

Classification: Open	Decision Type: Key
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Report to:	Cabinet	Date: 12 July 2023
Subject:	Renewal of the Council’s Corporate Water Supply Contract	
Report of	Cabinet Member for Corporate Affairs and HR	

1. Summary

The purpose of this report is to seek formal approval to use the YPO water supply framework for the period 1 October 2023 to 24 October 2024, and further to enter into YPO’s new water supply contract for the period 2024 to 2028, once a new framework has been established.

The Council’s corporate water supply contract covers the supply of water to office buildings, schools, community centres, libraries, leisure facilities and buildings occupied by Persona and Six Town Housing. This comprises in excess of 300 supply points across the borough. Bury Council is an associate member of YPO, a Public Buying Organisation established in 1974 to maximise the value from consolidating demand and procuring collaborative supply contracts on behalf of its members and associates.

2. Recommendation(s)

Cabinet is asked to:

1. Approve the use of the YPO utility Framework Agreement to administer the purchase and supply of the Council’s corporate water supply contract for the period 1 October 2023 to 24 October 2024. The total estimated contract value will be circa £1m over a one-year period. (The annual and total contract value may change due to consumption patterns).
2. Approve the use of YPO’s appointed framework supplier, Wave Utilities, for the supply of water throughout the framework duration.
3. Approve the use of the YPO utility Framework Agreement to administer the purchase and supply of the Council’s corporate water supply contract for the period 25 October 2024 to 24 October 2028 (at an annual cost of circa £1m per annum). The total estimated contract value will be circa £4m over a four-year period. (The annual and total contract value may change due to consumption patterns).
4. Approve the use of YPO’s appointed framework supplier, (this will be confirmed on the completion of a compliant procurement exercise), for the supply of water through the framework duration.
5. Provide delegated authority to the Executive Director of Operations and Executive Director of Finance, in consultation with the portfolio lead for Corporate Affairs and HR, to award the contracts and facilitate the execution, implementation, and operation of the contracts.

3. Reasons for recommendations

The proposed arrangements ensure that the Council has a compliant water supply contract in place and has tested the market for best value.

3.1 Market Research

As part of the evaluation process, other local authorities have been contacted through the Greater Manchester Combined Authority (GMCA) Energy Managers group for their evaluation of the YPO water supply contract. A number of Greater Manchester authorities use the contract and there was no negative feedback. They confirmed that their experience of the contract and supplier has been very positive, in terms of both value for money and customer experience.

Please see Appendix 1 – YPO 1008 Water Procurement Outcomes Report.

3.2 Social Value

Please see Appendix 2 – Social Value Wave.

Once the contract has been procured, Bury specific social value items will be discussed and implemented throughout the period of the contract.

4. Alternative options considered and rejected

4.1 Procure our own energy by direct tender

This option is possible, but it would involve a standalone tender process to secure contracts directly with the selected utility provider(s) (or via a broker). This approach is unlikely to produce the best results due to the relatively small scale of the portfolio compared to that of most large purchasing organisations. In contrast, a Public Sector Buying Organisation such as YPO, can obtain good wholesale prices through aggregating the demand of a large number of public sector organisations. In addition, a direct tender would require the Council to engage additional resources (skilled utility traders and additional staff for contract management) and provide greater risk of exposure to utility price fluctuations. It was therefore determined as unviable.

4.2 Procure through a Private Sector based provider

The Council would be required to invite tenders for a private sector Third Party Intermediary (TPI) to procure utility supply, but it would need to be sure that it would be getting best value through a truly aggregated contract. Full price transparency of all costs, including TPI fees and any commission paid by suppliers to the TPI would be needed. By aggregating the Council's volumes, the TPI could access the water retail market on our behalf, but we may only receive prices based on the supplier's view of the market. A full tender process would be required to engage with such a provider with all the associated resource and time implications this would entail. TPIs may have issues regarding business continuity in the present economic climate and are unlikely to be able to aggregate the council's volume with other customers in a compliant manner or to the same level or offer the same additional and social value as the YPO

contract. Due to this level of complexity and lack of in-house resources to deliver this, this option was dismissed.

4.3 Procure through the STAR hub

The Star hub was contacted to look at their current offering for a water supply contract, they are currently using the YPO framework, Bury Council has access to the YPO framework direct so using STAR to procure the same supplier would not be cost effective, the option was ruled out on this basis.

