

LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to: Cllr Rowan Ree, Cabinet Member Finance and Reform
Cllr Andrew Jones, Cabinet Member for the Economy

Date: 20/01/2023

Subject: Award of H&F Non-Residential Property Water Contract to Water Plus 2023 - 2027

Report of: Kal Saini - Utilities & Commercial Properties Manager
Sebastian Mazurczak - Property and FM Compliance & Energy Manager

Responsible Director: Sukvinder Kalsi (Director of Finance) & Jon Pickstone (Strategic Director of Economy)

SUMMARY

The current Council water utilities supply and sewage removal contract for the non-residential portfolio is coming to an end on 28th February 2023, to which a new contract is required.

More than 95% of the costs to supply water and remove/treat sewage goes to the producer/provider so there is very little profit margin to negotiate price. This means the key factors that should be considered for an effective non-residential water procurement, are best value, continuity of service, excellent customer service and added in-house capabilities, and accurate quality reporting to be ruthlessly financially efficient.

Over the last four years, Water Plus have provided a high-quality service in meeting LBH&F water supply and sewage requirements. Hence it is recommended that LBH&F direct award to Water Plus through a framework for another four years, commencing 28th February 2023 to 27th February 2027.

The Council's combined contract value for Water Plus per annum for both Corporate Properties, and Housing supply is estimated at £270k per annum which means the contract value would be £1.08 million, over the four-year contract period

LBHF is able to direct award through Laser's water framework (Y22013) for the procurement of Water and Wastewater retail services where Water Plus is one of the top nominated providers.

RECOMMENDATIONS

That the Cabinet Members approve utilising the Laser (Y22013) framework to direct award the contract to Water Plus for a four-year period at a total contract value of **£1,141,714.**

Our Values	Summary of how this report aligns to the H&F Values
Building shared prosperity	Continue to receive the best customer services for all our non-residential customers and ensure that they are receiving undistruptive quality supply.
Creating a compassionate council	Support the sustainability of the H&F corporate and housing non-residential customers with a range of provision that offers excellent service, social value, water efficiency and added service which advises how to save on consumption.
Doing things with local residents, not to them	Best value contract for water whilst maintaining a high-quality supply for all non-residential customers.
Being ruthlessly financially efficient	Continued delivery of an excellent service, proven to be cost effective with clear and concise billing and price information by site.
Taking pride in H&F	Support all building user customers with

Wards Affected: (All)

	a robust quality resource that rewards all.
Rising to the challenge of the climate and ecological emergency	Enhance water efficiency, leak detection and new monitoring technologies ensure efficient water usage for our estates to support H&F climate change and Net Zero targets.

FINANCIAL IMPACT

Cost breakdown based on the 4-year Water Plus contract:

Total contract value (Corporate and Housing): current estimated annual cost of £270,318 x 4 years + 5.59% Water plus uplift = £1,081,272 + £60,443 (wholesale and uplift) = **£1,141,714**

Corporate = £1,019,856 + £57,009 (wholesale uplift)= **£1,076,865**
Housing = £61,416 + £3,433 (wholesale uplift) = **£64,849**

The cost of the contract will be funded from existing resources.

To carry out the full exercise, there will be a one-off cost of 0.75% of the actual spend over the full term of contract and this is built in into the water plus uplift charge provided by water plus and claimed by Laser from water plus. A breakdown is detailed in the table below. There is also a minimum one-off charge for Laser's service of £2,000 which will be waived on agreement with Water plus if done through their framework.

The wholesale and Water Plus uplift will be 5.59%, based on LBH&F's portfolio.

Laser and LBH&F have performed a credit check on all retailers (including Water Plus) before awarding them a place on their framework. The financial standing of Water Plus has been assessed and in light of the information available as 13 December 2022, the overall financial performance is considered average and regarded as a medium risk and meets LBH&F and Laser requirements.

Financial Implications completed and verified by William Stevens, Finance Manager (General Fund) – tel. 020 8753 6654 and Danny Rochford, Head of Finance, (Housing Revenue) – tel. 020 8753 4023.

Verified by Sukvinder Kalsi, Director of Finance, 10 January 2023.

