

Provision of Water Supply, Sewage and Ancillary Services

Report to	Date
London Fire Commissioner	6 June 2018
Report by	Report number
Assistant Director, Technical and Commercial	LFC-0028

NOT PROTECTIVELY MARKED

Summary

This report seeks approval to award the contract for water and sewage for all Brigade premises to Anglian Water Business (National) Ltd trading as Wave, calling off from the Crown Commercial Services framework RM3790 for Water, Wastewater and Ancillary Services and achieving best value for money for the London Fire Commissioner (LFC).

The tender evaluation included rigorous evaluation of quality, price, financial standing and terms and conditions, with the quality evaluation being conducted collaboratively by a panel of staff from 15 Authorities. These services will be provided and managed by officers in TCS Property and Procurement.

Recommendation

The London Fire Commissioner gives approval for the Assistant Director, Technical and Commercial to award a contract to Anglian Water Business (National) Ltd trading as Wave under the CCS framework RM3790, for the period of 1st May 2018 to 30th April 2020 with the option to extend for a further two years.

Background

1. The Water Act 2014 received Royal Assent on 14 May 2014, setting the path to deregulate the water and sewerage industry for commercial consumers in England. The company responsible for developing and operating the 2017 competitive market for non household water supply is the Market Operator Services Ltd.
2. From April 2017, commercial consumers no longer had an obligation to buy these commodities from their local water and sewage undertakers (suppliers), but through a new wholesaler market place. The intention was to give consumers a better choice similar to that of the gas and electric wholesale market place.
3. Immediately following deregulation the existing local water and sewage undertakers diversified their business between commercial and domestic, moving existing commercial accounts to new incumbents within the market place. Table 1 shows the noted change of suppliers providing water and sewage to the Brigade, presently there are five new suppliers for water and one for sewage.

Table 1

2016 Undertaker for Water	2017 Undertaker for Water
East Surrey Water	SES Water
Sussex and Suffolk Water	NWG
Affinity water	Affinity water
Thames water	Castle Water
Essex and Suffolk Water	NWG

2016 Undertaker for Sewage	2017 Undertaker for Sewage
Thames Water	Castle Water

4. Following deregulation, officers became increasingly aware of billing complexities with providers reducing or increasing their prices for water/sewage costs (per cubic metre) and large increase in the costs of standing charges. Tables 2 contained within Annex 1 of the Appendix, illustrates some of the recent cost changes across the Brigade's estate. Presently, Water and Sewage are charged by the consumption of a metre cubic unit and the fixed charge or standing charge for each water meter. Standing charges vary depending on the water meter size and the volume of water sewage used at each premises, and they are a combination of the charges associated with providing the water network services and a share of the supply costs to maintain each water account and the water supply piped network.
5. With deregulation, the previous Water Undertaker obligations to customers ceased, leaving commercial customers with no commercial provisions in place, exposing the Brigade to large price increases without notice.
6. The LFC is a member of the London Energy Project (LEP), for which Haringey Council is the Lead Authority, to act on our behalf regarding issues relating to the supply of electricity, gas and water and/or associated services. The LEP's role is to identify and measure efficiencies, savings and improvement opportunities across participating public sector authorities that work together, share services and/or aggregate volume. In October 2017 Officers were contacted by the London Energy Project (LEP), who were conducting a further competition from the CCS RM3790 framework, and were looking to aggregate the usage of fresh water and sewerage requirements of 36 authorities across London to achieve leverage within the wholesale market place.
7. In 2017, the LEP team conducted extensive market engagement to establish the most appropriate route to market to get overall best value, affordable prices, quality service, social value and innovation for London authorities in the newly deregulated water market.
8. The findings were that a single retailer providing both:
 - water and waste water retail services – primarily invoicing, payment, customer services, and
 - ancillary services – tariff optimisation, leak detection, metering and water demand services

provided the best potential to deliver efficiency, financial and consumption savings. And whether authorities should:

- tender their own requirements through an OJEU process
- conduct a further competition for their own requirements through a Central Purchasing Body (CPB) framework

or, on behalf of all member authorities:

- tender everyone's requirements through an OJEU process
- conduct a further competition everyone's requirements through a CPB framework.

9. The findings of the LEP on behalf of its members were that:

- aggregation was important and offered optimum value and would attract maximum competition and leverage.
- A CPB framework would give sufficient flexibility for the overall requirement to be met and achieved lower cost of procurement.

