

Chief Officer Key Decision Report

Date: 1st October 2021

Wards: All

Subject: Award of Call-off Contract for the Supply of Water, Wastewater and Ancillary Services

Lead officer: Mark Humphries - Assistant Director, Infrastructure and Technology

Lead member: Cabinet Member for Finance

Contact officer: Richard Neal – Energy and Sustainability Manager

Recommendations:

1. That Merton awards a 2.5 year contract for the Supply of Water, Wastewater and Ancillary Services to Wave Utilities Ltd via the YPO Framework 1008
-

1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1. The Council's contract for the supply of Gas to its buildings is due to expire on 30th April 2022. This report seeks approval to directly award a one-year contract to the Council's incumbent supplier, Anglian Water Business (National) Limited, trading as Wave via the single-supplier YPO Framework 1008.

2 DETAILS

- 2.1. Merton awarded a contract to Anglian Water Business (National) Limited, trading as Wave in 2018 via a call off from Crown Commercial Services Framework RM3790. This award was the result of a mini-competition run jointly by the London Energy Project (LEP) and YPO on behalf of a number of London Boroughs, NHS trusts and other public bodies in the south east.
- 2.2. This contract is due to expire on 30th April 2022, and following deregulation of the industry in 2017 public bodies are required to award contracts for the supply of water and wastewater services under a process compliant with the Public Contract Regulations (PCR) 2015. Given these are also essential services, Merton is therefore required to put a suitable contract in place to follow on from current arrangements.
- 2.3. The YPO Supply of Water, Wastewater and Ancillary Services Framework (1008) has a single lot enabling the direct award to Wave, who are the sole supplier on the framework. A call off would therefore represent a continuation of service from our incumbent. YPO have also followed an approach very similar to the mini-competition that resulted in the award of the Council's current contract, meaning it was awarded based on criteria which Merton helped develop and includes all of the ancillary services currently being utilised.
- 2.4. Wave's performance on the existing contract has been good. The initial process of transferring supplies, which entailed liaising with the previous supplier extensively, was relatively smooth and account setup and billing proceeded with few issues. Where issues did arise Wave have been proactive in resolving them and maintained consistently high standards of reporting and communication with the Council. Account management has been similarly effective in highlighting changes in the industry, and potential areas where efficiency savings can be realised.

- 2.5. The Council has also made extensive use of the Ancillary services available via its current contract, and it is recommended that these are retained in any future arrangements. Of particular note is Wave's "Leakage Find & Fix Service" which, together with the Council's independent water Automatic Meter Reading (AMR) system, has enabled the prompt identification of leaks at sites across the Council's portfolio and delivered estimated savings in the region of £50,000 per annum via avoidance of costs associated with wasted water. Leaks are still being identified on a regular basis, and given the age and extent of the Council's underground water supply pipework continuation of this project is highly recommended.
- 2.6. It is understood that the Water and Wastewater tariff available from Wave is unlikely to be the cheapest available in the market (either via alternative frameworks or via an independent tender exercise), so this route may prevent the Council realising these savings. However, given the non-competitive (wholesale) element of water bills currently makes up around 95% of the overall value of charges, the scale of any saving is likely to be minimal, and should be balanced against Wave's consistently high scoring (and demonstrable performance) in service quality. As estimated annual retail costs are £11,645 even if the council pursued the cheapest tariff it could find it is likely the largest saving it could realise over the 2.5 year term of the contract would be approximately £14,560 (a 50% saving vs Wave's quoted rates) and even this saving would, in all probability, be eliminated by losses from leaks going unresolved for longer periods of time and increased administration costs across the council relating to inferior customer service and less flexibility in billing and account setup.
- 2.7. The way in which Water charges are built up (i.e. containing a variety of supplier and wholesaler charges) means that assessment of any independent tender or mini-competition for these would be complex, particularly around the Price element, and would likely require some element of external support. Given that the scope for realising cost savings is minimal, the council has little in the way of requirements beyond those stated in YPO 1008, and the incumbent is delivering strongly on quality criteria, it is considered that any additional competitive exercise is not worthwhile.
- 2.8. A further benefit in the proposed approach lies in the administrative burden and risk inherent in migrating a portfolio of sites to a new supplier. Managing the transfer process creates a significant administrative task for officers, and also creates the risk of billing errors and failed or rejected transfers. A continuation of the Council's current relationship with Wave on very similar terms is considered the best way to mitigate this risk.

3 ALTERNATIVE OPTIONS

- 3.1. Not procuring a replacement contract is considered to be non-compliant with the Public Contract Regulations 2015 and therefore not considered a viable approach. Extending the current contract with Wave would be similarly in breach of these regulations as there are no further extension options written into the Framework, which has itself now expired.
- 3.2. While there are other suitable public sector frameworks available, none would enable a continuation of the services that London Borough of Merton has been accessing over the last 3 years and ensure the risks relating to migration of the council's portfolio are minimised. There is also no guarantee that similar or better terms can be obtained by an alternative route to market.
- 3.3. Given the limited value of realisable savings on this contract, and the complexity of assessing supplier bids a full in-house tender exercise is not considered

appropriate. There is also no guarantee that this approach would secure similar terms to those available through the YPO framework.

4 CONSULTATION UNDERTAKEN OR PROPOSED

- 4.1. The approach outline in this report has been approved by the Commercial Services OPG.
- 4.2. Consultation with departments who make the greatest use of the services on this contract was undertaken.

5 TIMETABLE

Milestone	Target Date
Forward Plan Report	October-21
Award	November-21
Contract Start	1 st May 2022

6 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

- 6.1. Equifax report suggests Anglian Water can be considered for all contracts and suggests monthly credit limit of £2,500,000. Full accounts and other information on companies' house site have been reviewed and there are no concerns re. the financial viability of Anglian Water. LBM's standard limits suggested - a maximum of £5M per single contract and £12M for all contracts.
- 6.2. Total contract value over the 2.5 year term is estimated to be £650,000.

7 LEGAL AND STATUTORY IMPLICATIONS

- 7.1. The use of YPO's Water, Waste Water and Ancillary Services Framework, reference no. 1008 (**YPO Water Framework**) affords the Council a compliant route to market.
- 7.2. The YPO Water Framework has been procured in compliance with PCR 2015, is live (due to expire on the 31 October 2024) and available for use by the Council. The Council will however, need to check that the monetary value of this framework has not been exceeded.
- 7.3. The YPO Water Framework is a single supplier framework, incorporate a price list and an award can be made directly without the need for further competition.

8 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

- 8.1. None identified

9 CRIME AND DISORDER IMPLICATIONS

- 9.1. None identified

10 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

- 10.1. None identified

11 APPENDICES – THE FOLLOWING DOCUMENTS ARE TO BE PUBLISHED WITH THIS REPORT AND FORM PART OF THE REPORT

- Appendix 1: Pricing Information (Commercially Sensitive)

12 BACKGROUND PAPERS

12.1. None