LEGAL IMPLICATIONS

Following the Water Act 2014, water supply to businesses in England was deregulated on 1 April 2017. The procurement by the council of its water supply is therefore governed by the Public Contracts Regulations 2015 (PCR). The Council

needs to purchase the supplies and services under this contract in order to carry out its functions.

As the value of the contract is above the threshold for supplies and services (currently £213,477) the council must procure this contract in accordance with the full regulations, which includes by way of a call-off contract from a framework agreement. The Laser framework was let by Kent County Council in compliance with the PCR. Its use by the Council is therefore PCR compliant.

This is a high value contract for the purposes of the Council's contract standing orders. The use of a suitable framework agreement in accordance with its terms is a compliant means of procuring this contract.

John.Sharland@lbhf.gov.uk, Senior solicitor (Contracts and procurement)

Dated 28 November 2022

DETAILED ANALYSIS

Proposals and Analysis of Options

REASONS FOR DECISION

1. Laser's framework has a robust due diligence procedure for assessing water bodies and their ability to supply water and sewage removal which is EU compliant.
2. LBHF have a choice under the Laser framework of either appointing the highest scoring supplier at the framework tender stage or carrying out a mini competition among the four suppliers appointed to the framework. As the price margin of the cost of water that goes to the retailer is very small, within the region of only 3-5%, which the rest of the costs goes to the wholesaler, little value would be obtained by undertaking a mini-competition as savings would be very small between suppliers considering the Councils yearly spend.
3. It was therefore agreed that a direct award should be made to Water Plus as it was scored the highest when the framework was let. Water Plus scored highly for quality of services and business continuity. This is critical and lack of service can affect the council's business operations. It also scored highly on added value, for resources that the retailer could provide to help identify further savings that could be made, e.g., leak testing.
4. Under the current framework, Laser has demonstrated that Water Plus are still
 - a. an economically advantageous supplier meeting H&F requirements with regards to continuity of service, quality of service and added value.
 - b. Water Plus were winner of International Green Apple Environment Award in 2021 for work to drive increased levels of engagement and helping organisations cut water waste and raising awareness around water risks and opportunities for public sector, business, and others.
5. The overall options that LBH&F considered as part of this procurement exercise are as follows:
 - 1) Do nothing – this is not ideal as we will be out of contract rates with our current provider for water and sewage and this would prove very expensive to LBH&F.
 - 2) Extend the existing contract with Water Plus under the old Water Services Framework for a maximum of two years. The existing contract terms and conditions will remain the same i.e. payment terms, pricing etc. as price of supply already went up, after two years, there would be a sharp increase in water supply to meet then the market value. To minimise the price jump, this option is not recommended however advised to fix the price at current market value for next 4 years.

- 3) Carry out a new procurement exercise (mini-competition) under a new Framework, through which a mini-tender process will be followed (DIY Tender). This will incur significant cost of resources and time, which is not ideal as the supply of water is not based on savings hence little would be achieved by this exercise, all suppliers on the framework are very similar.
- 4) Join the London Boroughs collaborative contract, accepting the specification and terms and conditions of this contract. However, it will be rigid with other council's terms and conditions. This will not truly represent LBH&F values and therefore this is not a viable option.
- 5) Direct Award through the new Laser framework which Laser have ruthlessly benchmarked and completed detailed analysis of top water suppliers which all meet high industry standards. LBH&F have decided to select this option as it is the most feasible and best suited for our portfolio and choose Water Plus as one of the winning suppliers.

RISK MANAGEMENT IMPLICATIONS

6. Market testing and ensuring the Council meets its statutory obligations for health and safety and business continuity are corporately identified risks. Their
 - a. ongoing management ensures that the Council continues to deliver the best possible services at the most competitive cost to the local taxpayer.
 - b. The Drinking Water Inspectorate (DWI) monitors and enforces water quality regulations on behalf of the Department for Environment Food and Rural Affairs (DEFRA). Their job is to assess the wholesomeness of drinking water and carry out audits of all water suppliers, with a view to examining all aspects of water quality, treatment, monitoring and analysis. The quality of drinking water is determined by standards set out in the Water Supply (Water Quality) Regulations 2000 (and associated amendments). It can be seen, therefore, that feasible health and safety issues in relation to water wholesomeness, are monitored and regulated by external bodies.
 - c. Should a water shortage occur due to a drought or major disruption, contingency plans, for the medium and long term for a potential water supply shortage, need to be in place. In the event of a mains failure, it is essential that the roles and responsibilities of all key parties are clearly understood. This is specifically relevant to mitigating any impact, and to ensuring a resilient recovery.

