

Chief Officer Key Decision Report

Date: 03/08/2020

Wards: All

Subject: Extension of Contract for Water Supply and Sewerage Services

Lead officer: Mark Humphries - Assistant Director, Infrastructure and Technology

Lead member: Councillor Mark Allison

Contact officer: Richard Neal - Energy & Sustainability Manager

Recommendations:

1. The Council's contract with Anglian Water Business (National) Ltd trading as Wave be extended in line with the provisions of the framework from 13 December 2020 until 30 April 2022 at an estimated cost of £200k.
 2. That authority to undertake the above be delegated to the Energy & Sustainability Manager.
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1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1. Officers are seeking approval to take up the optional extension allowed for within Merton's Original call-off contract with Wave (Anglian Water Business (National) Ltd).
- 1.2. Once executed in accordance with the Framework the contract end date would be extended from 13/12/2020 until 30th April 2022.
- 1.3. The contract value is estimated as £150,000 per annum, meaning the extension is worth an estimated £200,000 in total.

2 DETAILS

- 2.1. Merton appointed Wave to provide water, wastewater and ancillary services on the 14th December 2018 via a further competition run by the London Energy Project (LEP) on the Crown Commercial Services Framework RM 3790.
- 2.2. This procurement route was chosen for a number of reasons, chiefly that due to the small retail margins on these services (approximately 10% of invoiced cost) any financial benefit to the council from running an in-house procurement was likely to be limited, and that greater benefit could be extracted, primarily around customer and ancillary services, by leveraging the economies of scale of buying in to a collective procurement exercise. Officers do not consider that these key drivers have changed since the point the contract was awarded.
- 2.3. The initial period of the call-off contract ends on 13th December 2020, and there is a single option to extend the contract until 30th April 2022.
- 2.4. As an essential utility Merton is required to have an appointed supplier for these services, and due to good performance by the incumbent supplier, officers believe there is little value in re-tendering the services at this time. Merton will be required to re-tender the services at the conclusion of the extension period. Were a supplier not to be appointed at the end of the initial

contract period with Wave, Wave would continue to provide Water and Wastewater services on an 'out of contract basis', but Merton would not have access to any of the additional benefits of the current contract e.g. Account Management, Leakage Find and Fix services. Such an approach would also likely be deemed non-compliant with The Public Contracts Regulations 2015 (PCR 2015)

- 2.5. While the LEP has now been closed down (though discussions continue about it continuing in some form), the ability of Merton to continue buying services via this contract, and taking up the optional extension, is unaffected.

3 ALTERNATIVE OPTIONS

- 3.1. Do Not Extend or Vary the Contract. As an essential service, water supply and sewerage services would continue to be delivered to sites under 'deemed contract' terms upon the expiry of the Council's current contract. These terms will be inferior to those available under an extension, and such an approach would not be compliant with Public Contracts Regulations 2015 or the Council's own Contract Standing Orders.
- 3.2. Carry out a separate procurement or call off for the services. If the contract with Wave is not extended Merton would be required by the Public Contract Regulations 2015 and its own Contract standing orders to re-procure these services. This would enable the market to be retested with a view to securing better terms. In reality the relatively short period since the LEP further completion, combined with the loss of any advantages related to collaboratively procuring with other Authorities across London as well as the current COVID-19 crisis means that the possibility of securing better terms is remote. Furthermore any procurement exercise will place additional administrative timelines on officers.

4 CONSULTATION UNDERTAKEN OR PROPOSED

- 4.1. None.

5 TIMETABLE

- 5.1. Currently the Council's contract with Wave is due to expire 13/12/2020, and we are required to notify wave 3 months before this date of our intention to extend (13/09/2020).

6 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

- 6.1. Costs relating to the supply of Water and Wastewater are funded directly by sites as part of their revenue budgets. This process will continue in the same way under the proposed extension.

7 LEGAL AND STATUTORY IMPLICATIONS

7.1 The original procurement process (procuring from an established framework) was undertaken in accordance with the Council's Contract Standing Orders and PCR 2015.

7.2 The call-off contract dated 21 December 2018 contains the option to extend the term until 30 April 2022 and the Council wishes to exercise this option. The proposed extension is permissible under the original authority given to award the contract and may be further authorised pursuant to the recommendation in this report.

8 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

8.1. None identified

9 CRIME AND DISORDER IMPLICATIONS

9.1. None identified

10 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

10.1. None identified

11 APPENDICES – THE FOLLOWING DOCUMENTS ARE TO BE PUBLISHED WITH THIS REPORT AND FORM PART OF THE REPORT

- None

12 BACKGROUND PAPERS

12.1. None