5. Report Author and Contact Details:

Name: Jason Kelly

Position: Admin Buildings and Energy Manager

Department: Operations

E-mail: j.kelly@bury.gov.uk

6. Background

De-regulation of the water industry commenced in April 2017 following an act of parliament passed in May 2014. De-regulation has introduced competition to the water market, enabling non-domestic customers to choose a supplier based on cost and quality of service, rather than being forced to take supply from the local water company. Where competition exists, public sector organisations were required to conduct a procurement process in accordance with Public Contracts Regulations 2015.

When the market opened for competition, procurement options were considered by GMCA Heads of Procurement and Energy Managers and it was determined that best value was most likely to be obtained from a collaborative approach to the market. Consequently, a procurement process, led by the STaR (Stockport, Trafford and Rochdale) Procurement service was initiated in 2017. The process utilised a new public sector framework agreement established by Crown Commercial Services (CCS) for the supply of Water, Waste Water and Ancillary Services. The collaboration comprised 19 organisations including the Greater Manchester Combined Authorities (GMCA) and allowed Bury Council to benefit from the economies of scale derived from the substantial volumes included. Following a tender process, Water Plus were identified as the successful bidder. Water Plus (being the retail arm established by the regional wholesale supplier United Utilities in partnership with Severn Trent). In 2019 Bury Council entered into a compliant contract for two years with the option to extend for a further two years, after a review of other competitors in the market the option to extend the contract was taken up, the current extension expires on the 29th of September 2023.

7. Links with the Corporate Priorities:

The Let's Do It Strategy sets out the Council's corporate priorities. This contract will support delivery in two areas:

7.1 Carbon neutral by 2038

There is intensive energy use in using, moving and treating water. By reducing the Council's water consumption, energy consumption will be reduced which will impact positively on the Council's carbon footprint.

7.2 Financial Sustainability

By procuring a compliant contract in line with Public Contract Regulations 2015, the Council can be certain that economies of scale and budget certainty can be achieved, the contract will have a dedicated team looking at consumption efficiencies which will provide a reduction in cost and provide financial sustainability.

8. Equality Impact and Considerations:

The proposal does not bring about any changes that would impact on one protected characteristic over and above another, it doesn't result in increased/decrease access to services or provision for any particular group of the population or cause any disadvantage to a community of interest. The approach is to ensure value for money in water supply for the council and thus strive to mitigate Council costs, which would benefit all residents.

9. Environmental Impact and Considerations:

There is intensive energy use as a result of using, moving and treating water. By reducing the Council's water consumption, energy consumption will be reduced which will impact positively on the Council's carbon footprint. As part of the new contract, automatic reading meters (AMR) will be installed which will further reduce the Council's carbon footprint and reduce associated costs with a leak detection strategy implemented.

10. Assessment and Mitigation of Risk:

Risk / opportunity	Mitigation
Water supply contract expires without being renewed resulting in inflated utility prices	July Cabinet approval will enable the Council to confirm to YPO that we wish to be part of the water supply contract. This will provide the opportunity for Bury Council to secure cheaper prices through greater volumes and ensure

	the contract is in place before the current contract expires.
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11. Legal Implications:

The YPO single supplier framework utilising Wave Utilities is appropriate for the procurement of the Councils water supply. Use of frameworks is an established method of reducing the timescales involved whilst adhering to the Procurement Regulations. This results in significant cost savings and enables the contracting authority to develop a strategic relationship with the supply chain over a long period and also achieve better value.

12. Financial Implications:

A number of options as described in this report have been investigated with regards to the Council's water supply contract renewal, with the recommended option being the use of YPO's appointed framework supplier, Wave Utilities, for the supply of water through the framework duration. This option provides value for money benefits not delivered by the other options investigated and these are described in Section 4 above with the key financial benefit being the achievement of better budgetary reporting, price, and risk management.

13. Appendices:

Appendix 1 – YPO 1008 Water Procurement Outcomes Report

Appendix 2 – Social Value Wave

14. Background papers:

None

Please include a glossary of terms, abbreviations and acronyms used in this report.

Term	Meaning
YPO	Yorkshire Purchasing Organisation
PBO	Public Buying Organisation
PCR2015	Public Contracts Regulations 2015
GMCA	GMCA Greater Manchester Combined Authority
TPI	Third Party Intermediary
STAR	Stockport, Trafford, and Rochdale