

**SURREY COUNTY COUNCIL****CABINET****DATE: 18 DECEMBER 2018****REPORT OF: MS CHARLOTTE MORLEY, CABINET  
MEMBER FOR CORPORATE SUPPORT****LEAD OFFICER: TRACIE EVANS, EXECUTIVE DIRECTOR, EGC****COMMUNITY COUNCIL  
VISION  
OUTCOME:****SUBJECT: WATER AND WASTE WATER SERVICES****SUMMARY OF ISSUE:**

This report sets out recommendations arising from work on options for the provision of water and waste water services to premises owned or operated by the county council and outlines a competitive tender procurement process in order to select a supplier to deliver the service.

Water and waste water services are defined as the billing, meter reading and customer service provided in connection with the supply of mains water to and the removal of waste water from sites or premises under the control of the county council. Also, each school in Surrey will be able to make use of the procurement arrangements put in place, allowing it to take advantage of the agreed rates for these services should it wish to do so.

The procurement process is at the stage where Cabinet approval is required in order to award the contract to Castle Water Limited to commence the service from 1 February 2019.

Because of the commercial sensitivity the details of assessment results have been circulated as a confidential Part 2 of this report.

**RECOMMENDATION:**

It is recommended that Cabinet approves the award of a 2 Year plus 1 Year optional contract to Castle Water Limited for the provision of water and waste water services to Surrey County Council.

**REASON FOR RECOMMENDATION:**

Water and waste water services are essential in order for the council to continue operating its premises in a way which is compliant to relevant standards of health and safety.

The award of this contract will enable uninterrupted provision of the service while reducing the current number of providers and the processing of multiple invoices. It will also generate pricing reductions of an estimated £26,000 per annum for the

Council against current costs. A summary of the procurement process is circulated in Annex 1 Procurement process and in confidential Part 2 of the report.

A mini-competition and e-auction process in compliance with the requirements of Public Contract Regulations and Procurement Standing Orders has been completed. The recommended supplier offered overall best value for money in the procurement process which was carried out by Crown Commercial Services on behalf of Orbis partners: Surrey County Council, East Sussex County Council and Brighton and Hove City Council.

## **DETAILS:**

### **Business Case**

1. Surrey County Council (SCC) currently has five different suppliers of water and waste water services.
2. The water supply industry in the UK was previously comprised of a number of regionally based water companies responsible for the supply of water and the treatment of waste water to all consumers in their area. The county of Surrey stretches across the geographical areas of five different water companies; Affinity Water, Business Stream, Castle Water, SES Water and South East Water. The supply of water to each building in Surrey is therefore provided by the local water based on geographical location.
3. Each water provider also provides meter reading and billing services and with five different providers it means multiple invoices, multiple checking and multiple queries being processed by Surrey staff.
4. Following de-regulation in 2017 a new retail market was established for water service provision to non-domestic customers. This provides the opportunity to rationalise the number of suppliers and deliver improved service levels. It is also important for the council to have an appropriate contractual arrangement in place so that is not subject to legal challenge.
5. In the new market licensed retailers buy water and waste water services from the wholesalers and operate the retail services which include:
  - billing
  - meter reading
  - customer services
6. In the months preceding de-regulation, a decision was taken to remain with its current suppliers for a period of time whilst the new market established itself. The market has now settled enough for the SCC to establish a new contractual arrangement for the services.
7. A joint Orbis-wide approach has been undertaken combining the volumes of Surrey County Council with East Sussex County Council (ESCC) and Brighton and Hove City Council (BHCC) to obtain economies of scale and price reductions.
8. The benefits of the new arrangement, including lower prices, will be available to schools in Surrey if they choose to sign up to the contract. Once Surrey County Council has signed the call off agreement with Castle Water, any maintained school in Surrey will be able to enjoy similar benefits by signing

their own call off agreement with Castle under the same terms and conditions.

9. Each council will sign an individual framework call-off contract with the service provider.

### Procurement Strategy

10. This project offered the opportunity to consolidate volumes and requirements across the Orbis Partners so that to take advantage of economies of scale and standardisation.
11. Procurement and Property Services have worked with Crown Commercial Services (CCS) who undertook an aggregated tender and e-auction on our behalf. CCS Framework was chosen to assess this new market and to establish a best value contract that maximises value for money and efficiency.
12. Combining the three council's volume of spend and standardising their requirements with a single supplier led to an opportunity to reduce costs and secure efficiencies by not having to deal with multiple vendors and multiple invoices.
13. Of the eight Suppliers within the selected Lot, CCS confirmed there were five responses received from tenderers who were all invited to an e-auction following compliance with set quality criteria as part of the evaluation process. Details of supplier's can be found in the Part 2 Report.

Following the e- auction Property and Procurement Services recommend that the contract is awarded to Castle Water Limited.

