mature, the supplier and service are better known and a longer contract is therefore more desirable.

3.16. The total contract value over that 41 month period would be likely to be approximately £925,000, with a potential range of £550,000 to £1.8m (based on recent and historic usage and current prices). The actual value will depend mostly on the volume of water used. This could change depending on the Council’s property asset strategy, the proportion of employees working from council premises, and on whether any water leaks occur on the Council’s pipework.

4. Alternative Options Considered

4.1. The following alternative potential options have been identified:

4.2. Option B: Do nothing. Our current contract ends on 26 October 2024. If we did nothing, the contract would end and following that date, Wave 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. This option is not recommended because it may not be compliant with procurement regulations, and in any case it would be more advantageous to enter into a contract.

4.3. Option C: Use an alternative framework. Crown Commercial Services (CCS) also currently have a water services framework (which we have previously used from 2020 to 2022) but the current one is due to expire in 2024. At the time of writing, no details were yet available about whether or when a replacement framework will become available, so this option is not

yet available, but is likely to become available closer to the time of our contract expiry. The current CCS framework, (unlike the ESPO one), does not allow for direct award and requires a secondary competition. This option therefore has more complexity and more unknown factors at this stage. In addition, with a secondary competition and unknown suppliers, there is greater risk involved to customer service levels (based on past experience), and greater administration required for switching. Furthermore, as discussed above, due to the regulatory situation with the water market, there is little price difference between suppliers.

- 4.4. Laser Energy (owned by Kent County Council) also offer a suitable water framework (number Y22013) which runs until 28 February 2026, with contracts allowed to extend beyond the framework end date if desired. This framework enables either further competition or direct award. The four suppliers on the Laser framework are Wave Utilities (the Council's current supplier), Advanced Demand Side Management (ADSM) (an independent supplier), Business Stream (a subsidiary in the Scottish Water group) and Water Plus (a joint venture owned by United Utilities and Severn Trent). Direct award can be based on the highest scoring supplier at framework tender stage overall (Business Stream) or in individual areas of price (ADSM), quality of service (Wave) or continuity of supply of existing services (Wave for the Council). However, carrying out a direct award to Wave through the Laser framework would offer no advantage over going to Wave through ESPO. There is also a small additional benefit of using ESPO because the Council is a member authority. Alternatively, to direct award to either Business Stream or ADSM would be taking a risk on an unknown supplier as well as incurring the administrative burden of switching.
- 4.5. Wave are also the sole supplier on the North East Procurement Organisation (NEPO) framework (framework reference NEPO311), so similarly there is likely to be no advantage in using this compared to ESPO. (NEPO are governed by twelve local authorities in the North East of England.)
- 4.6. Option D – run a full procurement in-house to procure a supplier directly, without using a framework. This option is not recommended because it would take a lot of time and resources and would provide no benefit.

5. Conclusion and reasons for recommendations

- 5.1. Option A (using the new ESPO framework) is recommended, because this option provides everything that the Council requires from this service, the supplier has a good track record and the option is the most straightforward to administer. Also, there will be very little difference in price between any of the options.

6. Significant Implications

6.1 Finance Implications

Total revenue expenditure of approx. £270k per year, depending on water usage. This should be within existing budgets. Prices and more details are in the confidential appendix.

6.2 Legal Implications

There are no legal implications other than procurement/ contractual matters discussed above in section 3.

6.3 Risk Implications

There are no significant risks arising from the proposed recommendations in this report.

6.4 Equality and Diversity Implications

There are no equality and diversity implications.

The Equality Impact Assessment reference number is CCC585401944.

6.5 Climate Change and Environment Implications (Key decisions only)

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.

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.

Reducing water consumption will have a small but positive effect on reducing the Council's scope 3 (indirect) carbon emissions and supporting local water management and biodiversity.

7. Source Documents

7.1 [water and wastewater retailers serving England | Open Water \(open-water.org.uk\)](#)

[Water, Wastewater and Ancillary Services \(espo.org\)](#)

[2024 price review - Ofwat](#)

[Retail-Exit-Code-v7.0-clean.pdf \(ofwat.gov.uk\)](#)

[Water \(laserenergy.org.uk\)](#)

[Water Retail Services | NEPO](#)