10. Based on an impartial evaluation of the quality and flexibility of the framework and the CPB service and price (e.g. a review of framework Terms and Conditions, retailer supply base, Key Performance Indicators, fees for use, etc.) CCS Water, Wastewater & Ancillary Services RM3790, was selected by the LEP as the best route to market, with the Yorkshire Purchasing Organisation (YPO) conducting the further competition (who had established the framework in partnership with CCS).

Commercial Options

11. Following deregulation, the Brigade had the following options:

- Stay with the existing incumbents – at risk of increasing charges at random intervals, failure to comply with Compliance with Public Contract Regulations 2015 (PCR) and Cabinet Office guidance requires that a competitive process should have been followed by April 2018.
- Conduct an independent procurement exercise for the LFB requirement – provides stable contracts but may fail to achieve competitive charges, PCR met,
- Join the London Energy Project collaboration with 36 London Authorities utilising the CCS framework and undertaking a mini-competition – compliance with PCR and Cabinet Office guidance, competitively achieved charges through a larger portfolio in excess of £20m, stable four year contract.

12. Prior to the new LFC standing orders coming into effect, officers made the decision to join the LEP collaboration with the other 36 authorities.

13. This decision was made as a result of many anticipated benefits, notably that the LFB could benefit from larger economies of scale, benefit from greater leverage over the supply market, whilst minimising officer resource in conducting a procurement exercise. This option was progressed with the Commissioner's requirements being included within the LEP's aggregated requirements.

Procurement Outcome

14. The aggregated requirement is worth approximately £20 million per year. As such, this contract attracted market interest, achieving a good level of market competition. This route to market is expected to be used by more than 30 authorities, with each contracting authority having a separate contract.

15. YPO and LEP conducted a further competition on behalf of all 30 authorities, between all of the suppliers on the framework agreement.
16. Tenders were evaluated against pre-determined quality and price criteria by 15 officers from various authorities across London. This evaluation is shown in Appendix 1 – Tender evaluation.
17. Following evaluation, the LEP has made a recommendation for all of the local authorities in the further competition to award a contract to Anglian Water Business (National) Ltd trading as Wave as they offered the most economically advantageous tender.
18. Inline with the LEP's recommendation, it is recommended that the London Fire Commissioner awards a call of contract to Anglian Water Business (National) Ltd trading as Wave for a period of two years, with the option to extend by a further two years.
19. It is anticipated that awarding this contract will provide competitive cost benefits, price stability, monthly billing, improved sewage measurement, leak prevention, supplier rationalisation and improved service delivery. Furthermore, when reviewing the commercial options established in paragraph 1,1following this procurement process:
 - a. Doing nothing will result in the Commissioner being non-compliant with the PCR and likely to continue to be effected by fluctuating pricing.
 - b. Tendering independently, having assessed the response and proposed contract, is unlikely to result in a more suitable solution. The cost of a procurement exercise would also cost more than the amount that could be saved by appointing an alternative supplier, as much of the water and waste water bill cannot be influenced (as this is set by the wholesaler).
20. An example of how the rates will be calculated under the new arrangements is provided in Annex 3 of the Appendix.
21. The contract is also expected to deliver additional social, economic and environmental benefits for local communities and therefore offers best overall value for money notably:
 - The proposed supplier is expected to support the Commissioner to reduce water consumption and to deliver financial savings.
 - The proposed supplier is expected to support local economic opportunity, SME supply chain, local employment and provide support to schools and community groups on saving water and money and to help reduce London public sector's water footprint.
22. Roles and responsibilities for contract and account management are clearly defined in the service specification and within the contractual documentation and the welcome pack. Contract review meetings, including minimum suggested contents and frequency are laid out within the contract, group meetings/webinars are also specified.
23. Alongside a named account manager, a dedicated account management team will also be in place to manage the LEP contract. LEP will provide a strategic supplier management function and YPO will provide a point of escalation.

Finance comments

24. This report recommends that a contract is awarded for the provision of water, sewage and ancillary services, as part of the LFC's collaboration with the LEP. The report notes that provided the quantity of

water and waste water in 2018/19 does not increase from previous years, the cost of the new arrangement is expected to be contained within the existing budget.

Workforce comments

25. There are no direct implications associated with this report requiring consultation.

General Counsel comments

26. No comments.

Sustainability implications

27. The contract will be procured in line with our Responsible Procurement policy including the application of employment and skills requirements.

Equalities implications

28. There are no equalities implications.

List of Appendices to this report:

a) Confidential Appendix (Non-Public)

Consultation [Note: this section is for internal reference only – consultation information for public consideration should be included within the body of the report]

Name/role	Method consulted
Michael McCarthy - Corporate Procurement Manager Robert Fisher - Senior Procurement and Contract Officer	Email.