14. Benefits which will be generated by the implementation of the new contract with the recommended supplier Castle Water Limited are as follows:
  - a. **SCC Cash releasing benefits** – Can be found in the Part 2 Report. The contract price is fixed for the potential 2 Year plus 1 Year Contract term.
  - b. **Social Value** – The Crown Commercial Services framework being considered for this procurement does not provide the scope to include Social Value in mini-competitions. The types of services being procured (Meter reading and billing) are also unlikely to be able to provide Social Value directly within the respective Council areas. However, Castle Water is a national provider who carries out these services across the country for various clients. They will be using sub-contractors in the SCC area who will use local employees to carry out the water meter readings in Surrey.
  - c. **Other benefits** – The consolidation of Orbis partner volumes and requirements has resulted in a single provider across the three partner sites. This will reduce the number of supplier invoices and queries currently being processed by Surrey staff in the energy teams. The detailed information about the procurement process is contained within background paper Annex 1.

<b>CONSULTATION:</b>
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15. The Stakeholders that have been consulted in relation to this project are as follows:-

- Paul Hasley – Orbis Energy Manager, Property
- Crown Commercial Services
- Wendy McRea- Smith – Orbis Public Law
- Claire Sibley – Acting Head of Procurement, SCC
- Louise Lawson – Senior Principal Accountant, Orbis & Business Services Finance

<b>RISK MANAGEMENT AND IMPLICATIONS:</b>
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16. The award will be to a provider via a public procurement framework, which means that that they will have successfully completed satisfactory financial checks as well as competency in delivery of similar contracts at the pre-qualification stage.

17. In addition financial checks have been carried out internally for the winning bidder Castle Water Ltd. These checks have been classified as acceptable.

18. Due to the current direction of the transformation programme at SCC, risks were assessed that may impact on future provision of these services. Although it is unlikely to affect these services the contract includes the following 'Termination Clause' :-

Termination without Cause "The Customer shall have the right to terminate this Call Off Contract at any time by issuing a Termination Notice to the Supplier giving at least thirty (30) Working Days written notice (unless stated differently in the Call Off Order Form)".

19. This will allow the Council to terminate the contract with 30 days' notice.

20. The following key risks associated with the contract have been identified, along with mitigation activities:

Category	Risk Description	Mitigation Activity
Financial	Increase in costs during the term.	Prices are fixed for contract term.
	Provider has poor financial standing	Internal Financial checks carried out – status of Acceptable.

Performance	Previous experience of customer service issues.	Specific quality questions included in tender documentation that cover specific concerns.  Termination without cause clause provides 30 day notice of termination in the event of consistent poor performance not improved by dialogue with vendor.
Personal data	General Data Protection Regulation (GDPR)	CCS confirmed that GDPR is low risk due to nature of services being provided i.e. no customer names or personal details will be processed. Details held are meter readings, volumes and premise addresses.

### **Financial and Value for Money Implications**

21. The overall [estimated] value of the contract for SCC over the potential 2 Years plus 1 Year is currently £1,050,000.
22. The procurement activity has delivered a solution with identified savings of £78k (£26k per annum) for SCC.
23. Award of the new contract will result in a decrease in the cost of the contract with estimated value of the contract reduced to £972k over the 2 Year plus 1 Year term.
24. Benchmarking information regionally and nationally on the cost of the delivery of the services required under the contract show that Castle Water currently provide the most competitive value for money offer for monthly and quarterly billing services.

### **Section 151 Officer Commentary**

25. The estimated level of expenditure and savings in this report are included in the current Medium Term Financial Plan.
26. Property Services is expected to have in place appropriate controls to ensure that water and waste water services purchased through the optional contract are necessary within the context of the Council's financial situation.
27. The procurement exercise to establish the optional contract ensures that water and waste water services are market tested and provide value for money.

### **Legal Implications – Monitoring Officer**

28. In order to comply with the 'Key Principles' set out in paragraph 1.2 of the Procurement Standing Orders, the Council has a duty to secure Best Value.
29. The Council's Legal officers will advise during the procurement to ensure that it complies with all relevant public procurement legislation as well as the Council's Procurement Standing Orders.

<b>Equalities and Diversity</b>
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30. The Council has been mindful of its equalities duties under the Equality Act 2010 in carrying out the tender process and letting the contract with due regard to the need to eliminate discrimination in age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
31. The Council is committed to providing its services in a way, which promotes equality of opportunity at every possibility. The contract document stipulates that the supplier will comply with the relevant Equality and Diversity legislation. It is expected that the appointed supplier will be fully committed to equality and diversity in their service provision and will ensure compliance with all anti-discrimination legislation.
32. There are no TUPE implications as a result of this contract.

<b>WHAT HAPPENS NEXT:</b>
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33. The timetable for implementation is as follows:

<b>Action</b>	<b>Date</b>
Cabinet decision to award (including the end of 'call in' period)	18 December 2018
Contract Signature	31 December 2018
Contract Commencement Date	1 February 2019

**Contact Officers:**

Paul Hasley, Orbis Energy Manager – 07813 363432  
 William Johnstone, Procurement Specialist, Orbis Procurement – 07701 020239

**Consulted:**

Claire Sibley – Head of Procurement SCC  
 Wendy Mcrea-Smith, Orbis Public Law (OPL)  
 Paul Hasley – Energy Manager SCC

**Annexes:**

Annex 1 – Procurement process  
 Confidential Part 2

**Sources/background papers:**