

# Cabinet

14 December 2023

## Water Contract

### Recommendations

That Cabinet:

1. approves the Council entering into a framework agreement for Council buildings with the Eastern Shires Purchasing Organisation (ESPO) under their 'Water, Wastewater and Ancillary Services' framework, for an initial 2-year period, with the option to extend for a maximum of 24 months.
2. authorises the Executive Director for Resources, to enter into all agreements necessary to implement this decision on terms and conditions considered acceptable to them.

### 1. Executive Summary

- 1.1 The Council is not currently under contract for water and wastewater removal services. Of the corporate estate (owned and occupied by the Council) approximately eighty are with Water Plus, on a 'deemed / default terms' pricing schedule.
- 1.2 Two water retail organisations (Water Plus and Wave) have separately reviewed the commercially accessible water consumption data of our wider current portfolio (of one hundred and eleven sites) and both identified annual savings of c. £16k if the Council enters into a contractual agreement for these sites (see 2.7 for additional information).
- 1.3 The value of the framework contract (over a standard 2 year + 24-month term), for council managed properties is expected to be in the region of £2million (based on current corporate building spend) therefore, under contract standing orders, a member decision is required to commit to an agreement.

### 2. Financial Implications

- 2.1 The average total, annual Council spend on water and wastewater over the last five financial years (2018-2023) was approximately £900,000, which includes a corresponding annual spend on County Buildings of approximately £500,000.

- 2.2 As with other utilities (i.e., gas and electricity), individual Council Services and maintained schools (along with tenants & non-maintained schools) currently purchase their own utilities. Implementing a corporate landlord approach to utilities, including management of the water contract, would ensure greater value for money through purchasing volumes, but would require consolidation of utilities under centralised contracts and budgets.
- 2.3 Estimated contract costs from the ESPO framework (via Wave, their preferred supplier) and Water Plus, were compared to actual costs for the 2021/22 financial year. Savings of £16k (for the Council's owned and operated buildings only) were identified if moving to either the ESPO framework or Water Plus's contractual arrangement (see 2.7 for additional information). This will contribute to future savings proposed for the MTFS refresh.
- 2.4 Ofwat sets wholesale prices in 5-year periods. We are currently within 2020 – 2025 pricing terms, with the next review period starting at the end of 2024 and to be applied in April 2025. Prices in the water contract will fluctuate annually under the agreement but will remain in line with the Ofwat agreed increases (as would all other water suppliers).
- 2.5 The ability to smooth any impact over the duration of the contract will allow the Council better control and management of its budget over a 2–4-year period. Based on current expectations about price increases, water costs can be managed from within the budget provision at least over the next three years. Any MTFS impact will be considered when Ofwat has agreed the next 5-year term of prices.
- 2.6 As part of a contract there would also be expected additional benefits of regular meter reads (twice yearly, as opposed to annually on the default terms), bill validation, high consumption alerts, portfolio reviews, and improved reporting (including carbon reporting). Collectively these would be expected to improve accuracy of billing, and identify opportunities to reduce consumption, leading to a further reduction in costs.
- 2.7 For increased accuracy of billing and more detailed consumption data (allowing for trends to be monitored and errors, for example leaks, to be identified earlier, thus saving costs), it is recommended that smart metering technology is installed, or physical meter readings are regularly taken. Contract costs range from £75 - £100 depending on the technology employed. This would be of particular benefit to the higher consuming locations (>1,000m<sup>3</sup> p/a at a cost of £2k) but could equally be employed across all corporate sites at an estimated cost of c £8k (i.e. leaving a remaining saving of £8k in the first year).
- 2.8 As part of this new agreement, officers also intend to also review the scope of included sites to ensure the Council maximises value and potential savings by extending the coverage of the contract where able, and where cost effective to do so.

### **3. Environmental Implications**

- 3.1 As part of the Council Plan and the Sustainable Futures Strategy, the Council is committed to reducing its environmental impact and becoming net zero by 2030.
- 3.2 The recently agreed Energy Strategy identified saving energy as a key theme to support this ambition. A specific action recorded in the Energy Strategy Delivery Plan is to enter into a water contract, as the increased visibility provided by any agreement is expected to reduce consumption, which in turn will contribute to a reduced carbon burden (from the supply and processing of a reduced volume of water).
- 3.3 The Sustainable Futures Strategy estimates that the Council contributes to emissions of 192 tonnes of CO<sub>2</sub> a year from water and wastewater activities across its area. Entering into a contractual agreement will provide increased accuracy in quantification of these emissions, along with the benefits of recommendations of how to reduce consumption (i.e., by installing smart metering technology), costs, and ultimately local carbon emissions.

### **4. Supporting Information**

- 4.1 The water market was deregulated in 2017 with water supply defaulting to the local provider. In the Council's case this was Water Plus (a joint venture between Severn Trent Water and United Utilities). The majority of the Council's corporate (i.e. owned and occupied) sites (c.80) have since remained with this supplier on their default terms.
- 4.2 Water bills currently comprise two main elements, 'wholesale' costs (i.e. water consumed, wastewater removal & disposal) and 'retail' costs (i.e. customer service and billing). Wholesale costs represent 95% of bills and are determined by Ofwat (Water Services Regulation Authority).
- 4.3 The remaining 5% retail cost element leaves little room for suppliers to differentiate themselves and therefore running our own tender or choosing a different route to market would offer little benefit in terms of price. Using a framework that has already conducted a qualitative assessment therefore makes sense as it reduces our resource requirements.
- 4.4 The current ESPO water framework has been created via collaboration with other public sector buying organisation partners and a full tender process has been carried out to identify the successful bidder, Wave Utilities. The current framework opened 1 September 2023.
- 4.5 ESPO is a major purchaser with over 35 years' experience and as a founding member the organisation, the Council benefits from ESPO dividends. Selecting ESPO Utilities frameworks will marginally enhance our future dividend share.

4.6 There are no volume commitments in the framework agreement, therefore the Council will not be penalised for any changes in its consumption (e.g., due to sales / acquisitions of premises and reductions in usage due to building improvements, implementation of new energy efficient technology and/or agile working).

## 5. Timescales associated with the decision and next steps

5.1 By end December 2023 - confirmation to ESPO to join the 'Water, Wastewater and Ancillary Services' framework.

5.2 By end December 2023 - confirmation to budget holders of commitment in the November 2023 – October 2025 period.

5.3 Ongoing - regular updates to budget holders and site contacts of pricing reviews, during the contract term.

## Appendices

None

## Background Papers

None

	<b>Name</b>	<b>Contact Information</b>
Report Author	Louise Saunders Commissioner Energy & Environmental Management	louisesaunders@warwickshire.gov.uk
Directors	Craig Cusack Director of Enabling Services	craigcusack@warwickshire.gov.uk
Executive Director	Rob Powell Executive Director for Resources	robpowell@warwickshire.gov.uk
Portfolio Holder	Peter Butlin Portfolio Holder for Finance and Property	peterbutlin@warwickshire.gov.uk

The report was circulated to the following members prior to publication:

Local Member(s): N/A - This is a countywide matter

Other members: The Chair and Party Spokes of the Resources and Fire and Rescue Overview and Scrutiny Committee