Risk Management Implications completed and verified by David Hughes, Risk Manager telephone number – 0208-748-3020.

CLIMATE AND ECOLOGICAL EMERGENCY IMPLICATIONS

7. The Council recognises that climate change is one of the world's biggest challenges and is committed to reduce its environmental impact and carbon footprint, and work with everyone to make the borough a greener, cleaner, and fairer place.
8. The Call-off Contract specifications encourages suppliers to deliver additions to green solutions and innovation.
9. We are committed to support community groups and empower residents to develop community owned energy projects which will bring benefits to the local areas and put people at the heart of the energy system.
10. Water Plus has additional services which can promote items like leak detection, automatic meter reads, provision of retrofit water saving devices. Currently, 27 AMRs are being piloted for its use and effectiveness with usage modelling software being trialled – supplied and installed by Water Plus.
11. Water leak detection is carried out when any water anomaly is detected to which LBHF is notified by Water Plus through water monitoring software. In addition, for all council meetings as well as general information to staff and building users, notes are sent out to inform how to save water, which is supported by Water Plus.
12. Water plus has implemented use of AMRS - AMR and leak detection during unusual high consumption is monitored. Furthermore, new building BMS are retrofitted as part of decarbonisation projects.
13. Retrofit programs as part of decarbonisation and upgrade of end-of-life services.
14. Water Plus aims to be net zero across its Scope 1 and Scope 2 emissions by 2025 and their plan to achieve this includes supporting peatland restoration and more trees, moving to an office site which has electric car charging and is zero waste to landfill, updating their travel policy for employees and increasing communication on how their staff can be more sustainable at home and in work. These plans have been in action since 2021 and will be widened moving forward although details of how have not yet been published.

Climate and Ecological Implications approved by Jim Cunningham, Climate Policy & Strategy Lead, Tel. 020 8753 6703

PROPERTY IMPLICATIONS

15. The Council's asset transformation programme will see the core operational property estate footprint reduce as assets are used for external letting, conversion to affordable housing or community use. The contract allows

closer monitoring of water consumption that will help drive energy efficiencies too.

16. Property Implications completed and verified by: Jonathan Skaife, Assistant Director, Research Innovation and Growth – Tel. 02087532835.

LOCAL ECONOMY AND SOCIAL VALUE

17. It is a requirement that all contracts let by the council with a value above £100,000 provide social value commitments that are additional to the core services required under the contract. These commitments must amount to at least 10% in value of the price of the contract proposed.
18. It has been verified by Laser that Framework Y22013 contains social value which carried a 10% weighting and is included within this contract price.
19. This process has not been followed in this call-off.

Local Economy and Social Value Implications completed by Paul Clarke, Social Value Officer, 13 December 2022.

CONSULTATION

19. Housing Utilities and Corporate Property Services have been consulting with other departments in relation to non-residential asset water usage in addition to Local Authorities and industry bodies.
20. As part of this procurement, both service leads for Housing and Corporate buildings reviewed all the options available, followed by meetings with lawyers and procurement and another separate meeting with Kent County Council Commercial services group via Laser.
21. **Laser also completed a supply market engagement process as below**
22. Senior members of every water retailer with a license in England were contacted and invited to engagement sessions while building the framework. Interested parties were met individually for a two-hour face to face meeting which enabled us to build the Framework in consultation with the active suppliers in the market.
23. A further invitation was sent to every supplier when the invitation to tender was released
24. Following Award, we meet quarterly with all suppliers on the Framework, provide feedback on all mini competitions run, whether successful or not, and represent our customer base in an OFWAT major users round table group.

LIST OF APPENDICES

No.	Description of Background Papers	Name/Ext of holder of file/copy	Department/ Location
1.	Laser Water Procurement Proposal	Kal Saini, Utilities & Commercial Properties Manager	Economy
2.	Water user guide v1.1	Kal Saini, Utilities & Commercial Properties Manager	Economy
3.	Call off Terms and Conditions	Kal Saini, Utilities & Commercial Properties Manager	Economy