

DERBYSHIRE COUNTY COUNCIL

CABINET

14 March 2017

Report of the Strategic Director Corporate Resources

WATER DEREGULATION – APPROVAL TO USE A NON-DCC FRAMEWORK

(Council Services)

1. Purpose of the Report

Cabinet approval is sought to access a non-DCC framework to be established by Crown Commercial Services for the procurement of water and wastewater retail services once the industry is deregulated from 1st April 2017.

2. Information and Analysis

From 1st April 2017, non-domestic customers will be able to choose their supplier of water and wastewater retail services. Currently, as with domestic supply, there is no choice as to who supplies water services as they are automatically supplied by the regional water company.

The deregulation of non-domestic water supply and wastewater retail services is intended to improve customer services through better metering, billing and by providing access to additional services such as water efficiency audits, which will reduce consumption and cost. Competition will hopefully provide financial savings. Organisations, including the Council, will be able to procure a single supplier rather than having sites supplied by different water companies based on geographical location. This will reduce administrative time and costs.

Licensed water retailers will buy wholesale water services, that is, the supply of water and removal of wastewater, from the licensed regional water company. The regional water company will continue to maintain the pipework, but all customer services will be supplied by the water retailer.

Crown Commercial Services (CCS) is collaborating with other public procurement bodies, including the Eastern Shires Purchasing Organisation (ESPO), Yorkshire Purchasing Organisation (YPO), North East Purchasing Organisation (NEPO), West Mercia Energy, The Energy Consortium and the Ministry of Defence (MoD) to provide public sector organisations with an EU compliant route to market for water supply, wastewater services and ancillary services to support water efficiency savings. Working in collaboration, these public procurement bodies will bring to market the largest public sector framework agreement in the UK. This increased buying power will help to drive down price, providing a value for money contract for public sector organisations.

The proposed CCS framework includes access to the full range of water supply and sewerage services that are currently provided by the regional water supplier as follows;

- Water supply
- Sewerage services, including wastewater, trade effluent, roads and property drainage
- Metering, data and billing

Additional services under the framework include, but are not limited to;

- Automated meter reading
- Water audits and reports
- Leak detection and repair

CCS' proposed timescales for establishing the framework are as follows;

Milestone	Date
Publication of OJEU notice	November 2016
ITT response deadline	December 2016
Approval of award	March 2017
Framework live	April 2017

The CCS framework agreement will run for 3 years, with the option to extend for a further 12 months. Customer call-off contracts can take place any time during the framework period and be let for up to a maximum of 4 years. A further competition will need to be carried out under the framework once it is established and a subsequent report will be presented to Cabinet to seek approval to award the contract.

The Council's Carbon and Energy Management Team are currently preparing for water deregulation ensuring all water data is as complete and up to date as

possible so that the future contract is based on accurate data for the Council's portfolio.

3. Financial Considerations

The Council spends in the region of £2.1M annually for water supplies. At this stage, it is not known what future costs will be, however, the profit margins for water retailers, set by Ofwat, are really low and it is therefore unlikely that there will be significant financial savings made at this time. However, there will be enhanced customer services and additional support from the water retailers for water conservation and reduction initiatives resulting in reduced costs.

A business case has already been prepared and approved by the Director of Finance prior to seeking approval from this Cabinet. Further Cabinet approval will be sought in due course to award the contract following a competition between the water retailers on the framework undertaken by the Council once the framework is live.

4. Legal Considerations

As required by Protocol 2 the terms and conditions of the call off contract from the Crown Commercial Services framework will be approved by the Director of Legal Services.

5. Environmental Considerations

Any future contract will include the provision of ancillary services to support water efficiency savings, which in addition to achieving financial savings will also have a positive environmental impact as the Council reduces its water consumption.

6. Social Value Considerations

Potential cost savings through utilising a value for money framework for water retail services, including additional services resulting in improved water efficiency will contribute towards addressing future budget reductions, helping to protect front line services.

7. Other Considerations

In preparing this report the relevance of the following factors has been considered; prevention of crime and disorder, equality and diversity, human resources, health and transport considerations.

8. Key Decision **NO**

9. Call-in

Is it required that call-in be waived for any decision on this report? **NO**

10. Background Papers

None.

11. Officer's Recommendation

That Cabinet:

11.1 Approves the use of a non-DCC framework being established by Crown Commercial Services to undertake a procurement exercise for the Council's future water supply, waste water services and ancillary services to support water efficiency savings.

11.2 Notes that a further report will be submitted to Cabinet to seek approval to award a contract following a mini competition between suppliers on the Crown Commercial Services framework agreement.

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